

**Phihong Technology Co., Ltd. and
Subsidiaries**

**Consolidated Financial Statements for the
Nine Months Ended September 30, 2016 and 2015 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Stockholders
Pihong Technology Co., Ltd.

We have reviewed the accompanying consolidated balance sheets of Pihong Technology Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") as of September 30, 2016 and 2015, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the nine months ended September 30, 2016 and 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report based on our reviews.

Except as explained in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 36 "Engagements to Review Financial Statements" issued by the Auditing Standards Committee of the Accounting Research and Development Foundation of the Republic of China. A review consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with 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.

As disclosed in Note 13 to the consolidated financial statements, long-term equity investments accounted for under the equity method for the nine months ended September 30, 2016 and 2015 were based on unreviewed financial statements. As of September 30, 2016 and 2015, the aggregate balances of the Company's investments in its investees whose financial statements have not been reviewed by independent accountants amounted to \$274,136 thousand and \$266,089 thousand, respectively. For the three months and the nine months ended September 30, 2016 and 2015, the Company's investment comprehensive income from such investments amounted to \$16,796 thousand, \$4,236 thousand, \$8,780 thousand and \$27,228 thousand, respectively.

Based on our reviews, except for the effects of such adjustments, if any, as might have been determined to be necessary had the long-term equity investments and investment comprehensive income of investees mentioned above been recognized based on reviewed financial statements, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above 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 of the Republic of China.

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 10, 2016

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted 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 applied in the Republic of China.

For the convenience of readers, the independent auditors’ review report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors’ review report and consolidated financial statements shall prevail.

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	September 30, 2016 (Reviewed)		December 31, 2015 (Audited)		September 30, 2015 (Reviewed)	
	Amount	%	Amount	%	Amount	%
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 1,564,978	14	\$ 1,489,934	13	\$ 1,451,801	13
Financial assets at fair value through profit or loss - current (Note 7)	-	-	147,522	1	265,340	2
Financial assets measured at cost - current (Note 8)	48,396	1	-	-	-	-
Trade receivables (Note 9)	2,098,125	19	2,262,853	20	2,256,768	20
Other receivables	76,622	1	57,530	1	67,480	1
Inventories (Note 10)	1,348,279	12	1,555,586	14	1,652,123	15
Prepayment for lease (Note 17)	3,572	-	3,987	-	4,068	-
Non-current assets held for sale, net (Note 11)	11,610	-	-	-	-	-
Other financial assets - current (Note 6)	590,337	6	375,723	3	159,767	1
Other current assets	143,075	1	130,636	1	152,130	1
Total current assets	5,884,994	54	6,023,771	53	6,009,477	53
NON-CURRENT ASSETS						
Financial assets measured at cost - non-current (Note 8)	46,219	-	69,615	1	70,602	1
Investments accounted for using equity method (Note 13)	274,136	3	278,503	3	266,089	2
Property, plant and equipment (Note 14)	3,825,169	35	4,121,639	36	4,553,006	40
Investment properties (Notes 4 and 15)	596,327	6	668,178	6	234,584	2
Intangible assets (Note 16)	29,831	-	40,538	-	39,892	-
Deferred tax assets (Note 4)	56,366	1	45,976	-	46,640	-
Long-term prepayments for lease (Note 17)	135,750	1	153,778	1	157,942	1
Other non-current assets	39,637	-	45,591	-	56,056	1
Total non-current assets	5,003,435	46	5,423,818	47	5,424,811	47
TOTAL	\$ 10,888,429	100	\$ 11,447,589	100	\$ 11,434,288	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term debt (Note 18)	\$ 94,065	1	\$ 98,580	1	\$ 98,610	1
Trade payable	2,359,090	22	2,405,829	21	2,286,914	20
Trade payables to related parties (Note 27)	61,725	-	61,232	-	67,555	1
Other payables (Note 20)	837,260	8	852,660	7	901,277	8
Current tax liabilities (Note 4)	61,443	-	72,036	1	54,011	-
Current portion of long-term borrowings (Note 18)	1,200,698	11	76,288	1	50,000	-
Other current liabilities	194,382	2	88,534	1	102,418	1
Total current liabilities	4,808,663	44	3,655,159	32	3,560,785	31
NON-CURRENT LIABILITIES						
Bonds payable (Note 19)	997,857	9	1,266,468	11	1,302,848	11
Long-term borrowings (Note 18)	42,185	-	702,576	6	650,000	6
Deferred tax liabilities (Note 4)	79,832	1	79,832	1	79,832	1
Accrued pension liabilities (Notes 4 and 21)	82,471	1	83,016	1	75,946	1
Other non-current liabilities	6,418	-	4,048	-	4,402	-
Total non-current liabilities	1,208,763	11	2,135,940	19	2,113,028	19
Total liabilities	6,017,426	55	5,791,099	51	5,673,813	50
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 22)						
Common stock	2,776,884	26	2,776,884	24	2,776,884	24
Capital surplus	1,026,456	9	1,026,456	9	1,026,456	9
Retained earnings						
Legal reserve	1,113,185	10	1,113,185	10	1,113,185	10
Special reserve	230,859	2	230,859	2	230,859	2
Unappropriated earnings (losses)	(266,851)	(2)	177,165	1	242,343	2
Total retained earnings	1,077,193	10	1,521,209	13	1,586,387	14
Other equity						
Exchange differences on translating foreign operations	(56,437)	(1)	294,758	3	386,001	3
Unrealized loss on available-for-sale financial assets	56,631	1	47,351	-	(4,901)	-
Total other equity	194	-	342,109	3	381,100	3
Total equity attributable to owners of the Company	4,880,727	45	5,666,658	49	5,770,827	50
NON-CONTROLLING INTEREST	(9,724)	-	(10,168)	-	(10,352)	-
Total equity	4,871,003	45	5,656,490	49	5,760,475	50
TOTAL	\$ 10,888,429	100	\$ 11,447,589	100	\$ 11,434,288	100

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

(With Deloitte & Touche review report dated November 10, 2016)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2016		2015		2016		2015	
	Amount	%	Amount	%	Amount	%	Amount	%
NET SALES AND REVENUES (Notes 27 and 31)	\$ 2,961,513	100	\$ 2,936,903	100	\$ 8,021,532	100	\$ 8,077,641	100
COST OF GOODS SOLD (Notes 10 and 27)	<u>2,563,417</u>	<u>87</u>	<u>2,648,768</u>	<u>90</u>	<u>7,148,175</u>	<u>89</u>	<u>7,386,755</u>	<u>91</u>
GROSS PROFIT	<u>398,096</u>	<u>13</u>	<u>288,135</u>	<u>10</u>	<u>873,357</u>	<u>11</u>	<u>690,886</u>	<u>9</u>
OPERATING EXPENSES								
Sales and marketing	196,762	6	163,146	6	576,943	7	485,395	6
General and administration	110,665	4	145,743	5	340,001	5	403,422	5
Research and development	<u>123,487</u>	<u>4</u>	<u>128,485</u>	<u>4</u>	<u>379,672</u>	<u>5</u>	<u>360,313</u>	<u>5</u>
Total operating expenses	<u>430,914</u>	<u>14</u>	<u>437,374</u>	<u>15</u>	<u>1,296,616</u>	<u>17</u>	<u>1,249,130</u>	<u>16</u>
(LOSS) PROFIT FROM OPERATIONS	<u>(32,818)</u>	<u>(1)</u>	<u>(149,239)</u>	<u>(5)</u>	<u>(423,259)</u>	<u>(6)</u>	<u>(558,244)</u>	<u>(7)</u>
NONOPERATING INCOME (EXPENSES)								
Other income (Note 23)	33,374	1	35,974	1	101,426	1	100,584	1
Other gains (losses) (Note 23)	(41,800)	(2)	64,555	2	(87,714)	(1)	52,151	-
Finance costs	(7,899)	-	(8,217)	-	(26,140)	-	(22,124)	-
Share of the profit of associates (Note 13)	<u>(4,881)</u>	<u>-</u>	<u>(5,358)</u>	<u>-</u>	<u>(500)</u>	<u>-</u>	<u>(5,070)</u>	<u>-</u>
Total nonoperating income	<u>(21,206)</u>	<u>(1)</u>	<u>86,954</u>	<u>3</u>	<u>(12,928)</u>	<u>-</u>	<u>125,541</u>	<u>1</u>
LOSS BEFORE INCOME TAX	(54,024)	(2)	(62,285)	(2)	(436,187)	(6)	(432,703)	(6)
INCOME TAX EXPENSE (Notes 4 and 24)	<u>(4,922)</u>	<u>-</u>	<u>(4,629)</u>	<u>-</u>	<u>(7,851)</u>	<u>-</u>	<u>(19,989)</u>	<u>-</u>
NET LOSS FOR THE PERIOD	<u>(58,946)</u>	<u>(2)</u>	<u>(66,914)</u>	<u>(2)</u>	<u>(444,038)</u>	<u>(6)</u>	<u>(452,692)</u>	<u>(6)</u>
OTHER COMPREHENSIVE (LOSS) INCOME								
Exchange differences on translating foreign operations (Note 22)	(181,940)	(6)	150,885	5	(350,729)	(4)	42,759	1
Share of the other comprehensive income of associates (Note 22)	<u>21,677</u>	<u>1</u>	<u>9,594</u>	<u>-</u>	<u>9,280</u>	<u>-</u>	<u>32,298</u>	<u>-</u>
Total other comprehensive (loss) income	<u>(160,263)</u>	<u>(5)</u>	<u>160,479</u>	<u>5</u>	<u>(341,449)</u>	<u>(4)</u>	<u>75,057</u>	<u>1</u>
TOTAL COMPREHENSIVE (LOSS) INCOME	<u>\$ (219,209)</u>	<u>(7)</u>	<u>\$ 93,565</u>	<u>3</u>	<u>\$ (785,487)</u>	<u>(10)</u>	<u>\$ (377,635)</u>	<u>(5)</u>
NET LOSS								
ATTRIBUTABLE TO:								
Owner of the Company	\$ (58,940)	(2)	\$ (66,882)	(2)	\$ (444,016)	(6)	\$ (449,274)	(6)
Non-controlling interests	<u>(6)</u>	<u>-</u>	<u>(32)</u>	<u>-</u>	<u>(22)</u>	<u>-</u>	<u>(3,418)</u>	<u>-</u>
	<u>\$ (58,946)</u>	<u>(2)</u>	<u>\$ (66,914)</u>	<u>(2)</u>	<u>\$ (444,038)</u>	<u>(6)</u>	<u>\$ (452,692)</u>	<u>(6)</u>

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PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2016		2015		2016		2015	
	Amount	%	Amount	%	Amount	%	Amount	%
TOTAL COMPREHENSIVE (LOSS) INCOME								
ATTRIBUTABLE TO:								
Owner of the Company	\$ (219,507)	(7)	\$ 94,195	3	\$ (785,931)	(10)	\$ (376,945)	(5)
Non-controlling interests	<u>298</u>	-	<u>(630)</u>	-	<u>444</u>	-	<u>(690)</u>	-
	<u>\$ (219,209)</u>	<u>(7)</u>	<u>\$ 93,565</u>	<u>3</u>	<u>\$ (785,487)</u>	<u>(10)</u>	<u>\$ (377,635)</u>	<u>(5)</u>
(LOSS) EARNINGS PER SHARE (Note 25)								
Basic	<u>\$ (0.21)</u>		<u>\$ (0.24)</u>		<u>\$ (1.60)</u>		<u>\$ (1.62)</u>	

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

(With Deloitte & Touche review report dated November 10, 2016)

(Concluded)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Equity Attributable to Owners of the Company										
	Common Stock	Capital Surplus	Retained Earnings			Unappropriated Earnings (Losses)	Other Equity		Total	Non-controlling Interests	Total Equity
			Legal Reserve	Special Reserve	Exchange Differences on Translating Foreign Operations		Unrealized Gain (Loss) on Available-for-sale Financial Assets				
BALANCE, JANUARY 1, 2015	\$ 2,776,884	\$ 1,026,456	\$ 1,098,401	\$ 230,859	\$ 839,463	\$ 345,970	\$ (37,199)	\$ 6,280,834	\$ (9,662)	\$ 6,271,172	
Appropriation of the 2014 net income (Note 22)											
Legal reserve	-	-	14,784	-	(14,784)	-	-	-	-	-	
Cash dividend	-	-	-	-	(133,062)	-	-	(133,062)	-	(133,062)	
Net loss for the nine months ended September 30, 2015	-	-	-	-	(449,274)	-	-	(449,274)	(3,418)	(452,692)	
Other comprehensive income for the nine months ended September 30, 2015, net of income tax	-	-	-	-	-	40,031	32,298	72,329	2,728	75,057	
Total comprehensive income (loss) for the nine months ended September 30, 2015	-	-	-	-	(449,274)	40,031	32,298	(376,945)	(690)	(377,635)	
BALANCE, SEPTEMBER 30, 2015	<u>\$ 2,776,884</u>	<u>\$ 1,026,456</u>	<u>\$ 1,113,185</u>	<u>\$ 230,859</u>	<u>\$ 242,343</u>	<u>\$ 386,001</u>	<u>\$ (4,901)</u>	<u>\$ 5,770,827</u>	<u>\$ (10,352)</u>	<u>\$ 5,760,475</u>	
BALANCE, JANUARY 1, 2016	\$ 2,776,884	\$ 1,026,456	\$ 1,113,185	\$ 230,859	\$ 177,165	\$ 294,758	\$ 47,351	\$ 5,666,658	\$ (10,168)	\$ 5,656,490	
Net loss for the nine months ended September 30, 2016	-	-	-	-	(444,016)	-	-	(444,016)	(22)	(444,038)	
Other comprehensive income (loss) for the nine months ended September 30, 2016, net of income tax	-	-	-	-	-	(351,195)	9,280	(341,915)	466	(341,449)	
Total comprehensive income (loss) for the nine months ended September 30, 2016	-	-	-	-	(444,016)	(351,195)	9,280	(785,931)	444	(785,487)	
BALANCE, SEPTEMBER 30, 2016	<u>\$ 2,776,884</u>	<u>\$ 1,026,456</u>	<u>\$ 1,113,185</u>	<u>\$ 230,859</u>	<u>\$ (266,851)</u>	<u>\$ (56,437)</u>	<u>\$ 56,631</u>	<u>\$ 4,880,727</u>	<u>\$ (9,724)</u>	<u>\$ 4,871,003</u>	

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

(With Deloitte & Touche review report dated November 10, 2016)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	\$ (436,187)	\$ (432,703)
Adjustments for:		
Impairment loss recognized (reversal of impairment loss) on trade receivables	(2,028)	4,677
Depreciation expense	282,071	290,365
Amortization expense	12,987	12,174
Net gain on fair value change of financial assets designated as at fair value through profit or loss	-	(3,829)
Finance costs	26,140	22,124
Interest income	(22,859)	(16,292)
Dividend income	(5,239)	(5,542)
Share of loss of associates	500	5,070
Gain on disposal of property, plant and equipment	(6,882)	(733)
Loss on disposal of intangible assets	379	-
Gain on disposal of investments	(5,923)	(13,075)
Gain on buy-back of bonds payable	(1,606)	(9,550)
Amortization of prepayments for lease	2,904	2,964
Net changes in operating assets and liabilities		
Trade receivable	166,756	(286,616)
Other receivables	(11,802)	40,789
Inventories	207,307	(15,815)
Other current assets	(12,439)	375
Trade payable	(46,739)	40,709
Trade payable to related parties	493	(31,962)
Other payables	(23,162)	(168,963)
Other current liabilities	105,848	10,183
Reserve for retirement plan	(545)	(92)
Cash generated from (used in) operating activities	229,974	(555,742)
Interest paid	(10,471)	(3,086)
Interest received	15,560	13,876
Income tax paid	(28,834)	(65,086)
Net cash provided by (used in) operating activities	<u>206,229</u>	<u>(610,038)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through profit or loss	-	(61,971)
Proceeds on sale financial assets designated as at fair value through profit or loss	153,406	-
Purchase of financial assets at fair value through profit or loss	(25,000)	-
Decrease and return of capital from investees at equity method	8,590	54,750
Payments for property, plant and equipment	(210,173)	(540,938)

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PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2016	2015
Proceeds from disposal of property, plant and equipment	\$ 35,077	\$ 10,397
Payments for intangible assets	(3,629)	(6,423)
Proceeds from disposal of intangible assets	121	-
Decrease in refundable deposits	13,365	10,952
Increase in purchase of other financial assets - current	(214,614)	(159,767)
Increase in prepayments for equipment	(7,411)	(5,165)
Dividend received	9,796	15,325
Decrease and return of capital from investees of financial assets measured at cost	<u>39</u>	<u>22,139</u>
Net cash used in investing activities	<u>(240,433)</u>	<u>(660,701)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term debt	-	98,610
Cash dividends	-	(133,062)
Proceeds from issuance of debt	1,000,000	-
Repayments of bonds payable	(105,959)	(134,969)
Proceeds from long-term borrowings	-	700,000
Repayments of long-term borrowings	(710,454)	-
Increase in advance deposits received	2,370	-
Decrease in advance deposits received	-	(301)
Payments for transaction costs attributable to issue of debt instruments	<u>(2,380)</u>	<u>-</u>
Net cash provided by financing activities	<u>183,577</u>	<u>530,278</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>(74,329)</u>	<u>39,428</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	75,044	(701,033)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>1,489,934</u>	<u>2,152,834</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 1,564,978</u>	<u>\$ 1,451,801</u>

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

(With Deloitte & Touche review report dated November 10, 2016)

(Concluded)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Per Share Data and Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

Phihong Technology Co., Ltd. (“Phihong” or “the Company”), which was formerly known as Phihong Enterprise Co., Ltd. was incorporated on December 12, 1972 under the laws of the Republic of China (“ROC”). Under a resolution approved in the stockholders’ meeting in June 2003, Phihong changed its name to Phihong Technology Co., Ltd. Phihong primarily manufactures and sells AC/DC power adapters, charger bases, power supply modules, UPS (uninterruptible power supply) for computers, ballasts, etc.

In February 2000, Phihong was authorized to have its stocks trade on the over-the-counter (OTC) securities exchange in Taiwan. In September 2001, Phihong’s stocks were ceased to be OTC traded and Phihong later obtained authorization to have its stocks listed on the Taiwan Stock Exchange.

The functional currency of Phihong is New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on November 10, 2016.

3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS

- a. International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC for application starting from 2017

Rule No. 1050026834 issued by the FSC endorsed the following IFRS, IAS, IFRIC and SIC (collectively, the “IFRSs”) for application starting January 1, 2017.

New, Amended or Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment 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)

New, Amended or Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note 1)
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014
	(Concluded)

Note 1: Unless stated otherwise, the above New or amended IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

Except for the following, the initial application of the above New or amended IFRSs in 2017 would not have any material impact on the Group’s accounting policies:

1) Amendment to IAS 36 “Recoverable Amount Disclosures for Non-financial Assets”

The amendment clarifies that the recoverable amount of an asset or a cash-generating unit is disclosed only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, if the recoverable amount of an item of property, plant and equipment for which impairment loss has been recognized or reversed is fair value less costs of disposal, the Group is required to disclose the fair value hierarchy. If the fair value measurements are categorized within (Level 2/Level 3), the valuation technique and key assumptions used to measure the fair value are disclosed. The discount rate used is disclosed if such fair value less costs of disposal is measured by using present value technique. The amendment will be applied retrospectively.

2) Annual Improvements to IFRSs: 2010-2012 Cycle

Several standards, including IFRS 2 “Share-based Payment”, IFRS 3 “Business Combinations” and IFRS 8 “Operating Segments”, were amended in this annual improvement.

The amended IFRS 8 requires the Group to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have “similar economic characteristics”. The amendment also clarifies that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segments’ assets are regularly provided to the chief operating decision-maker. The judgements made in applying aggregation criteria should be disclosed retrospectively upon initial application of the amendment in 2017.

When the amended IFRS 13 becomes effective in 2017, the short-term receivables and payables with no stated interest rate will be measured at their invoice amounts without discounting, if the effect of not discounting is immaterial.

IAS 24 was amended to clarify that a management entity providing key management personnel services to the Group is a related party of the Group. Consequently, the Group is required to disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

3) Annual Improvements to IFRSs: 2011-2013 Cycle

Several standards, including IFRS 3, IFRS 13 and IAS 40 “Investment Property”, were amended in this annual improvement.

The scope in IFRS 13 of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

4) Annual Improvements to IFRSs: 2012-2014 Cycle

Several standards including IFRS 5 “Non-current assets held for sale and discontinued operations”, IFRS 7, IAS 19 and IAS 34 were amended in this annual improvement.

IFRS 5 was amended to clarify that reclassification between non-current assets (or disposal group) “held for sale” and non-current assets “held for distribution to owners” does not constitute a change to a plan of sale or distribution. Therefore, previous accounting treatment is not reversed. The amendment also explains that assets that no longer meet the criteria for “held for distribution to owners” and do not meet the criteria for “held for sale” should be treated in the same way as assets that cease to be classified as held for sale. The amendment will be applied prospectively to transactions that occur on or after January 1, 2017.

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Group continues assessing other possible impacts that application of the aforementioned amendments will have on the Group’s financial position and financial performance, and will disclose these other impacts when the assessment is completed.

b. New IFRSs in issue but not yet endorsed by the FSC

The Group has not applied the following IFRSs issued by the IASB but not yet endorsed by the FSC.

The FSC announced that the Group should apply IFRS 15 starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new IFRSs.

New IFRSs	Effective Date Announced by IASB (Note)
Amendment to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018

(Continued)

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendment to IFRS 15 “Clarifications to IFRS 15”	January 1, 2018
IFRS 16 “Leases”	January 1, 2019
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017

(Concluded)

Note: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

1) IFRS 9 “Financial Instruments”

Recognition and measurement of financial assets

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Group’s debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

- a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;
- b) For debt instruments, if they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for the above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

Impairment of financial assets

IFRS 9 requires impairment loss on financial assets to be recognized by using the “Expected Credit Losses Model”. The credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 “Revenue from Contracts with Customers”, certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

2) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulated that, when an entity sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when an entity loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when an entity sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors’ interest in the associate or joint venture, i.e. the entity’s share of the gain or loss is eliminated. Also, when an entity loses control of a subsidiary that does not contain a business but retains significant influence or joint control in an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors’ interest in the associate or joint venture, i.e. the entity’s share of the gain or loss is eliminated.

3) IFRS 15 “Revenue from Contracts with Customers” and related amendment

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations from January 1, 2018.

When applying IFRS 15, an entity shall recognize revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when the entity satisfies a performance obligation.

When IFRS 15 and related amendment are effective, an entity may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" as endorsed by the FSC. Disclosure information included in the consolidated financial statements is less than those required in a complete set of annual financial statements.

b. Basis of consolidation

See Note 12 for the detailed information of subsidiaries (including the percentage of ownership and main business).

c. Others

The same accounting policies of these consolidated financial statements have been followed as were applied in the preparation of the Group's consolidated financial statements for the year ended December 31, 2015, except for those described below.

1) Retirement benefit costs

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 plan amendments, settlements, or other significant one-off events

2) Income taxes

Income tax expense is the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgments and key sources of estimation uncertainty of consolidated financial statements have been followed in these consolidated financial statements as were applied in the preparation of the consolidated financial statements for the year ended December 31, 2015.

6. CASH AND CASH EQUIVALENTS

	September 30, 2016	December 31, 2015	September 30, 2015
Cash on hand	\$ 2,555	\$ 2,840	\$ 2,307
Checking accounts and demand deposits	1,555,623	1,232,781	823,386
Cash equivalent (investments with original maturities less than three months)			
Time deposits	6,800	154,470	376,214
Repurchase agreements collateralized by bonds	<u>-</u>	<u>99,843</u>	<u>249,894</u>
	<u>\$ 1,564,978</u>	<u>\$ 1,489,934</u>	<u>\$ 1,451,801</u>

As of September 30, 2016, December 31, 2015 and September 30, 2015, the time deposits with original maturities more than three months in the amount of \$590,337 thousand, \$375,723 thousand and \$159,767 thousand, respectively, had been reclassified to “other financial assets - current”.

The ranges of market rates of demand deposits, time deposits and repurchase agreements collateralized by bonds at the end of the reporting period were as follows:

	September 30, 2016	December 31, 2015	September 30, 2015
Demand deposits and time deposits	0.001%-3.5%	0.001%-4.28%	0.01%-4.00%
Repurchase agreements collateralized by bonds	-	0.42%	0.50%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2016	December 31, 2015	September 30, 2015
<u>Financial assets designated as at FVTPL</u>			
Mutual funds	<u>\$ -</u>	<u>\$ 147,522</u>	<u>\$ 265,340</u>

8. FINANCIAL ASSETS MEASURED AT COST

	September 30, 2016	December 31, 2015	September 30, 2015
<u>Current</u>			
Domestic unlisted common shares	<u>\$ 48,396</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Non-current</u>			
Domestic unlisted common shares	<u>\$ 46,219</u>	<u>\$ 69,615</u>	<u>\$ 70,602</u>
<u>Classified according to financial assets</u>			
Available-for-sale financial assets	<u>\$ 94,615</u>	<u>\$ 69,615</u>	<u>\$ 70,602</u>

Management believed that the fair value of the above unlisted equity investments held by the Group cannot be reliably measured due to the very wide range of reasonable fair value estimates; therefore they were measured at cost less impairment at the end of reporting period.

The Company will to dispose the investment of Han-Tong Venture Capital Co., Ltd. in 2016. Therefore, the investment is reclassified to “financial assets measured at cost - current” on September 30, 2016.

9. TRADE RECEIVABLE

	September 30, 2016	December 31, 2015	September 30, 2015
Trade receivable	\$ 2,100,592	\$ 2,268,643	\$ 2,266,367
Less: Allowance for doubtful accounts	<u>(2,467)</u>	<u>(5,790)</u>	<u>(9,599)</u>
	<u>\$ 2,098,125</u>	<u>\$ 2,262,853</u>	<u>\$ 2,256,768</u>

The average credit period for sales of goods was 60-90 days. In determining the recoverability of trade receivable, the Group considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. Allowance for doubtful accounts was recognized against trade receivables based on estimated irrecoverable amounts determined by reference to credit risk level of the counterparties and an analysis of their current financial position.

For the trade receivables balances that were past due at the end of the reporting period, the Group did not recognize an allowance for impairment loss, because there was not a significant change in credit quality and the amounts were still considered recoverable. The Group did not hold any collateral or other credit enhancements for these balances.

The aging of receivables was as follows:

September 30, 2016

	Total Receivables	Not Overdue	Overdue under 60 Days	Overdue under 61 Days and Longer
Not overdue and not impaired	\$ 2,069,728	\$ 2,069,728	\$ -	\$ -
Not overdue but impaired	1,512	1,512	-	-
Overdue and not impaired	28,397	-	19,092	9,305
Overdue but impaired	<u>955</u>	<u>-</u>	<u>-</u>	<u>955</u>
	<u>\$ 2,100,592</u>	<u>\$ 2,071,240</u>	<u>\$ 19,092</u>	<u>\$ 10,260</u>

December 31, 2015

	Total Receivables	Not Overdue	Overdue under 60 Days	Overdue under 61 Days and Longer
Not overdue and not impaired	\$ 2,200,256	\$ 2,200,256	\$ -	\$ -
Not overdue but impaired	2,584	2,584	-	-
Overdue and not impaired	62,597	-	52,738	9,859
Overdue but impaired	<u>3,206</u>	<u>-</u>	<u>-</u>	<u>3,206</u>
	<u>\$ 2,268,643</u>	<u>\$ 2,202,840</u>	<u>\$ 52,738</u>	<u>\$ 13,065</u>

September 30, 2015

	Total Receivables	Not Overdue	Overdue under 60 Days	Overdue under 61 Days and Longer
Not overdue and not impaired	\$ 2,214,185	\$ 2,214,185	\$ -	\$ -
Not overdue but impaired	5,316	5,316	-	-
Overdue and not impaired	42,583	-	36,612	5,971
Overdue but impaired	<u>4,283</u>	<u>-</u>	<u>-</u>	<u>4,283</u>
	<u>\$ 2,266,367</u>	<u>\$ 2,219,501</u>	<u>\$ 36,612</u>	<u>\$ 10,254</u>

Movements in the allowance for doubtful accounts recognized on trade receivable were as follows:

	Individual Impairment Losses	Groups Impairment Losses	Total
Balance at January 1, 2015	\$ 4,632	\$ 6,914	\$ 11,546
Impairment losses recognized on receivable	450	4,227	4,677
Written off	(4,269)	(2,699)	(6,968)
Effect of exchange rate changes	<u>-</u>	<u>344</u>	<u>344</u>
Balance at September 30, 2015	<u>\$ 813</u>	<u>\$ 8,786</u>	<u>\$ 9,599</u>
Balance at January 1, 2016	\$ 813	\$ 4,977	\$ 5,790
Reversal for doubtful accounts	-	(2,028)	(2,028)
Written off	-	(1,236)	(1,236)
Effect of exchange rate changes	<u>-</u>	<u>(59)</u>	<u>(59)</u>
Balance at September 30, 2016	<u>\$ 813</u>	<u>\$ 1,654</u>	<u>\$ 2,467</u>

As of September 30, 2016, December 31, 2015 and September 30, 2015, trade receivable of PHA in the amount of \$709,841 thousand, \$720,559 thousand and \$851,768 thousand, respectively, had been pledged to secure short-term debts. See Note 28 to the consolidated financial statements.

10. INVENTORIES

	September 30, 2016	December 31, 2015	September 30, 2015
Raw materials	\$ 473,660	\$ 441,925	\$ 415,766
Work-in-process	245,448	171,782	227,437
Finished goods	196,744	389,406	314,069
Merchandise	<u>432,427</u>	<u>552,473</u>	<u>694,851</u>
	<u>\$ 1,348,279</u>	<u>\$ 1,555,586</u>	<u>\$ 1,652,123</u>

As of September 30, 2016, December 31, 2015 and September 30, 2015, allowance of inventory devaluation was \$323,148 thousand, \$342,781 thousand and \$362,449 thousand, respectively.

For the three months and the nine months ended September 30, 2016 and 2015, the cost of inventories recognized as cost of goods sold was \$2,563,417 thousand, \$2,648,768 thousand, \$7,148,175 thousand and \$7,386,755 thousand, respectively. Provision for inventory devaluation and obsolescence in the amounts of \$6,949 thousand, \$4,624 thousand, \$5,456 thousand and \$13,193 thousand was included in the cost of goods sold for the three months and the nine months ended September 30, 2016 and 2015, respectively.

11. NON-CURRENT ASSETS HELD FOR SALE

	September 30, 2016	December 31, 2015	September 30, 2015
PHSY buildings and long-term prepayments for lease	<u>\$ 11,610</u>	<u>\$ -</u>	<u>\$ -</u>

The Company planned to dispose of all of the PHSY buildings and long-term prepayments for lease and planned to completed the procedure for the disposal in 12 months. Therefore, the assets was reclassified to non-current assets held for sale and presented separately in the consolidated balance sheets. The proceeds of the deal are expected to exceed the net carrying amount of the relevant assets. Accordingly, the Company did not recognize impairment losses on the reclassification.

The classes of buildings and long-term prepayments for lease reclassified as non-current assets held for sale was as follows:

	September 30, 2016
Buildings	\$ 36,111
Less: Accumulated depreciation and impairment	<u>(28,856)</u>
	7,255
Long-term prepayments for lease	<u>4,355</u>
	<u>\$ 11,610</u>

12. SUBSIDIARIES

Investor	Investee	Main Business	Percentage of Ownership			Notes
			September 30, 2016	December 31, 2015	September 30, 2015	
Phihong	Phihong International Corp.	Makes investments	100.00	100.00	100.00	
	Phitek International Co., Ltd.	Makes investments	100.00	100.00	100.00	
	Ascent Alliance Ltd.	Makes investments	100.00	100.00	100.00	
	Phihong USA Corp. ("PHA")	Sells various power supplies	100.00	100.00	100.00	
	American Ballast Corp.	Sells various ballasts	-	100.00	100.00	a
	Phihong Technology Japan Co., Ltd.	Sells power components	100.00	100.00	100.00	
Phihong International Corp.	Guang-Lai Investment Co., Ltd.	Makes investments	100.00	100.00	100.00	
	Phihong (Dongguan) Electronics Co., Ltd.	Manufactures various power supplies	100.00	100.00	100.00	
	Phitek (Tianjin) Electronics Co., Ltd.	Manufactures various power supplies	100.00	100.00	100.00	
	Phihong Electronics (Suzhou) Co., Ltd.	Manufactures various power supplies and ballasts	100.00	100.00	100.00	
	Value Dynamic Investment Ltd.	Makes investments	-	100.00	100.00	b
	N-Lighten Technologies, Inc.	Makes investments	58.45	58.45	58.45	
	Yanghong Trade Co., Ltd.	Manufactures various lighting supplies	100.00	-	-	c
Value Dynamic Investment Ltd.	Yanghong Trade Co., Ltd.	Manufactures various lighting supplies	-	100.00	100.00	c
Phitek International Co., Ltd.	Dongguan Phitek Electronics Co., Ltd.	Manufactures various power supplies	100.00	100.00	100.00	

(Continued)

Investor	Investee	Main Business	Percentage of Ownership			Notes
			September 30, 2016	December 31, 2015	September 30, 2015	
Ascent Alliance Ltd.	Dongguan Shuang-Ying Electronics Co., Ltd.	Manufactures and sells electronic materials	100.00	100.00	100.00	
	Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd.	Manufactures and sells electronic materials and transformers	100.00	100.00	100.00	
Guang-Lai Investment Co., Ltd.	N-Lighten Technologies Inc.	Makes investments	19.78	19.78	19.78	

(Concluded)

Note a: The Company was put into liquidation on June 2016.

Note b: The Company was put into liquidation on March 2016.

Note c: Yanghong Trade Co., Ltd. transferred its shares to PHI in March 2015.

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in associates:

	September 30, 2016	December 31, 2015	September 30, 2015
<u>Unlisted stocks</u>			
Hao-Xuan Venture Capital Co., Ltd.	\$ 366	\$ 16,132	\$ 27,761
H&P Venture Capital Co., Ltd.	143,151	123,057	95,063
Han-Yu Venture Capital Co., Ltd.	102,342	108,025	113,703
Spring City Resort Co., Ltd.	<u>28,277</u>	<u>31,289</u>	<u>29,562</u>
	<u>\$ 274,136</u>	<u>\$ 278,503</u>	<u>\$ 266,089</u>

At the end of the reporting period, the percentages of ownership and voting rights in associates held by the Group were as follows:

	September 30, 2016	December 31, 2015	September 30, 2015
Hao-Xuan Venture Capital Co., Ltd.	24.67%	24.67%	24.67%
H&P Venture Capital Co., Ltd.	32.26%	32.26%	32.26%
Han-Yu Venture Capital Co., Ltd.	22.22%	22.22%	22.22%
Spring City Resort Co., Ltd.	25.33%	25.33%	25.33%
Phihong PWM Brasil Ltda.	60.00%	60.00%	60.00%
First International Computer Do Brasil Ltda.	33.85%	33.85%	33.85%

Phihong's investments in Brazil include 60% ownership interest of Phihong PWM Brasil Ltda. and 33.85% ownership interest of First International Computer Do Brasil Ltda. Additionally, Phihong PWM Brasil Ltda. also holds 21.15% ownership interest of First International Computer Do Brasil Ltda. The other 40% ownership interest of Phihong PWM Brasil Ltda. is held by the local management team. According to cooperation mode between the Company and the local management team and under Brazilian local laws, the Company has no controlling power over Phihong PWM Brasil Ltda. Because the recoverability of the investments in Phihong PWM Brasil Ltda. and First International Computer Do Brasil Ltda. is considered remote, the Company reduced the carrying value of both investments to zero.

The equity-method investees' financial statements for the three months and the nine months ended September 30, 2016 and 2015, which had been used to determine the carrying amount of the Group's investments and the share of profit and other comprehensive income of associates, had not been reviewed.

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Advance Payments and Construction in Progress	Total
<u>Cost</u>						
Balance at January 1, 2015	\$ 273,316	\$ 2,646,765	\$ 2,790,361	\$ 641,978	\$ 1,501,003	\$ 7,853,423
Additions	-	885	61,128	48,779	442,888	553,680
Disposals	-	(8,654)	(89,859)	(22,916)	-	(121,429)
Effect of foreign currency exchange differences	2,439	(5,477)	(6,759)	(109)	7,846	(2,060)
Reclassified as investment properties	-	(316,050)	-	-	-	(316,050)
Others	-	220	(376)	25,876	(25,814)	(94)
Balance at September 30, 2015	<u>\$ 275,755</u>	<u>\$ 2,317,689</u>	<u>\$ 2,754,495</u>	<u>\$ 693,608</u>	<u>\$ 1,925,923</u>	<u>\$ 7,967,470</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2015	\$ -	\$ 1,058,335	\$ 1,787,751	\$ 477,787	\$ -	\$ 3,323,873
Disposals	-	(5,961)	(83,473)	(22,340)	-	(111,774)
Depreciation expense	-	55,886	176,154	49,410	-	281,450
Effect of foreign currency exchange differences	-	(628)	(1,487)	(661)	-	(2,776)
Reclassified as investment properties	-	(76,309)	-	-	-	(76,309)
Others	-	-	(343)	343	-	-
Balance at September 30, 2015	<u>\$ -</u>	<u>\$ 1,031,323</u>	<u>\$ 1,878,602</u>	<u>\$ 504,539</u>	<u>\$ -</u>	<u>\$ 3,414,464</u>
Carrying amounts at September 30, 2015	<u>\$ 275,755</u>	<u>\$ 1,286,366</u>	<u>\$ 875,893</u>	<u>\$ 189,069</u>	<u>\$ 1,925,923</u>	<u>\$ 4,553,006</u>
<u>Cost</u>						
Balance at January 1, 2016	\$ 275,658	\$ 1,760,321	\$ 2,629,389	\$ 672,648	\$ 1,804,133	\$ 7,142,149
Additions	-	17,277	42,368	36,185	122,921	218,751
Disposals	(9,850)	(16,233)	(71,046)	(42,304)	-	(139,433)
Effect of foreign currency exchange differences	(327)	(92,458)	(161,760)	(24,800)	(114,150)	(393,495)
Reclassified as investment properties	-	531,170	879	6,496	(574,656)	(36,111)
Balance at September 30, 2016	<u>\$ 265,481</u>	<u>\$ 2,200,077</u>	<u>\$ 2,439,830</u>	<u>\$ 648,225</u>	<u>\$ 1,238,248</u>	<u>\$ 6,791,861</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2016	\$ -	\$ 741,940	\$ 1,815,605	\$ 462,965	\$ -	\$ 3,020,510
Disposals	-	(4,483)	(65,024)	(41,731)	-	(111,238)
Depreciation expense	-	54,924	146,796	55,248	-	256,968
Effect of foreign currency exchange differences	-	(42,554)	(109,518)	(18,620)	-	(170,692)
Reclassified as investment properties	-	(28,856)	-	-	-	(28,856)
Balance at September 30, 2016	<u>\$ -</u>	<u>\$ 720,971</u>	<u>\$ 1,787,859</u>	<u>\$ 457,862</u>	<u>\$ -</u>	<u>\$ 2,966,692</u>
Carrying amounts at December 31, 2015 and January 1, 2016	<u>\$ 275,658</u>	<u>\$ 1,018,381</u>	<u>\$ 813,784</u>	<u>\$ 209,683</u>	<u>\$ 1,804,133</u>	<u>\$ 4,121,639</u>
Carrying amounts at September 30, 2016	<u>\$ 265,481</u>	<u>\$ 1,479,106</u>	<u>\$ 651,971</u>	<u>\$ 190,363</u>	<u>\$ 1,238,248</u>	<u>\$ 3,825,169</u>

In 2015, some part of the Group's property, plant and equipment from production of goods or provision of services change into earn rental income and reclassified to investment properties, see Note 15.

The above items of property, plant and equipment were depreciated on a straight-line basis over the following estimated useful life:

Buildings	
Main building	50 years
Engineering system	10 years
Machinery and equipment	3-10 years
Other equipment	3-5 years

Refer to Note 28 for the carrying amount of property, plant and equipment that had been pledged by the Group to secure long-term loans.

15. INVESTMENT PROPERTIES

Investment Properties Measured at Cost	Total
<u>Cost</u>	
Balance at January 1, 2015	\$ -
Transferred from property, plant and equipment	316,050
Effect of foreign currency exchange differences	<u>5,301</u>
Balance at September 30, 2015	<u>\$ 321,351</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2015	\$ 76,309
Transferred from property, plant and equipment	8,915
Depreciation expense	<u>1,543</u>
Effect of foreign currency exchange differences	<u>86,767</u>
Balance at September 30, 2015	<u>\$ 234,584</u>
<u>Cost</u>	
Balance at January 1, 2016	\$ 1,047,669
Effect of foreign currency exchange differences	<u>(75,035)</u>
Balance at September 30, 2016	<u>\$ 972,634</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2016	\$ 379,491
Depreciation expense	25,103
Effect of foreign currency exchange differences	<u>(28,287)</u>
Balance at September 30, 2016	<u>\$ 376,307</u>
Carrying amounts at December 31, 2015 and January 1, 2016	<u>\$ 668,178</u>
Carrying amounts at September 30, 2016	<u>\$ 596,327</u>

The investment properties were depreciated on a straight-line basis over the following estimated useful life:

Main buildings	30 years
Others	10 years

The management of the Group had used the valuation model that market participants would use in determining the fair value, and the fair value was measured by using Level 3 inputs. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The evaluation results of the fair value as follows:

	September 30, 2016
Fair value	<u>\$ 1,290,590</u>

16. INTANGIBLE ASSETS

	Completed Investment Property
<u>Cost</u>	
Balance at January 1, 2015	\$ 101,752
Additions	6,423
Disposals	(2,288)
Effect of foreign currency exchange differences	<u>73</u>
Balance at September 30, 2015	<u>\$ 105,960</u>
<u>Accumulated amortization and impairment</u>	
Balance at January 1, 2015	\$ 55,949
Amortization expense	12,174
Disposals	(2,279)
Effect of foreign currency exchange differences	<u>224</u>
Balance at September 30, 2015	<u>\$ 66,068</u>
Carrying amounts at September 30, 2015	<u>\$ 39,892</u>
<u>Cost</u>	
Balance at January 1, 2016	\$ 109,993
Additions	3,629
Disposals	(4,087)
Effect of foreign currency exchange differences	<u>(2,506)</u>
Balance at September 30, 2016	<u>\$ 107,029</u>

(Continued)

	Completed Investment Property
<u>Accumulated amortization and impairment</u>	
Balance at January 1, 2016	\$ 69,455
Amortization expense	12,987
Disposals	(3,587)
Effect of foreign currency exchange differences	<u>(1,657)</u>
Balance at September 30, 2016	<u>\$ 77,198</u>
Carrying amounts at December 31, 2015 and January 1, 2016	<u>\$ 40,538</u>
Carrying amounts at September 30, 2016	<u>\$ 29,831</u>
	(Concluded)

The above items of intangible assets were depreciated on a straight-line basis over estimated useful life of 2 to 5 years.

17. PREPAYMENTS FOR LEASE

	September 30, 2016	December 31, 2015	September 30, 2015
Current	\$ 3,572	\$ 3,987	\$ 4,068
Non-current	<u>135,750</u>	<u>153,778</u>	<u>157,942</u>
	<u>\$ 139,322</u>	<u>\$ 157,765</u>	<u>\$ 162,010</u>

Prepayments for lease are prepaid for land use rights for land located in Mainland China.

18. BORROWINGS

Short-term Debt

	September 30, 2016	December 31, 2015	September 30, 2015
<u>Unsecured loan</u>			
Bank borrowings	<u>\$ 94,065</u>	<u>\$ 98,580</u>	<u>\$ 98,610</u>
Interest rate	<u>2.875%</u>	<u>2.75%</u>	<u>2.50%</u>

Long-term Debt

	September 30, 2016	December 31, 2015	September 30, 2015
<u>Unsecured loan</u>			
Medium-term loan			
Repayable from August 4, 2015 to May 15, 2017; interest rate on December 31, 2015 and September 30, 2015 were 1.2019% and 1.2759%, respectively. Interest is paid monthly and principal is due on May 15, 2017. Principal was fully repaid in April 2016.	\$ -	\$ 100,000	\$ 100,000
Repayable from August 27, 2015 to February 23, 2017; interest rate on December 31, 2015 and September 30, 2015 were 1.2019% and 1.2759%, respectively. Interest is paid monthly and principal is due on February 23, 2017. Principal was fully repaid in March 2016.	-	50,000	50,000
Repayable from December 29, 2015 to December 29, 2017; interest rate was 1.60% on December 31, 2015. Interest is paid monthly and principal is due on December 29, 2017. Principal was fully repaid in February 2016	-	100,000	-
Repayable from September 7, 2015 to March 7, 2018; interest rate was 1.23% on December 31, 2015. Interest is paid monthly and principal is due on March 7, 2018. Principal was fully repaid in March 2016.	-	300,000	-
Repayable from December 23, 2015 to December 23, 2018; interest rate on September 30, 2016 and December 31, 2015 were 4.03294% and 3.7744%, respectively. Principal is repaid quarterly beginning February 23, 2016. Principal was partially repaid US\$1,200 thousand in March 2016.	30,784	78,864	-
Repayable from July 19, 2016 to July 19, 2019; interest rate was 3.8553% on September 30, 2016. Principal is repaid quarterly beginning October 19, 2016.	37,626	-	-
Repayable from September 7, 2015 to October 31, 2016; interest rate was 1.30% on September 30, 2015. Interest is paid monthly and principal is due on October 31, 2016.	-	-	300,000
			(Continued)

	September 30, 2016	December 31, 2015	September 30, 2015
<u>Secured loan</u>			
Medium-term loan			
Repayable from July 2, 2015 to July 2, 2017; interest rate was on December 31, 2015 and September 30, 2015 were 1.12% and 1.19%, respectively. Interest is paid monthly and principal is due on July 2, 2017. Principal was fully repaid in March 2016.	\$ -	\$ 50,000	\$ 50,000
Repayable from August 27, 2015 to August 27, 2017; interest rate was on December 31, 2015 and September 30, 2015 were 1.12% and 1.19%, respectively. Interest is due monthly and principal is due on August 27, 2017. Principal was fully repaid in March 2016.	-	100,000	200,000
	68,410	778,864	700,000
Less: Long-term loans payable - current portion	<u>(26,225)</u>	<u>(76,288)</u>	<u>(50,000)</u>
	<u>\$ 42,185</u>	<u>\$ 702,576</u>	<u>\$ 650,000</u> (Concluded)

For pledged properties and endorsements/guarantees, please see Notes 28 and 29 to the consolidated financial statements.

19. BONDS PAYABLE

	September 30, 2016	December 31, 2015	September 30, 2015
Unsecured domestic convertible (or exchangeable) bonds	\$ 1,174,473	\$ 1,266,468	\$ 1,302,848
Secured domestic bonds	997,857	-	-
Less: Current portion	<u>(1,174,473)</u>	<u>-</u>	<u>-</u>
	<u>\$ 997,857</u>	<u>\$ 1,266,468</u>	<u>\$ 1,302,848</u>

Unsecured Domestic Convertible Bonds

On June 4, 2014, the Company issued 15 thousand units of \$100 thousand 0% unsecured convertible bonds in Taiwan, with an aggregate principal of \$1,500,000 thousand, proceeds from issue was \$1,503,000 thousand.

Each bond entitles the holder to convert into ordinary shares of the Company at a conversion price of \$20.4. If the Company changes its capital or pays cash dividends, the conversion price will be adjusted by the formula set up in the prospectus. After August 5, 2015, the conversion price has been adjusted to \$19.0. Conversion may occur at any time between July 5, 2014 and May 25, 2017. If the bonds are not converted, they will be redeemed on June 4, 2017 at \$100 thousand each.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus. The effective interest rate of the liability component was 1.70% per annum on initial recognition.

Proceeds from issue (less transaction costs \$5,669 thousand)	\$ 1,497,331
Equity component (less transaction costs allocated to the equity component of \$272 thousand)	<u>(71,878)</u>
Liability component at the date of issue	1,425,453
Interest charged at an effective interest rate of 1.70%	13,944
Conversion to common shares	<u>(10,208)</u>
 Liability component at December 31, 2014	 <u><u>\$ 1,429,189</u></u>
 Liability component at January 1, 2015	 \$ 1,429,189
Interest charged at an effective interest rate of 1.70%	18,178
Redemption of bonds payable	<u>(144,519)</u>
 Liability component at September 30, 2015	 <u><u>\$ 1,302,848</u></u>
 Liability component at January 1, 2016	 \$ 1,266,468
Interest charged at on effective interest rate of 1.70%	15,570
Redemption of bonds payable	<u>(107,565)</u>
 Liability component at September 30, 2016	 <u><u>\$ 1,174,473</u></u>

For the nine months ended September 30, 2016, the Company buy back unsecured convertible bonds from open market, and recognized gain on buy-back of bonds payable of \$1,606 thousand, which were presented under other gains and losses, and reclassified \$5,247 thousand “capital surplus - convertible bonds” to “capital surplus - treasury share transactions”. Please see Notes 22 and 23.

Secured Domestic Bonds

On April 1, 2016, the Company issued 100 units of \$10,000 thousand 0.95% secured bonds in Taiwan, with an aggregate principal of \$1,000,000 thousand.

20. OTHER PAYABLES

	September 30, 2016	December 31, 2015	September 30, 2015
Payable for salaries and bonus	\$ 265,729	\$ 262,815	\$ 304,347
Compensation payable to employees and directors and supervisors	-	-	275
Payable for annual leave	41,030	40,857	36,809
Payable for purchase of equipment	42,510	33,932	46,727
Others	<u>487,991</u>	<u>515,056</u>	<u>513,119</u>
	<u><u>\$ 837,260</u></u>	<u><u>\$ 852,660</u></u>	<u><u>\$ 901,277</u></u>

21. RETIREMENT BENEFIT PLANS

For the three months and the nine months ended September 30, 2016 and 2015, recognized in profit or loss in respect of these defined benefit plans were according to actuarial pension cost rate at December 31, 2015 and 2014, the amount was \$410 thousand, \$539 thousand, \$1,230 thousand and \$1,617 thousand, respectively.

22. EQUITY

Share Capital

	September 30, 2016	December 31, 2015	September 30, 2015
Number of shares authorized (in thousands)	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>
Shares authorized	<u>\$ 6,000,000</u>	<u>\$ 6,000,000</u>	<u>\$ 6,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>277,688</u>	<u>277,688</u>	<u>277,688</u>
Shares issued	<u>\$ 2,776,884</u>	<u>\$ 2,776,884</u>	<u>\$ 2,776,884</u>

Fully paid ordinary shares, which have a par value of NT\$10, carry one vote per share and carry a right to dividends.

On June 19, 2014, Phihong Technology Co., Ltd.'s board of stockholders resolved to issue 5,000 thousand restricted stock shares, with a par value of NT\$10 each, or NT\$50,000 thousand total. Exercise value of NT\$0 each. Except for restrictions against the transfer of shares, the rights and obligations of these common stocks (including allotment, dividend, shareholders' voting right, and capital injection right, etc.) before the employees fulfill the vesting conditions, are the same with other outstanding common stocks. As of the date December 31, 2015, the rights to issue restricted stock shares expired.

Capital Surplus

	September 30, 2016	December 31, 2015	September 30, 2015
Issuance of common shares	\$ 226,556	\$ 226,556	\$ 226,556
Conversion of bonds	667,058	667,058	667,058
Treasury share transactions	62,672	57,425	55,364
Interest payable of bond conversion	13,243	13,243	13,243
Equity component of convertible bonds	<u>56,927</u>	<u>62,174</u>	<u>64,235</u>
	<u>\$ 1,026,456</u>	<u>\$ 1,026,456</u>	<u>\$ 1,026,456</u>

The capital surplus arising from shares issued in excess of par (including share premium from issuance of common shares, conversion of bonds and treasury share transactions) and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital and once a year).

The capital surplus from long-term investments, employee share options and share warrants may not be used for any purpose.

Retained Earnings and Dividend Policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders had been approved amendments to the Company's Articles of Incorporation on June 8, 2016, particularly the amendment to the policy on dividend and bonuses distribution and the addition of the policy on distribution of employees' compensation.

Under the Company Law of the ROC and Phihong's Amended Articles of Incorporation, 10% of Phihong's annual earnings, net of tax and any deficit, should first be appropriated as legal reserve until such reserve equals to the amount of Phihong's capital, and then a special reserve should be appropriated as required by laws or local authorities. Any remaining earnings plus unappropriated earnings accumulated in prior years should be proposed by the board of the directors, and the allocation of dividend to shareholders should be resolved by the board of shareholders. For information about the before and after revision of the employees' compensation and remuneration to directors and supervisors and the appropriations, please refer to Note 23,d. employee benefits expense.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's capital surplus. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", a company should appropriate to special reserve. Any special reserve appropriate may be reversed to the extent that the net debt balance reverses and thereafter distributed.

Except for non-ROC resident stockholders, all stockholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Company.

The appropriations of earnings for 2015 and 2014 had been proposed by the board of directors on June 8, 2016 and been approved in stockholders' meetings on June 11, 2015, respectively. The appropriations and dividends per share were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>For Year 2015</u>	<u>For Year 2014</u>	<u>For Year 2015</u>	<u>For Year 2014</u>
Legal reserve	\$ -	\$ 14,784	\$ -	\$ -
Cash dividends	-	133,062	-	0.48

Special Reserves Appropriated Following First-time Adoption of IFRSs

The Company transferred unrealized revaluation increment and cumulative translation differences to retained earnings at the amount of \$10,968 thousand and \$250,296 thousand, respectively. The increase in retained earnings that resulted from all IFRSs adjustments was smaller than the total revaluation and translation differences; therefore, the Company appropriated to the special reserve an amount of \$230,859 thousand, the increase in retained earnings that resulted from all IFRSs adjustments on transitions to IFRSs.

Other Equity Items

a. Foreign currency translation reserve

	For the Nine Months Ended September 30	
	2016	2015
Balance at January 1	\$ 294,758	\$ 345,970
Exchange differences arising on translating foreign operations	<u>(351,195)</u>	<u>40,031</u>
Balance at September 30	<u>\$ (56,437)</u>	<u>\$ 386,001</u>

b. Investments revaluation reserve

	For the Nine Months Ended September 30	
	2016	2015
Balance at January 1	\$ 47,351	\$ (37,199)
Share of unrealized gain on revaluation of available-for-sale financial assets of associates accounted for using the equity method	<u>9,280</u>	<u>32,298</u>
Balance at September 30	<u>\$ 56,631</u>	<u>\$ (4,901)</u>

Non-controlling Interest

	For the Nine Months Ended September 30	
	2016	2015
Balance at January 1	\$ (10,168)	\$ (9,662)
Attributable to non-controlling interests:		
Share of profit for the period	(22)	(3,418)
Exchange difference arising on translation of foreign entities	<u>466</u>	<u>2,728</u>
Balance at September 30	<u>\$ (9,724)</u>	<u>\$ (10,352)</u>

23. NET PROFIT FROM CONTINUING OPERATIONS

a. Other income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Interest revenue	\$ 8,084	\$ 5,306	\$ 22,859	\$ 16,292
Dividend revenue	-	-	5,239	5,542
Others	<u>25,290</u>	<u>30,668</u>	<u>73,328</u>	<u>78,750</u>
	<u>\$ 33,374</u>	<u>\$ 35,974</u>	<u>\$ 101,426</u>	<u>\$ 100,584</u>

b. Other gains and losses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Exchange gain (loss), net	\$ (40,820)	\$ 46,801	\$ (78,192)	\$ 49,713
Gain on disposal of property, plant and equipment	2,687	1,074	6,882	733
Gain (loss) on disposal of intangible assets	16	8,821	(379)	-
Gain on disposal of investments	3,159	-	5,923	13,075
Gain on redemption of bonds payable	361	9,550	1,606	9,550
Gain on disposal of financial assets at fair value through profit and loss	(657)	1,536	-	3,829
Others	<u>(6,546)</u>	<u>(3,227)</u>	<u>(23,554)</u>	<u>(24,749)</u>
	<u>\$ (41,800)</u>	<u>\$ 64,555</u>	<u>\$ (87,714)</u>	<u>\$ 52,151</u>

c. Depreciation and amortization

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Property, plant and equipment	\$ 83,286	\$ 94,095	\$ 256,968	\$ 281,450
Investment properties	8,083	2,984	25,103	8,915
Computer software	<u>4,255</u>	<u>3,999</u>	<u>12,987</u>	<u>12,174</u>
	<u>\$ 95,624</u>	<u>\$ 101,078</u>	<u>\$ 295,058</u>	<u>\$ 302,539</u>
An analysis of depreciation by function				
Operating costs	\$ 43,893	\$ 57,610	\$ 144,420	\$ 174,114
Operating expenses	39,393	36,485	112,548	107,336
Non-operating expenses	<u>8,083</u>	<u>2,984</u>	<u>25,103</u>	<u>8,915</u>
	<u>\$ 91,369</u>	<u>\$ 97,079</u>	<u>\$ 282,071</u>	<u>\$ 290,365</u>
An analysis of amortization by function				
Operating costs	\$ 605	\$ 688	\$ 1,911	\$ 2,066
Operating expenses	<u>3,650</u>	<u>3,311</u>	<u>11,076</u>	<u>10,108</u>
	<u>\$ 4,255</u>	<u>\$ 3,999</u>	<u>\$ 12,987</u>	<u>\$ 12,174</u>

d. Employee benefits expense

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Post-employment benefits (Note 20)				
Defined contribution plans	\$ 5,259	\$ 6,859	\$ 16,003	\$ 20,314
Defined benefit plans	<u>410</u>	<u>539</u>	<u>1,230</u>	<u>1,617</u>
	5,669	7,398	17,233	21,931
Short-term employee benefits	<u>607,757</u>	<u>659,275</u>	<u>1,756,810</u>	<u>1,947,000</u>
	<u>\$ 613,426</u>	<u>\$ 666,673</u>	<u>\$ 1,774,043</u>	<u>\$ 1,968,931</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 392,091	\$ 427,799	\$ 1,105,885	\$ 1,313,359
Operating expenses	<u>221,335</u>	<u>238,874</u>	<u>668,158</u>	<u>655,572</u>
	<u>\$ 613,426</u>	<u>\$ 666,673</u>	<u>\$ 1,774,043</u>	<u>\$ 1,968,931</u>

In compliance with the Company Act as amended in May 2015, the shareholders held their meeting and approved amendments to the Company's Articles in June 2016; the amendments stipulate distribution of employees' compensation and remuneration to directors and supervisors at the rates no less than 10% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors and supervisors. For the nine months ended September 30, 2016, because of net loss, the Company did not estimate the bonus to employees and the remuneration to directors and supervisors.

The Articles before the amendment stipulated to distribute bonus to employees and remuneration to directors and supervisors at the rates no less than 10% and no higher than 2%, respectively, of net income (net of the bonus and remuneration). For the nine months ended September 30, 2015, because of net loss, the Company did not estimate the bonus to employees and the remuneration to directors and supervisors.

If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in accounting estimate.

Information on the employees' compensation and remuneration to directors and supervisors for 2015 resolved by the Company's board of directors in 2016 and bonus to employees, directors and supervisors for 2015 resolved by the shareholders' meeting are available on the Market Observation Post System website of the Taiwan Stock Exchange.

24. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Current tax				
In respect of the current period	\$ 8,662	\$ 3,994	\$ 18,238	\$ 21,644
Adjustments for prior periods	-	2,594	3	1,374
Deferred tax	<u>(3,740)</u>	<u>(1,959)</u>	<u>(10,390)</u>	<u>(3,029)</u>
Total income tax expense recognized in the current period	<u>\$ 4,922</u>	<u>\$ 4,629</u>	<u>\$ 7,851</u>	<u>\$ 19,989</u>

b. Information on integrated income tax was as follows:

	September 30, 2016	December 31, 2015	September 30, 2015
Unappropriated earnings			
Unappropriated earnings generated before January 1, 1998	\$ -	\$ -	\$ -
Unappropriated earnings (losses) generated on and after January 1, 1998	<u>(266,851)</u>	<u>177,165</u>	<u>242,343</u>
	<u>\$ (266,851)</u>	<u>\$ 177,165</u>	<u>\$ 242,343</u>
Balance of imputation credit account (ICA)	<u>\$ 198,424</u>	<u>\$ 189,835</u>	<u>\$ 174,135</u>
		For the Year Ended December 31	
		2015 (Expected)	2014 (Actual)
Creditable ratio for distribution of earning		-	25.01%

c. Income tax assessments

The latest income tax returns through 2013 have been assessed by the tax authorities.

25. LOSS PER SHARE

	(Loss) Profit After Tax (Attributed to Owners of the Company)	Number of Common Shares Outstanding (In Thousands)	(Loss) Earnings Per Share (NT\$)
<u>For the three months ended September 30, 2016</u>			
Basic loss per share			
Net loss	<u>\$ (58,940)</u>	<u>277,688</u>	<u>\$ (0.21)</u>
<u>For the three months ended September 30, 2015</u>			
Basic loss per share			
Net loss	<u>\$ (66,882)</u>	<u>277,688</u>	<u>\$ (0.24)</u>
<u>For the nine months ended September 30, 2016</u>			
Basic loss per share			
Net loss	<u>\$ (444,016)</u>	<u>277,688</u>	<u>\$ (1.60)</u>
<u>For the nine months ended September 30, 2015</u>			
Basic loss per share			
Net loss	<u>\$ (449,274)</u>	<u>277,688</u>	<u>\$ (1.62)</u>

26. FINANCIAL INSTRUMENTS

- a. Fair value of financial instruments that are measured at fair value on a recurring basis

Fair value hierarchy

December 31, 2015

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	<u>\$ 147,522</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 147,522</u>

September 30, 2015

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	<u>\$ 265,340</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 265,340</u>

There were no transfers between Levels 1 and 2 in the current and prior periods.

b. Financial risk management objectives and policies

The Group's major financial instruments included cash and cash equivalents, trade receivable, other receivables, other financial assets - current, refundable/advance deposit, trade payable, trade payable - related parties, other payables, short-term loans, long-term loans and bonds payable. The Company's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk, credit risk and liquidity risk.

1) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

a) Foreign currency risk

Several subsidiaries of the Company had foreign currency sales and purchases, which exposed the Group to foreign currency risk. Assessment of the Group's foreign currency assets and liabilities, it has no significant exposure to foreign currency risk, the Group without additional hedge processing, so no application of the relevant hedge accounting.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are presented in Note 30.

Sensitivity analysis

The Company was mainly exposed to the currency USD and CNY.

The following table details the Group's sensitivity to a 1% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign currency denominated monetary items at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity items when New Taiwan dollars strengthen by 1% against the relevant currency. For a 1% weakening of New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity items and the balances below would be negative.

	Currency USD Impact	
	For the Nine Months Ended	
	September 30	
	2016	2015
Profit or loss	\$ 590	\$ 1,168

	Currency CNY Impact	
	For the Nine Months Ended	
	September 30	
	2016	2015
Profit or loss	\$ 5,969	\$ 6

b) Interest rate risk

The Group was exposed to fair value risk and cash flow interest rate risk from short-term loans and long-term loans at floating interest rates.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	September 30, 2016	December 31, 2015	September 30, 2015
Cash flow interest rate risk			
Financial liabilities	\$ 162,475	\$ 877,444	\$ 798,160

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk approximates the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

Trade receivables consisted of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of customers in view of trade receivables and, where appropriate, credit guarantee insurance cover is purchased.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of September 30, 2016, December 31, 2015 and September 30, 2015, the Group had available unutilized short-term bank loan facilities set out in (b) below.

a) Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods:

September 30, 2016

	On Demand or Less than 1 Year	1 to 3 Years	Over 3 Years	Total
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 4,432,548	\$ -	\$ -	\$ 4,432,548
Variable interest rate instrument	120,290	42,185	-	162,475
Fixed interest rate instrument	-	-	997,857	997,857
	<u>\$ 4,552,838</u>	<u>\$ 42,185</u>	<u>\$ 997,857</u>	<u>\$ 5,592,880</u>

December 31, 2015

	On Demand or Less than 1 Year	1 to 3 Years	Over 3 Years	Total
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 3,319,721	\$ 1,266,468	\$ -	\$ 4,586,189
Variable interest rate instrument	174,868	702,576	-	877,444
Fixed interest rate instrument	-	-	-	-
	<u>\$ 3,494,589</u>	<u>\$ 1,969,044</u>	<u>\$ -</u>	<u>\$ 5,463,633</u>

September 30, 2015

	On Demand or Less than 1 Year	1 to 3 Years	Over 3 Years	Total
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 3,255,746	\$ 1,302,848	\$ -	\$ 4,558,594
Variable interest rate instrument	148,610	650,000	-	798,610
Fixed interest rate instrument	-	-	-	-
	<u>\$ 3,404,356</u>	<u>\$ 1,952,848</u>	<u>\$ -</u>	<u>\$ 5,357,204</u>

b) Financing facilities

	September 30, 2016	December 31, 2015	September 30, 2015
Unused bank financing facilities	<u>\$ 2,039,999</u>	<u>\$ 2,362,380</u>	<u>\$ 2,042,460</u>

27. RELATED-PARTY TRANSACTIONS

a. The Group's related parties and relationship

<u>Related Party</u>	<u>Relationship with the Group</u>
Xu Sheng Technology Co., Ltd.	Other related parties
Red Sun Metal Industry Co., Ltd.	Other related parties
Shine Tech Ltd.	Other related parties
Heng Hui Co., Ltd.	Other related parties
Dongguan Song Xiang Metal Products Co., Ltd.	Other related parties
Hua Jung Co., Ltd.	Other related parties
Hong Ding Educational Technology Co., Ltd.	Other related parties
Zero Distance Corporation	Other related parties
Peter Lin	Phihong's chairman

Details of transactions between the Group and other related parties were disclosed below:

b. Trading transactions

	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	2016	2015	2016	2015
<u>Sales</u>				
Other related parties	<u>\$ -</u>	<u>\$ 360</u>	<u>\$ -</u>	<u>\$ 460</u>
<u>Purchase of goods</u>				
Other related parties	<u>\$ 33,411</u>	<u>\$ 68,272</u>	<u>\$ 91,162</u>	<u>\$ 176,651</u>

There is no significant difference between purchase price from related parties and purchase price from unrelated parties.

	September 30, 2016	December 31, 2015	September 30, 2015
<u>Payable to related parties</u>			
Other related parties	<u>\$ 61,725</u>	<u>\$ 61,232</u>	<u>\$ 67,555</u>

c. Compensation of key management personnel

The types and amounts of the remuneration of directors and other members of key management personnel were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Short-term benefits	\$ 8,068	\$ 9,317	\$ 26,718	\$ 27,869
Post-employment benefits	<u>776</u>	<u>108</u>	<u>992</u>	<u>324</u>
	<u>\$ 8,844</u>	<u>\$ 9,425</u>	<u>\$ 27,710</u>	<u>\$ 28,193</u>

The remuneration of directors and key executives was determined by the remuneration committee having regard to the performance of individuals and market trends.

d. Other transactions with related parties

The key management personnel of the Group have guaranteed the payments of the loans of the Company as of September 30, 2016, December 31, 2015 and September 30, 2015. The amounts of the guarantees were \$68,410 thousand, \$628,864 thousand and \$550,000 thousand, respectively.

28. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	September 30, 2016	December 31, 2015	September 30, 2015
Freehold land	\$ 197,586	\$ 197,586	\$ 197,586
Buildings	329,928	336,316	138,910
Trade receivable	<u>709,841</u>	<u>720,559</u>	<u>851,768</u>
	<u>\$ 1,237,355</u>	<u>\$ 1,254,461</u>	<u>\$ 1,188,264</u>

29. CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The Group's unrecognized commitments were as follows:

	September 30, 2016	December 31, 2015	September 30, 2015
Acquisition of property, plant and equipment	<u>\$ 33,752</u>	<u>\$ 117,193</u>	<u>\$ 182,439</u>

30. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the group entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

September 30, 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 40,948	31.35500	\$ 1,283,913
JPY	6,117	0.31053	1,899
HKD	3,942	4.04385	15,939
CNY	126,968	4.70090	596,864
<u>Financial liabilities</u>			
Monetary items			
USD	39,067	31.35500	1,224,941
JPY	8,642	0.31053	2,684
HKD	7,488	4.04385	30,281

December 31, 2015

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 50,496	32.86000	\$ 1,659,307
JPY	50,649	0.27263	13,809
HKD	1,558	4.23987	6,607
CNY	104,803	5.06356	530,674
<u>Financial liabilities</u>			
Monetary items			
USD	37,956	32.86000	1,247,246
JPY	6,040	0.27263	1,647
HKD	5,095	4.23987	21,602

September 30, 2015

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 39,099	32.87000	\$ 1,285,198
JPY	11,428	0.27408	3,132
HKD	1,744	4.24128	7,396
CNY	124	5.16718	643
<u>Financial liabilities</u>			
Monetary items			
USD	35,544	32.87000	1,168,328
JPY	6,539	0.27408	1,792
HKD	5,176	4.24128	21,951

For the three months and the nine months ended September 30, 2016 and 2015, realized and unrealized net foreign exchange (losses) gains were \$(40,820) thousand, \$46,801 thousand, \$(78,192) thousand and \$49,713 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

31. SEGMENT INFORMATION

The Group's power supply segment is the only one reportable segment. The power supply segment mainly engages in the manufacturing and selling of AC/DC power adapters, charger bases, and power supply modules for computers. The Group's other operating segments did not exceed the quantitative threshold so they are not disclosed as reportable segments. These segments mainly engage in manufacturing and selling of lighting supply and developing, manufacturing and selling monitors.

The Group adopted operating profits as the measurement threshold. There was no material inconsistency between the accounting policies of the operating segment and the accounting policies described in Note 4.

The following was an analysis of the Group's revenue and results from continuing operations by reportable segment.

a.

	Power Supply	Others	Total
For the nine months ended <u>September 30, 2016</u>			
Revenues from external customers	<u>\$ 7,631,873</u>	<u>\$ 389,659</u>	<u>\$ 8,021,532</u>
Segment revenues	<u>\$ (377,922)</u>	<u>\$ (45,337)</u>	\$ (423,259)
Other revenues			101,426
Other gain and loss			(87,714)
Financial cost			(26,140)
Investment income recognized under equity method, net			<u>(500)</u>
Income before income tax			<u>\$ (436,187)</u>
For the nine months ended <u>September 30, 2015</u>			
Revenues from external customers	<u>\$ 7,630,596</u>	<u>\$ 447,045</u>	<u>\$ 8,077,641</u>
Segment revenues	<u>\$ (430,718)</u>	<u>\$ (127,526)</u>	\$ (558,244)
Other revenues			100,584
Other gain and loss			52,151
Financial cost			(22,124)
Investment income recognized under equity method, net			<u>(5,070)</u>
Income before income tax			<u>\$ (432,703)</u>

b. Segment assets and liabilities

	September 30, 2016	December 31, 2015	September 30, 2015
Power supply segment assets	\$ 10,339,272	\$ 10,646,792	\$ 10,484,707
Other assets	<u>549,157</u>	<u>800,797</u>	<u>949,581</u>
Total assets	<u>\$ 10,888,429</u>	<u>\$ 11,447,589</u>	<u>\$ 11,434,288</u>
Power supply segment liabilities	\$ 5,873,131	\$ 5,637,512	\$ 5,500,263
Other liabilities	<u>144,295</u>	<u>153,587</u>	<u>173,550</u>
Total liabilities	<u>\$ 6,017,426</u>	<u>\$ 5,791,099</u>	<u>\$ 5,673,813</u>