

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

**Consolidated Financial Statements for the
Nine Months Ended September 30, 2017 and 2016 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, 2017 and 2016, and the related consolidated statements of comprehensive income for the three months and the nine months ended September 30, 2017 and 2016 and changes in equity and cash flows for the nine months ended September 30, 2017 and 2016. 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 stated in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 36 "Review of 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, the carrying values of the Group's investments accounted for using equity method of \$202,007 thousand and \$274,136 thousand as of September 30, 2017 and 2016, respectively, and the comprehensive income (loss) from the investments of \$(16,891) thousand and \$16,796 thousand, \$(46,519) thousand and \$8,780 thousand for the three months and the nine months ended September 30, 2017 and 2016, respectively, were based on these investees' unreviewed financial statements.

Based on our reviews, except for adjustments that might have been determined to be necessary had the financial statements of equity-method investees mentioned in the preceding paragraph been reviewed, 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 and issued into effect by the Financial Supervisory Commission of the Republic of China.



Deloitte & Touche
Taipei, Taiwan
Republic of China

November 10, 2017

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, 2017 (Reviewed)		December 31, 2016 (Audited)		September 30, 2016 (Reviewed)	
	Amount	%	Amount	%	Amount	%
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 1,529,177	15	\$ 1,312,763	11	\$ 1,564,978	14
Financial assets at fair value through profit or loss - current (Note 7)	506,431	5	406,411	4	-	-
Financial assets measured at cost - current (Note 8)	-	-	-	-	48,396	1
Trade receivables (Note 9)	2,299,280	22	2,663,732	23	2,098,125	19
Other receivables	125,323	1	93,657	1	76,622	1
Inventories (Note 10)	1,423,340	14	1,503,403	13	1,348,279	12
Prepayment for lease (Note 17)	3,471	-	3,530	-	3,572	-
Non-current assets held for sale (Note 11)	-	-	11,471	-	11,610	-
Other financial assets - current (Note 6)	3,882	-	586,543	5	590,337	6
Other current assets	135,057	1	123,668	1	143,075	1
Total current assets	6,025,961	58	6,705,178	58	5,884,994	54
NON-CURRENT ASSETS						
Financial assets measured at cost - non-current (Note 8)	43,936	1	44,759	1	46,219	-
Investments accounted for using equity method (Note 13)	202,007	2	262,337	2	274,136	3
Property, plant and equipment (Note 14)	3,511,707	34	3,728,732	32	3,825,169	35
Investment properties (Note 15)	362,605	4	581,307	5	596,327	6
Intangible assets (Note 16)	31,403	-	32,166	-	29,831	-
Deferred tax assets (Note 4)	42,030	-	50,700	1	56,366	1
Long-term prepayments for lease (Note 17)	128,430	1	133,247	1	135,750	1
Other financial assets - non-current (Note 6)	25,450	-	25,450	-	-	-
Other non-current assets	26,799	-	39,201	-	39,637	-
Total non-current assets	4,374,367	42	4,897,899	42	5,003,435	46
TOTAL	\$ 10,400,328	100	\$ 11,603,077	100	\$ 10,888,429	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 18)	\$ 200,000	2	\$ 96,840	1	\$ 94,065	1
Trade payables	2,396,715	23	2,960,386	25	2,359,090	22
Trade payables to related parties (Note 28)	69,013	1	71,883	1	61,725	-
Other payables (Note 20)	838,276	8	858,568	7	837,260	8
Current tax liabilities (Note 4)	85,653	1	75,269	1	61,443	-
Current portion of long-term borrowings (Notes 18 and 19)	12,126	-	1,176,838	10	1,200,698	11
Other current liabilities	99,362	1	193,291	2	194,382	2
Total current liabilities	3,701,145	36	5,433,075	47	4,808,663	44
NON-CURRENT LIABILITIES						
Bonds payable (Note 19)	998,333	9	997,977	8	997,857	9
Long-term borrowings (Note 18)	12,126	-	22,596	-	42,185	-
Deferred tax liabilities (Note 4)	79,832	1	79,832	1	79,832	1
Accrued pension liabilities (Notes 4 and 21)	87,479	1	87,953	1	82,471	1
Other non-current liabilities	4,013	-	7,061	-	6,418	-
Total non-current liabilities	1,181,783	11	1,195,419	10	1,208,763	11
Total liabilities	4,882,928	47	6,628,494	57	6,017,426	55
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 22)						
Common stock	3,376,884	32	2,776,884	24	2,776,884	26
Capital surplus	1,044,017	10	1,026,456	9	1,026,456	9
Retained earnings						
Legal reserve	1,113,185	11	1,113,185	9	1,113,185	10
Special reserve	230,859	2	230,859	2	230,859	2
Accumulated deficits	(17,069)	-	(128,792)	(1)	(266,851)	(2)
Total retained earnings	1,326,975	13	1,215,252	10	1,077,193	10
Other equity						
Exchange differences on translating foreign operations	(223,639)	(2)	(91,443)	(1)	(56,437)	(1)
Unrealized gain (loss) on available-for-sale financial assets	2,586	-	57,450	1	56,631	1
Total other equity	(221,053)	(2)	(33,993)	-	194	-
Total equity attributable to owners of the Company	5,526,823	53	4,984,599	43	4,880,727	45
NON-CONTROLLING INTEREST	(9,423)	-	(10,016)	-	(9,724)	-
Total equity	5,517,400	53	4,974,583	43	4,871,003	45
TOTAL	\$ 10,400,328	100	\$ 11,603,077	100	\$ 10,888,429	100

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

(With Deloitte & Touche review report dated November 10, 2017)

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			
	2017		2016		2017		2016	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUES (Note 28)	\$ 2,906,374	100	\$ 2,961,513	100	\$ 8,714,091	100	\$ 8,021,532	100
OPERATING COSTS (Notes 10 and 28)	<u>2,580,844</u>	<u>89</u>	<u>2,563,417</u>	<u>87</u>	<u>7,613,873</u>	<u>87</u>	<u>7,148,175</u>	<u>89</u>
GROSS PROFIT	<u>325,530</u>	<u>11</u>	<u>398,096</u>	<u>13</u>	<u>1,100,218</u>	<u>13</u>	<u>873,357</u>	<u>11</u>
OPERATING EXPENSES								
Sales and marketing expenses	110,370	4	196,762	6	358,084	4	576,943	7
General and administration expenses	123,497	4	110,665	4	372,667	5	340,001	5
Research and development expenses	<u>150,567</u>	<u>5</u>	<u>123,487</u>	<u>4</u>	<u>447,326</u>	<u>5</u>	<u>379,672</u>	<u>5</u>
Total operating expenses	<u>384,434</u>	<u>13</u>	<u>430,914</u>	<u>14</u>	<u>1,178,077</u>	<u>14</u>	<u>1,296,616</u>	<u>17</u>
GAIN (LOSS) FROM OPERATIONS	<u>(58,904)</u>	<u>(2)</u>	<u>(32,818)</u>	<u>(1)</u>	<u>(77,859)</u>	<u>(1)</u>	<u>(423,259)</u>	<u>(6)</u>
NONOPERATING INCOME (EXPENSES)								
Other income (Note 23)	36,293	1	33,374	1	112,489	1	101,426	1
Other gains and losses (Note 23)	137,029	5	(41,800)	(2)	179,938	2	(87,714)	(1)
Finance costs	(4,947)	-	(7,899)	-	(30,736)	-	(26,140)	-
Share of the profit of associates (Note 13)	<u>(2,289)</u>	<u>-</u>	<u>(4,881)</u>	<u>-</u>	<u>8,345</u>	<u>-</u>	<u>(500)</u>	<u>-</u>
Total nonoperating income	<u>166,086</u>	<u>6</u>	<u>(21,206)</u>	<u>(1)</u>	<u>270,036</u>	<u>3</u>	<u>(12,928)</u>	<u>-</u>
PROFIT (LOSS) BEFORE INCOME TAX	107,182	4	(54,024)	(2)	192,177	2	(436,187)	(6)
INCOME TAX EXPENSE (Notes 4 and 24)	<u>(29,214)</u>	<u>(1)</u>	<u>(4,922)</u>	<u>-</u>	<u>(80,470)</u>	<u>(1)</u>	<u>(7,851)</u>	<u>-</u>
NET PROFIT (LOSS)	<u>77,968</u>	<u>3</u>	<u>(58,946)</u>	<u>(2)</u>	<u>111,707</u>	<u>1</u>	<u>(444,038)</u>	<u>(6)</u>
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that may be reclassified subsequently to profit or loss								
Exchange differences on translating foreign operations (Note 22)	73,883	3	(181,940)	(6)	(131,587)	(1)	(350,729)	(4)
Share of the other comprehensive income of associates accounted for using the equity method (Note 22)	<u>(14,602)</u>	<u>(1)</u>	<u>21,677</u>	<u>1</u>	<u>(54,864)</u>	<u>(1)</u>	<u>9,280</u>	<u>-</u>
Total other comprehensive loss	<u>59,281</u>	<u>2</u>	<u>(160,263)</u>	<u>(5)</u>	<u>(186,451)</u>	<u>(2)</u>	<u>(341,449)</u>	<u>(4)</u>
TOTAL COMPREHENSIVE LOSS	<u>\$ 137,249</u>	<u>5</u>	<u>\$ (219,209)</u>	<u>(7)</u>	<u>\$ (74,744)</u>	<u>(1)</u>	<u>\$ (785,487)</u>	<u>(10)</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			
	2017		2016		2017		2016	
	Amount	%	Amount	%	Amount	%	Amount	%
NET INCOME (LOSS)								
ATTRIBUTABLE TO:								
Owners of the Company	\$ 77,970	3	\$ (58,940)	(2)	\$ 111,723	1	\$ (444,016)	(6)
Non-controlling interests	<u>(2)</u>	<u>-</u>	<u>(6)</u>	<u>-</u>	<u>(16)</u>	<u>-</u>	<u>(22)</u>	<u>-</u>
	<u>\$ 77,968</u>	<u>3</u>	<u>\$ (58,946)</u>	<u>(2)</u>	<u>\$ 111,707</u>	<u>1</u>	<u>\$ (444,038)</u>	<u>(6)</u>
TOTAL COMPREHENSIVE INCOME (LOSS)								
ATTRIBUTABLE TO:								
Owners of the Company	\$ 137,234	5	\$ (219,507)	(7)	\$ (75,337)	(1)	\$ (785,931)	(10)
Non-controlling interests	<u>15</u>	<u>-</u>	<u>298</u>	<u>-</u>	<u>593</u>	<u>-</u>	<u>444</u>	<u>-</u>
	<u>\$ 137,249</u>	<u>5</u>	<u>\$ (219,209)</u>	<u>(7)</u>	<u>\$ (74,744)</u>	<u>(1)</u>	<u>\$ (785,487)</u>	<u>(10)</u>
EARNING (LOSS) PER SHARE (Note 25)								
Basic	<u>\$ 0.23</u>		<u>\$ (0.21)</u>		<u>\$ 0.35</u>		<u>\$ (1.60)</u>	
Diluted	<u>\$ 0.23</u>				<u>\$ 0.33</u>			

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

(With Deloitte & Touche review report dated November 10, 2017)

(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			Other Equity		Total	Non-controlling Interest	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficits)	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets			
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>
BALANCE, JANUARY 1, 2017	\$ 2,776,884	\$ 1,026,456	\$ 1,113,185	\$ 230,859	\$ (128,792)	\$ (91,443)	\$ 57,450	\$ 4,984,599	\$ (10,016)	\$ 4,974,583
Net income (loss) for the nine months ended September 30, 2017	-	-	-	-	111,723	-	-	111,723	(16)	111,707
Other comprehensive income (loss) for the nine months ended September 30, 2017, net of income tax	-	-	-	-	-	(132,196)	(54,864)	(187,060)	609	(186,451)
Total comprehensive income (loss) for the nine months ended September 30, 2017	-	-	-	-	111,723	(132,196)	(54,864)	(75,337)	593	(74,744)
Issuance of ordinary shares for cash (Note 22)	600,000	10,430	-	-	-	-	-	610,430	-	610,430
Issuance of ordinary shares under employee share options (Note 22)	-	7,131	-	-	-	-	-	7,131	-	7,131
BALANCE, SEPTEMBER 30, 2017	<u>\$ 3,376,884</u>	<u>\$ 1,044,017</u>	<u>\$ 1,113,185</u>	<u>\$ 230,859</u>	<u>\$ (17,069)</u>	<u>\$ (223,639)</u>	<u>\$ 2,586</u>	<u>\$ 5,526,823</u>	<u>\$ (9,423)</u>	<u>\$ 5,517,400</u>

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

(With Deloitte & Touche review report dated November 10, 2017)

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	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	\$ 192,177	\$ (436,187)
Adjustments for:		
Reversal of impairment loss on trade receivables	-	(2,028)
Depreciation expense	237,426	282,071
Amortization expense	17,039	12,987
Net gain on fair value change of financial assets designated as at fair value through profit or loss	(1,649)	-
Finance costs	30,736	26,140
Interest income	(11,341)	(22,859)
Dividend revenue	(5,874)	(5,239)
Compensation costs of employee share options	7,131	-
Share of profit of associates	(8,345)	500
Gain on disposal of property, plant and equipment	(11,659)	(6,882)
Gain on disposal of investment properties	(129,588)	-
Loss on disposal of intangible assets	180	379
Gain on disposal of non-current assets held for sale	(113,218)	-
Gain on disposal of investment	(10,902)	(5,923)
Gain on buy-back of bonds payable	(103)	(1,606)
Amortization of prepayments for lease	2,560	2,904
Net changes in operating assets and liabilities		
Trade receivables	364,452	166,756
Other receivables	(47,464)	(11,802)
Inventories	80,063	207,307
Other current assets	(9,496)	(12,439)
Trade payables	(563,671)	(46,739)
Trade payables to related parties	(2,870)	493
Other payables	(75,772)	(23,162)
Other current liabilities	(93,929)	105,848
Reserve for retirement plan	(474)	(545)
Cash (used in) generated from operating activities	(154,591)	229,974
Interest paid	(18,720)	(10,471)
Interest received	27,139	15,560
Income tax paid	(61,416)	(28,834)
Net cash (used in) generated from operating activities	<u>(207,588)</u>	<u>206,229</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through profit or loss	(92,066)	-
Proceeds from sale of financial assets at fair value through profit or loss	-	153,406
Purchase of financial assets measured at cost	-	(25,000)

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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	
	2017	2016
Decrease and return of capital from investees at equity method	\$ -	\$ 8,590
Proceeds from disposal of non-current assets held for sale	124,213	-
Payments for property, plant and equipment	(84,559)	(210,173)
Proceeds from disposal of property, plant and equipment	26,371	35,077
Payments for intangible assets	(14,101)	(3,629)
Proceeds from disposal of intangible assets	-	121
Decrease in refundable deposits	436	13,365
Proceeds from disposal of investment properties	394,386	-
Increase in other financial assets	-	(214,614)
Decrease in other financial assets	582,661	-
Increase in prepayment for equipments	-	(7,411)
Dividend received	19,685	9,796
Decrease and return of capital from investees of financial assets measured at cost	<u>5,420</u>	<u>39</u>
Net cash generated from (used in) investing activities	<u>962,446</u>	<u>(240,433)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	103,160	-
Proceeds from issue of bonds payable	-	1,000,000
Repayments of convertible bonds	(1,171,839)	(105,959)
Repayments of long-term borrowings	(9,600)	(710,454)
Increase in guarantee deposits received	-	2,370
Decrease in guarantee deposits received	(3,048)	-
Payments for transaction costs attributable to issue of bonds payable	-	(2,380)
Proceeds from issuance of ordinary shares	612,000	-
Payments for transaction costs attribute to issuance of ordinary shares	<u>(1,570)</u>	<u>-</u>
Net cash (used in) generated from financing activities	<u>(470,897)</u>	<u>183,577</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>(67,547)</u>	<u>(74,329)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	216,414	75,044
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		
	<u>1,312,763</u>	<u>1,489,934</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 1,529,177</u>	<u>\$ 1,564,978</u>

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

(With Deloitte & Touche review report dated November 10, 2017)

(Concluded)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016 (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 trade its stocks on the over-the-counter (OTC) securities exchange in Taiwan. In September 2001, Phihong’s stocks ceased to be OTC traded and Phihong later obtained authorization to have its stocks listed on the Taiwan Stock Exchange.

The consolidated financial statements are presented in the Company’s functional currency, New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on November 10, 2017.

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

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the FSC

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Group’s accounting policies:

- 1) Amendment to IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”

IFRS 5 was amended by the Annual Improvements to IFRSs: 2012-2014 Cycle 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 should be applied prospectively to transactions that occur on or after January 1, 2017.

2) Amendment to IFRS 8 “Operating Segments”

IFRS 8 was amended by the Annual Improvements to IFRSs: 2010-2012 Cycle to require disclosure of 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, please refer to Note 32.

3) Amendments to IFRS 13 “Fair Value Measurement”

The basis for conclusions of IFRS 13 was amended by the Annual Improvements to IFRSs: 2010-2012 Cycle to clarify that when the amendment becomes effective in 2017, the short-term receivables and payables with no stated interest rate is measured at their invoice amounts without discounting, if the effect of not discounting is immaterial.

IFRS 13 was also amended by the Annual Improvements to IFRSs: 2011-2013 Cycle to clarify that 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 includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

4) Amendment to IAS 36 “Impairment of Assets”

The amendment “Disclosures for Non-financial Assets” 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.

5) Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed and issued into effect by the FSC. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president, or is the spouse or second immediate family of the chairman of the board of directors or president of the Group are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationship with whom the Group has significant transaction. If the transaction or balance with a specific related party is 10% or more of the Group’s respective total transaction or balance, such transaction should be separately disclosed by the name of each related party.

The amendments also require additional disclosure if there is a significant difference between the actual operation after business combination and the expected benefit on acquisition date.

- b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed by the FSC for application starting from 2018

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
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
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendments to IFRS 15 “Clarifications to IFRS 15 Revenue from Contracts with Customers”	January 1, 2018
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 40 “Transfers of Investment Property”	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

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

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

1) IFRS 9 “Financial Instruments” and related amendment

Recognition, measurement and impairment 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.

Besides, unlisted shares measured at cost will be measured at fair value instead.

IFRS 9 requires impairment loss on financial assets to be recognized by using the “Expected Credit Losses Model”. The 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) 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.

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.

3) IFRIC 22 “Foreign Currency Transactions and Advance Consideration”

IAS 21 stipulated that a foreign currency transaction shall be recorded on initial recognition in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. IFRIC 22 further explains that the date of the transaction is the date on which an entity recognizes a non-monetary asset or non-monetary liability from payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine the date of the transaction for each payment or receipt of advance consideration.

The Group will apply IFRIC 22 prospectively to all assets, expenses and income recognized on or after January 1, 2018 within the scope of the Interpretation.

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.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019
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 16 “Leases”	January 1, 2019
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty Over Income Tax Treatments”	January 1, 2019

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

1) IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Group is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Group may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the consolidated statements of comprehensive income, the Group should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of the lease liability are classified within financing activities; cash payments for interest portion are classified within operating activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Group as lessor.

When IFRS 16 becomes effective, the Group may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this Standard recognized at the date of initial application.

2) IFRIC 23 “Uncertainty Over Income Tax Treatments”

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Group should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Group concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Group should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Group should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the entity expects to better predict the resolution of the uncertainty. The Group has to reassess its judgments and estimates if facts and circumstances change.

The Group may elect to apply IFRIC 23 either retrospectively to each prior reporting period presented, if this is possible without the use of hindsight, or retrospectively with the cumulative effect of the initial application of IFRIC 23 recognized at the date of initial application.

When the amendments become effective, the Group shall apply the amendments retrospectively. However, the Group may elect to recognize the cumulative effect of the initial application of the amendments in the opening carrying amount at the date of initial application, or to restate prior periods if, and only if, it is possible without the use of hindsight.

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

These interim 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 and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual financial statements.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for the financial instruments and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Basis of consolidation

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

d. Other significant accounting policies

Except for the following, the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2016. For the summary of other significant accounting policies, please refer to the consolidated financial statements for the year ended December 31, 2016.

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) Taxation

Income tax expense represents 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

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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, 2016.

6. CASH AND CASH EQUIVALENTS

	September 30, 2017	December 31, 2016	September 30, 2016
Cash on hand	\$ 2,260	\$ 1,965	\$ 2,555
Checking accounts and demand deposits	1,425,325	1,248,121	1,555,623
Cash equivalent (investments with original maturities less than 3 months)			
Time deposits	<u>101,592</u>	<u>62,677</u>	<u>6,800</u>
	<u>\$ 1,529,177</u>	<u>\$ 1,312,763</u>	<u>\$ 1,564,978</u>

As of September 30, 2017, December 31, 2016 and September 30, 2016, the time deposits with original maturities more than three months in the amount of \$3,882 thousand, \$586,543 thousand and \$590,337 thousand, respectively, had been reclassified to “other financial assets - current”.

As of September 30, 2017 and December 31, 2016, bank balance in the amount of \$25,450 thousand had been pledged to secure domestic bond payable and reclassified to “other financial assets - non-current”. Please refer to Note 29.

The market rate intervals of cash in bank and time deposits at the end of the reporting period were as follows:

	September 30, 2017	December 31, 2016	September 30, 2016
Demand deposits and time deposits	0.001%-3.7%	0.001%-8.9%	0.001%-3.5%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2017	December 31, 2016	September 30, 2016
<u>Financial assets at FVTPL - current</u>			
Financial assets held for trading			
Non-derivative financial assets			
Mutual funds	<u>\$ 506,431</u>	<u>\$ 406,411</u>	<u>\$ -</u>

8. FINANCIAL ASSETS MEASURED AT COST

	September 30, 2017	December 31, 2016	September 30, 2016
<u>Current</u>			
Domestic unlisted common shares	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,396</u>
<u>Non-current</u>			
Domestic unlisted common shares	<u>\$ 43,936</u>	<u>\$ 44,759</u>	<u>\$ 46,219</u>
<u>Classified according to financial assets</u>			
Available-for-sale financial assets	<u>\$ 43,936</u>	<u>\$ 44,759</u>	<u>\$ 94,615</u>

Management believed that the above unlisted equity investments held by the Group have fair value that cannot be reliably measured because the range of reasonable fair value estimates was so significant. Therefore they were measured at cost less impairment at the end of reporting period.

9. TRADE RECEIVABLES

	September 30, 2017	December 31, 2016	September 30, 2016
Trade receivables	\$ 2,301,693	\$ 2,666,243	\$ 2,100,592
Less: Allowance for doubtful accounts	<u>(2,413)</u>	<u>(2,511)</u>	<u>(2,467)</u>
	<u>\$ 2,299,280</u>	<u>\$ 2,663,732</u>	<u>\$ 2,098,125</u>

The average credit period for sales of goods was 60 to 90 days. In determining the recoverability of trade receivables, 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, 2017

	Total Receivables	Not Overdue	Overdue under 60 Days	Overdue under 61 Days and Longer
Not overdue and not impaired	\$ 2,222,792	\$ 2,222,792	\$ -	\$ -
Not overdue but impaired	1,489	1,489	-	-
Overdue and not impaired	76,488	-	48,071	28,417
Overdue but impaired	<u>924</u>	<u>-</u>	<u>-</u>	<u>924</u>
	<u>\$ 2,301,693</u>	<u>\$ 2,224,281</u>	<u>\$ 48,071</u>	<u>\$ 29,341</u>

December 31, 2016

	Total Receivables	Not Overdue	Overdue under 60 Days	Overdue under 61 Days and Longer
Not overdue and not impaired	\$ 2,631,066	\$ 2,631,066	\$ -	\$ -
Not overdue but impaired	1,533	1,533	-	-
Overdue and not impaired	32,666	-	24,363	8,303
Overdue and impaired	<u>978</u>	<u>-</u>	<u>-</u>	<u>978</u>
	<u>\$ 2,666,243</u>	<u>\$ 2,632,599</u>	<u>\$ 24,363</u>	<u>\$ 9,281</u>

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>

The above aging schedule was based on the past due days from end of credit term.

The movements of the allowance for doubtful trade receivables were as follows:

	Individual Impairment Losses	Groups Impairment Losses	Total
Balance at January 1, 2016	\$ 813	\$ 4,977	\$ 5,790
Impairment reversed recognized on receivable	-	(2,028)	(2,028)
Amounts written off as uncollectible	-	(1,236)	(1,236)
Foreign exchange translation gains and losses	<u>-</u>	<u>(59)</u>	<u>(59)</u>
Balance at September 30, 2016	<u>\$ 813</u>	<u>\$ 1,654</u>	<u>\$ 2,467</u>
Balance at January 1, 2017	\$ 813	\$ 1,698	\$ 2,511
Impairment (reversed) losses recognized on receivable	(813)	813	-
Foreign exchange translation gains and losses	<u>-</u>	<u>(98)</u>	<u>(98)</u>
Balance at September 30, 2017	<u>\$ -</u>	<u>\$ 2,413</u>	<u>\$ 2,413</u>

As of December 31, 2016 and September 30, 2016, trade receivables of PHA in the amount of \$958,729 thousand and \$709,841 thousand, respectively, had been pledged to secure short-term borrowings. Please refer to Note 29.

10. INVENTORIES

	September 30, 2017	December 31, 2016	September 30, 2016
Raw materials	\$ 528,312	\$ 529,103	\$ 473,660
Work-in-process	230,369	259,978	245,448
Finished goods	305,062	321,876	196,744
Merchandise	<u>359,597</u>	<u>392,446</u>	<u>432,427</u>
	<u>\$ 1,423,340</u>	<u>\$ 1,503,403</u>	<u>\$ 1,348,279</u>

As of September 30, 2017, December 31, 2016 and September 30, 2016, allowance of inventory value decline was \$314,343 thousand, \$320,101 thousand and \$323,148 thousand, respectively.

For the three months and the nine months ended September 30, 2017 and 2016, the cost of inventories recognized as cost of goods sold was \$2,580,844 thousand, \$2,563,417 thousand, \$7,613,873 thousand and \$7,148,175 thousand, respectively. The cost of inventories recognized as cost of goods sold for the three months and nine months ended September 30, 2017 and 2016 included inventory write-downs of \$7,343 thousand, \$6,949 thousand, \$1,178 thousand and \$5,456 thousand, respectively.

11. NON-CURRENT ASSETS HELD FOR SALE

	September 30, 2017	December 31, 2016	September 30, 2016
PHSY's buildings and long-term prepayments for lease	\$ <u> -</u>	\$ <u>11,471</u>	\$ <u>11,610</u>

The Company planned to dispose of all of the PHSY's buildings and long-term prepayments for lease. Therefore, the assets were reclassified to non-current assets held for sale and presented separately in the consolidated balance sheets. The proceeds of the disposal are expected to exceed the net carrying amount of the related net assets. Accordingly, no impairment was recognized in reclassifying the assets to assets held for sale. The Company completed the procedures for the disposal on March 2017 and recognized gains on disposal of non-current assets for sale of \$113,218 thousand, which was presented under other gains and losses. Please refer to Note 23.

The buildings and long-term prepayments for lease reclassified as non-current assets held for sale on December 31, 2016 were as follows:

	December 31, 2016
Buildings	\$ 35,617
Less: Accumulated depreciation and impairment	<u>(28,461)</u>
	7,156
Long-term prepayments for lease	<u>4,315</u>
	<u>\$ 11,471</u>

12. SUBSIDIARIES

Investor	Investee	Main Business	Percentage of Ownership			Notes
			September 30, 2017	December 31, 2016	September 30, 2016	
Phihong	Phihong International Corp. ("PHI")	Makes investments	100.00	100.00	100.00	
	Phitek International Co., Ltd. ("PHK")	Makes investments	100.00	100.00	100.00	
	Ascent Alliance Ltd. ("PHQ")	Makes investments	100.00	100.00	100.00	
	Phihong USA Corp. ("PHA")	Sells various power supplies	100.00	100.00	100.00	
	Phihong Technology Japan Co., Ltd. ("PHJ")	Sells power components	100.00	100.00	100.00	
	Guang-Lai Investment Co., Ltd. ("Guang-Lai")	Makes investments	100.00	100.00	100.00	
	Phihong International Corp.	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	*
	Phihong Electronics (Suzhou) Co., Ltd.	Manufactures various power supplies and ballasts	100.00	100.00	100.00	
	N-Lighen Technologies, Inc.	Makes investments	58.45	58.45	58.45	
	Yanghong Trade (Shanghai) Co., Ltd.	Manufactures various lighting supplies	100.00	100.00	100.00	

(Continued)

Investor	Investee	Main Business	Percentage of Ownership			Notes
			September 30, 2017	December 31, 2016	September 30, 2016	
Phitek International Co., Ltd.	Dongguan Phitek Electronics Co., Ltd.	Manufactures various power supplies	100.00	100.00	100.00	
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)

* The Company was put into liquidation in March 2017.

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in associates:

	September 30, 2017	December 31, 2016	September 30, 2016
Material associates			
H&P Venture Capital Co., Ltd.	\$ 76,503	\$ 121,888	\$ 143,151
Han-Yu Venture Capital Co., Ltd.	99,486	110,797	102,342
Spring City Resort Co., Ltd.	<u>25,747</u>	<u>29,294</u>	<u>28,277</u>
	201,736	261,979	273,770
Associates that are not individually material	<u>271</u>	<u>358</u>	<u>366</u>
	<u>\$ 202,007</u>	<u>\$ 262,337</u>	<u>\$ 274,136</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, 2017	December 31, 2016	September 30, 2016
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 nine months ended September 30, 2017 and 2016, 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, 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)
Reclassification	-	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 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>
<u>Cost</u>						
Balance at January 1, 2017	\$ 265,069	\$ 2,191,234	\$ 2,403,438	\$ 643,424	\$ 1,210,132	\$ 6,713,297
Additions	-	3,020	32,900	18,383	3,125	57,428
Disposals	(12,384)	-	(21,240)	(5,799)	-	(39,423)
Effect of foreign currency exchange differences	(3,524)	(31,456)	(37,350)	(4,916)	(20,163)	(97,409)
Reclassification	-	1,163	10,935	5,241	(3,732)	13,607
Balance at September 30, 2017	<u>\$ 249,161</u>	<u>\$ 2,163,961</u>	<u>\$ 2,388,683</u>	<u>\$ 656,333</u>	<u>\$ 1,189,362</u>	<u>\$ 6,647,500</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2017	\$ -	\$ 734,339	\$ 1,794,482	\$ 455,744	\$ -	\$ 2,984,565
Disposals	-	-	(19,154)	(5,557)	-	(24,711)
Depreciation expense	-	56,621	110,835	49,726	-	217,182
Effect of foreign currency exchange differences	-	(10,762)	(26,730)	(3,751)	-	(41,243)
Balance at September 30, 2017	<u>\$ -</u>	<u>\$ 780,198</u>	<u>\$ 1,859,433</u>	<u>\$ 496,162</u>	<u>\$ -</u>	<u>\$ 3,135,793</u>
Carrying amounts at December 31, 2016 and January 1, 2017	<u>\$ 265,069</u>	<u>\$ 1,456,895</u>	<u>\$ 608,956</u>	<u>\$ 187,680</u>	<u>\$ 1,210,132</u>	<u>\$ 3,728,732</u>
Carrying amounts at September 30, 2017	<u>\$ 249,161</u>	<u>\$ 1,383,763</u>	<u>\$ 529,250</u>	<u>\$ 160,171</u>	<u>\$ 1,189,362</u>	<u>\$ 3,511,707</u>

The above items of property, plant and equipment are 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

Please refer to Note 29 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, 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 amount at September 30, 2016	<u>\$ 596,327</u>
<u>Cost</u>	
Balance at January 1, 2017	\$ 961,026
Disposals	(281,688)
Effect of foreign currency exchange differences	<u>(18,341)</u>
Balance at September 30, 2017	<u>\$ 660,997</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2017	\$ 379,719
Depreciation expense	20,244
Disposals	(94,830)
Effect of foreign currency exchange differences	<u>(6,741)</u>
Balance at September 30, 2017	<u>\$ 298,392</u>
Carrying amount at December 31, 2016 and January 1, 2017	<u>\$ 581,307</u>
Carrying amount at September 30, 2017	<u>\$ 362,605</u>

The investment properties are depreciated using the straight-line method over their estimated useful life as follows:

Main buildings	30 years
Others	10 years

The Group disposed of an investment property located at Shanghai in August 2015. The carrying amount of that investment property at the time of sale was \$186,858 thousand, as of September 30, 2017, disposal gain of \$129,588 thousand have been recognized. Please refer to Note 23.

The determination of fair value was performed by the management of the Group by using 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 valuation result was as follows:

	September 30, 2017
Fair value	<u>\$ 646,687</u>

All of the Group's investment properties were held under freehold interests.

16. INTANGIBLE ASSETS

	Computer Software
<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>
<u>Accumulated amortization and impairment</u>	
Balance at January 1, 2016	\$ 69,455
Depreciation 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 September 30, 2016	<u>\$ 29,831</u>
<u>Cost</u>	
Balance at January 1, 2017	\$ 111,363
Additions	14,101
Disposals	(855)
Effect of foreign currency exchange differences	(635)
Reclassification	<u>2,476</u>
Balance at September 30, 2017	<u>\$ 126,450</u>

(Continued)

	Computer Software
<u>Accumulated amortization and impairment</u>	
Balance at January 1, 2017	\$ 79,197
Amortization expense	17,039
Disposals	(675)
Effect of foreign currency exchange differences	<u>(514)</u>
Balance at September 30, 2017	<u>\$ 95,047</u>
Carrying amounts at December 31, 2016 and January 1, 2017	<u>\$ 32,166</u>
Carrying amounts at September 30, 2017	<u>\$ 31,403</u>
	(Concluded)

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

17. PREPAYMENTS FOR LEASE

	September 30, 2017	December 31, 2016	September 30, 2016
Current	\$ 3,471	\$ 3,530	\$ 3,572
Non-current	<u>128,430</u>	<u>133,247</u>	<u>135,750</u>
	<u>\$ 131,901</u>	<u>\$ 136,777</u>	<u>\$ 139,322</u>

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

18. BORROWINGS

Short-term borrowings

	September 30, 2017	December 31, 2016	September 30, 2016
<u>Secured loan</u>			
Bank borrowings	<u>\$ 200,000</u>	<u>\$ 96,840</u>	<u>\$ 94,065</u>
Interest rate	<u>1.14%</u>	<u>3.125%</u>	<u>2.875%</u>

Long-term borrowings

	September 30, 2017	December 31, 2016	September 30, 2016
<u>Secured loan</u>			
Medium-term loan			
Repayable from December 23, 2015 to December 23, 2018; interest rate was 4.03294% on September 30, 2016. Principal was fully repaid in December 2016.	\$ -	\$ -	\$ 30,784
Repayable from July 19, 2016 to July 19, 2019; interest rates were 4.59889%, 3.89456% and 3.8553% on September 30, 2017, December 31, 2016 and September 30, 2016, respectively. Principal was repaid quarterly beginning October 19, 2016.	<u>24,252</u>	<u>35,508</u>	<u>37,626</u>
	24,252	35,508	68,410
Less: Long-term loans payable - current portion	<u>(12,126)</u>	<u>(12,912)</u>	<u>(26,225)</u>
	<u>\$ 12,126</u>	<u>\$ 22,596</u>	<u>\$ 42,185</u>

For information on pledged properties and endorsements/guarantees, please refer to Notes 28 and 29.

19. BONDS PAYABLE

	September 30, 2017	December 31, 2016	September 30, 2016
Unsecured domestic convertible bonds	\$ -	\$ 1,163,926	\$ 1,174,473
Secured domestic bonds	998,333	997,977	997,857
Less: Current portion	<u>-</u>	<u>(1,163,926)</u>	<u>(1,174,473)</u>
	<u>\$ 998,333</u>	<u>\$ 997,977</u>	<u>\$ 997,857</u>

Unsecured Domestic Convertible Bonds

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

The holder is entitled to convert each bond into ordinary shares of the Company at a conversion price of \$20.4 per share. 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 March 6, 2017, the conversion price has been adjusted to \$18.6 per share. 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>\$ 1,429,189</u>
 Liability component at January 1, 2016	 \$ 1,266,468
Interest charged at an effective interest rate of 1.70%	15,570
Redemption of bonds payable	<u>(107,565)</u>
 Liability component at September 30, 2016	 <u>\$ 1,174,473</u>
 Liability component at January 1, 2017	 \$ 1,163,926
Interest charged at an effective interest rate of 1.70%	8,016
Redemption of bonds payable	<u>(1,171,942)</u>
 Liability component at September 30, 2017	 <u>\$ -</u>

The Company bought back 1,332 units and 1,095 units of unsecured convertible bonds from open market, and recognized gain on buy-back of bonds payable of \$103 thousand and \$1,606 thousand for the nine months ended September 30, 2017 and 2016, respectively, which were presented under other gains and losses. Moreover, the Company redeemed all of the expired unsecured convertible bonds on June 4, 2017. Due to the redemption and the buyback for the nine months ended September 30, 2017 and 2016, the Company reclassified \$56,175 thousand and \$5,247 thousand “capital surplus - convertible bonds” to “capital surplus - treasury share transactions”, respectively; please refer to 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.

For information on pledged properties and endorsements/guarantees, please refer to Notes 28 and 29.

20. OTHER PAYABLES

	September 30, 2017	December 31, 2016	September 30, 2016
Payable for salaries and bonus	\$ 251,526	\$ 262,378	\$ 265,729
Compensation payable to employees and directors and supervisors	4,077	-	-
Payable for annual leave	36,955	41,971	41,030
Payable for purchase of equipment	7,573	34,704	42,510
Others	<u>538,145</u>	<u>519,515</u>	<u>487,991</u>
	<u>\$ 838,276</u>	<u>\$ 858,568</u>	<u>\$ 837,260</u>

21. RETIREMENT BENEFIT PLANS

For the three months and the nine months ended September 30, 2017 and 2016, employee benefit expenses in respect of the Group's defined benefit retirement plans were \$382 thousand, \$410 thousand, \$1,148 thousand and \$1,230 thousand, respectively, and were calculated using the actuarially determined pension cost discount rate as of December 31, 2016 and 2015.

22. EQUITY

Share Capital

	September 30, 2017	December 31, 2016	September 30, 2016
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>337,688</u>	<u>277,688</u>	<u>277,688</u>
Shares issued	<u>\$ 3,376,884</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 November 10, 2016, Phihong's board of directors resolved to issue 60,000 thousand ordinary shares, with a par value of NT\$10 each. On January 6, 2017, Phihong's board of directors resolved to issue 60,000 thousand ordinary shares for consideration of NT\$10.2 per share, and increased the issued and fully paid share capital to \$3,376,884 thousand. The Company used Black-Scholes model to evaluate compensation costs of the options granted to employees on January 6, 2017 and increased capital surplus by \$7,131 thousand. The January 6, 2017 issue of ordinary shares was approved by the FSC on December 15, 2016, and the board of directors had set the subscription base date at January 21, 2017.

Capital Surplus

	September 30, 2017	December 31, 2016	September 30, 2016
<u>May be used to offset a deficit, distributed as cash dividends or transferred to share capital</u>			
Issuance of common shares	\$ 244,117	\$ 226,556	\$ 226,556
Conversion of bonds	667,058	667,058	667,058
Treasury share transactions	48,234	48,234	48,234
Interest payable on bond conversion	13,243	13,243	13,243
<u>May be used to offset a deficit only</u>			
Treasury share transactions	71,365	15,190	14,438
<u>May not be used for any purpose</u>			
Equity component of convertible bonds	<u>-</u>	<u>56,175</u>	<u>56,927</u>
	<u>\$ 1,044,017</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 surplus and once a year).

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 held their regular meeting on June 8, 2016 and, in that meeting, resolved amendments to the Company's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees' compensation.

Under the dividend policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonus to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, please refer to e. employee benefits expenses in Note 23.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The 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.

Items referred to 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" should be appropriated to or reversed from a special reserve by the Company.

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.

Special Reserves Appropriated Following First-time Adoption of IFRSs

On the first-time adoption of IFRSs, the Company transferred to retained earnings unrealized revaluation increment and cumulative translation differences in the amounts 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 the 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	
	2017	2016
Balance at January 1	\$ (91,443)	\$ 294,758
Exchange differences arising on translating foreign operations	<u>(132,196)</u>	<u>(351,195)</u>
Balance at September 30	<u>\$ (223,639)</u>	<u>\$ (56,437)</u>

b. Investments revaluation reserve

	For the Nine Months Ended September 30	
	2017	2016
Balance at January 1	\$ 57,450	\$ 47,351
Share of unrealized gain on revaluation of available-for-sale financial assets of associates accounted for using the equity method	<u>(54,864)</u>	<u>9,280</u>
Balance at September 30	<u>\$ 2,586</u>	<u>\$ 56,631</u>

Non-controlling Interest

	For the Nine Months Ended September 30	
	2017	2016
Balance at January 1	\$ (10,016)	\$ (10,168)
Attributable to non-controlling interests:		
Share of profit for the period	(16)	(22)
Exchange difference arising on translation of foreign entities	<u>609</u>	<u>466</u>
Balance at September 30	<u>\$ (9,423)</u>	<u>\$ (9,724)</u>

23. NET PROFIT FROM CONTINUING OPERATIONS

a. Other income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Interest revenue	\$ 3,162	\$ 8,084	\$ 11,341	\$ 22,859
Dividend revenue	5,874	-	5,874	5,239
Other	<u>27,257</u>	<u>25,290</u>	<u>95,274</u>	<u>73,328</u>
	<u>\$ 36,293</u>	<u>\$ 33,374</u>	<u>\$ 112,489</u>	<u>\$ 101,426</u>

b. Other gains and losses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Exchange gain (loss), net	\$ 7,766	\$ (40,820)	\$ (64,575)	\$ (78,192)
(Loss) gain on disposal of property, plant and equipment	(1,218)	2,687	11,659	6,882
Gain on disposal of investment properties (Note 15)	129,588	-	129,588	-

(Continued)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Gain on disposal of non-current assets held for sale (Note 11)	\$ -	\$ -	\$ 113,218	\$ -
(Loss) gain on disposal of intangible assets	(180)	16	(180)	(379)
Gain on disposal of investments	7,267	3,159	10,902	5,923
Net (loss) gain on fair value of financial assets designated as at fair value through profit and loss	(88)	(657)	1,649	-
Gain on buy-back of bonds payable	-	361	103	1,606
Others	<u>(6,106)</u>	<u>(6,546)</u>	<u>(22,426)</u>	<u>(23,554)</u>
	<u>\$ 137,029</u>	<u>\$ (41,800)</u>	<u>\$ 179,938</u>	<u>\$ (87,714)</u> (Concluded)

c. Depreciation and amortization

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Property, plant and equipment	\$ 72,335	\$ 83,286	\$ 217,182	\$ 256,968
Investment properties	5,031	8,083	20,244	25,103
Computer software	<u>6,609</u>	<u>4,255</u>	<u>17,039</u>	<u>12,987</u>
	<u>\$ 83,975</u>	<u>\$ 95,624</u>	<u>\$ 254,465</u>	<u>\$ 295,058</u>
An analysis of depreciation by function				
Operating costs	\$ 36,268	\$ 43,893	\$ 107,894	\$ 144,420
Operating expenses	36,067	39,393	109,288	112,548
Non-operating expenses	<u>5,031</u>	<u>8,083</u>	<u>20,244</u>	<u>25,103</u>
	<u>\$ 77,366</u>	<u>\$ 91,369</u>	<u>\$ 237,426</u>	<u>\$ 282,071</u>
An analysis of amortization by function				
Operating costs	\$ 340	\$ 605	\$ 1,451	\$ 1,911
Operating expenses	<u>6,269</u>	<u>3,650</u>	<u>15,588</u>	<u>11,076</u>
	<u>\$ 6,609</u>	<u>\$ 4,255</u>	<u>\$ 17,039</u>	<u>\$ 12,987</u>

d. Employee benefits expense

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Short-term employee benefits	\$ 532,464	\$ 607,757	\$ 1,553,797	\$ 1,756,810
Post-employment benefits (Note 21)				
Defined contribution plans	4,989	5,259	14,983	16,003
Defined benefit plans	<u>382</u>	<u>410</u>	<u>1,148</u>	<u>1,230</u>
	<u>\$ 537,835</u>	<u>\$ 613,426</u>	<u>\$ 1,569,928</u>	<u>\$ 1,774,043</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 319,217	\$ 392,091	\$ 926,028	\$ 1,105,885
Operating expenses	<u>218,618</u>	<u>221,335</u>	<u>643,900</u>	<u>668,158</u>
	<u>\$ 537,835</u>	<u>\$ 613,426</u>	<u>\$ 1,569,928</u>	<u>\$ 1,774,043</u>

e. Employee's compensation and remuneration to directors and supervisors

The Company accrued employees' compensation and remuneration of 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 of directors and supervisors. For the nine months ended June 31, 2016, because of accumulated deficits, the Company did not estimate the bonus to employees and the remuneration to directors and supervisors.

For the three months and the nine months ended September 30, 2017, the employees' compensation and the remuneration of directors and supervisors were as follows:

Accrual rate

	For the Nine Months Ended September 30	
	2017	2016
Employees' compensation	10%	-
Remuneration of directors and supervisors	2%	-

Amount

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Employees' compensation	<u>\$ 3,398</u>	<u>\$ -</u>	<u>\$ 3,398</u>	<u>\$ -</u>
Remuneration of directors and supervisors	<u>\$ 679</u>	<u>\$ -</u>	<u>\$ 679</u>	<u>\$ -</u>

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

There was no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2016 and 2015.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2017 and 2016 is available at 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 (gain) expense were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Current tax				
In respect of the current period	\$ 27,164	\$ 8,662	\$ 71,800	\$ 18,238
Adjustments for prior periods	-	-	-	3
Deferred tax	<u>2,050</u>	<u>(3,740)</u>	<u>8,670</u>	<u>(10,390)</u>
Total income tax expense recognized in the current period	<u>\$ 29,214</u>	<u>\$ 4,922</u>	<u>\$ 80,470</u>	<u>\$ 7,851</u>

b. Integrated income tax

	September 30, 2017	December 31, 2016	September 30, 2016
Unappropriated deficit			
Generated before January 1, 1997	\$ -	\$ -	\$ -
Generated on and after January 1, 1998	<u>(17,069)</u>	<u>(128,792)</u>	<u>(266,851)</u>
	<u>\$ (17,069)</u>	<u>\$ (128,792)</u>	<u>\$ (266,851)</u>
Shareholder - imputed credits account	<u>\$ 235,337</u>	<u>\$ 206,034</u>	<u>\$ 198,424</u>
		For the Year Ended December 31	
		2016 (Expected)	2015 (Actual)

Creditable ratio for distribution of earning

- -

c. Income tax assessments

The Company's tax returns through 2015, except 2014, have been assessed by the tax authorities.

25. EARNINGS (LOSSES) PER SHARE

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Basic earnings (losses) per share	\$ 0.23	\$ (0.21)	\$ 0.35	\$ (1.60)
Diluted earnings per share	\$ 0.23		\$ 0.33	

Net Profit (Loss) for the Period

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Earnings (losses) used in the computation of basic earnings (losses) per share	\$ 77,970	\$ (58,940)	\$ 111,723	\$ (444,016)
Effect of potentially dilutive ordinary shares:				
Interest on convertible bonds (after tax)	-		8,016	
Earnings used in the computation of diluted earnings per share	\$ 77,970		\$ 119,739	

Ordinary Shares Outstanding

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Weighted average number of ordinary shares in computation of basic earnings (losses) per share	337,688	277,688	322,963	277,688
Effect of potentially dilutive ordinary shares:				
Convertible bonds	-		35,554	
Employees' compensation	274		274	
Weighted average number of ordinary shares used in the computation of diluted earnings per share	337,962		358,791	

Since the Group offered to settle compensation paid to employees in cash or shares, the Group assumed the entire amount of the compensation would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

26. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity attributable to owners of the Company (comprising issued capital, reserves, retained earnings and other equity).

The Group is not subject to any externally imposed capital requirements.

27. FINANCIAL INSTRUMENTS

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

Fair value hierarchy

September 30, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	<u>\$ 506,431</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 506,431</u>

December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	<u>\$ 406,411</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 406,411</u>

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

- b. Categories of financial instruments

	September 30 2017	December 31, 2016	September 30, 2016
<u>Financial assets</u>			
Financial assets at FVTPL	\$ 506,431	\$ 406,411	\$ -
Loans and receivables (1)	4,001,684	4,701,153	4,352,779
Available-for-sale financial assets (2)	43,936	44,759	46,219
<u>Financial liabilities</u>			
Amortized cost (3)	4,530,602	6,192,149	5,599,298

1) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, trade receivables, other receivables, other financial assets and refundable deposits.

2) The balances included the carrying amount of available-for-sale financial assets measured at cost.

3) The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, trade payables, trade payables to related parties, other payables, bonds payable, long-term borrowings and guarantee deposits received.

c. Financial risk management objectives and policies

The Group's major financial instruments included cash and cash equivalents, trade receivables, other receivables, refundable deposits, short-term borrowings, trade payables, trade payables to related parties, other payables, bonds payable, long-term borrowings and guarantee deposits received. The Group'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 Group 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 (see a) below) and interest rates (see b) below).

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 31.

Sensitivity analysis

The Group was mainly exposed to the currency USD and currency 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 is for a 1% change in foreign currency rates and included only outstanding foreign currency denominated monetary items at the end of the reporting period. A positive number below indicates a decrease 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	
	2017	2016
Profit or loss	\$ 6,745	\$ 590
	Currency CNY Impact	
	For the Nine Months Ended	
	September 30	
	2017	2016
Profit or loss	\$ 165	\$ 5,969

b) Interest rate risk

The Group was exposed to fair value risk and cash flow interest rate risk from short-term loans, long-term loans, time deposit, repurchase agreements and collateralized bonds at both fixed and 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, 2017	December 31, 2016	September 30, 2016
Fair value interest rate risk			
Financial liabilities	\$ 1,198,333	\$ 997,977	\$ 997,857
Cash flow interest rate risk			
Financial liabilities	24,252	132,348	162,475

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, 2017, December 31, 2016 and September 30, 2016, the Group had available unutilized short-term bank loan facilities set out in (b) below.

a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

September 30, 2017

	On Demand or Less than 1 Year	1 to 3 Years	Over 3 Years	Total
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 3,304,004	\$ -	\$ -	\$ 3,304,004
Variable interest rate instrument	12,126	12,126	-	24,252
Fixed interest rate instrument	<u>200,000</u>	<u>-</u>	<u>998,333</u>	<u>1,198,333</u>
	<u>\$ 3,516,130</u>	<u>\$ 12,126</u>	<u>\$ 998,333</u>	<u>\$ 4,526,589</u>

December 31, 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	\$ 5,054,763	\$ -	\$ -	\$ 5,054,763
Variable interest rate instrument	109,752	22,596	-	132,348
Fixed interest rate instrument	<u>-</u>	<u>-</u>	<u>997,977</u>	<u>997,977</u>
	<u>\$ 5,164,515</u>	<u>\$ 22,596</u>	<u>\$ 997,977</u>	<u>\$ 6,185,088</u>

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	<u>-</u>	<u>-</u>	<u>997,857</u>	<u>997,857</u>
	<u>\$ 4,552,838</u>	<u>\$ 42,185</u>	<u>\$ 997,857</u>	<u>\$ 5,592,880</u>

b) Financing facilities

	September 30, 2017	December 31, 2016	September 30, 2016
Unsecured bank facilities:			
Amount used	\$ -	\$ -	\$ -
Amount unused	<u>181,890</u>	<u>243,680</u>	<u>238,130</u>
	<u>\$ 181,890</u>	<u>\$ 243,680</u>	<u>\$ 238,130</u>
Secured bank facilities:			
Amount used	\$ 224,252	\$ 132,348	\$ 162,475
Amount unused	<u>1,691,798</u>	<u>1,657,730</u>	<u>1,704,493</u>
	<u>\$ 1,916,050</u>	<u>\$ 1,790,078</u>	<u>\$ 1,866,968</u>

28. RELATED-PARTY TRANSACTIONS

a. The Group's related parties and relationship

<u>Related Party</u>	<u>Relationship with the Group</u>
Heng Hui Co., Ltd.	Other related parties
Dongguan Song Xiang Metal Products Co., Ltd.	Other related parties
Hua Jung Co., Ltd.	Other related parties
Spring City Resort	Other related parties
Yao Yu Design Co., Ltd.	Other related parties
Hong Ding Educational Technology Co., Ltd.	Other related parties
Peter Lin	Phihong's chairman

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

b. Trading transactions

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
<u>Sales</u>				
Other related parties	\$ <u>160</u>	\$ <u>-</u>	\$ <u>549</u>	\$ <u>-</u>
	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
<u>Purchase of goods</u>				
Other related parties	\$ <u>32,903</u>	\$ <u>33,411</u>	\$ <u>103,621</u>	\$ <u>91,162</u>

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

	September 30, 2017	December 31, 2016	September 30, 2016
<u>Payables to related parties</u>			
Other related parties	\$ <u>69,013</u>	\$ <u>71,883</u>	\$ <u>61,725</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	
	2017	2016	2017	2016
Short-term benefits	\$ 7,529	\$ 8,068	\$ 21,437	\$ 26,718
Post-employment benefits	135	776	405	992
Share-based payments	<u>-</u>	<u>-</u>	<u>938</u>	<u>-</u>
	\$ <u>7,664</u>	\$ <u>8,844</u>	\$ <u>22,780</u>	\$ <u>27,710</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, 2017, December 31, 2016 and September 30, 2016. The amounts of the guarantees were \$1,222,585 thousand, \$1,033,485 thousand and \$1,066,267 thousand, respectively.

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	September 30, 2017	December 31, 2016	September 30, 2016
Pledge deposits	\$ 25,450	\$ 25,450	\$ -
Freehold land	185,202	197,586	197,586
Buildings	321,410	327,798	329,928
Trade receivable	<u>-</u>	<u>958,729</u>	<u>709,841</u>
	<u>\$ 532,062</u>	<u>\$ 1,509,563</u>	<u>\$ 1,237,355</u>

30. CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The Group's unrecognized commitments were as follows:

	September 30, 2017	December 31, 2016	September 30, 2016
Acquisition of property, plant and equipment	\$ <u>-</u>	\$ <u>33,350</u>	\$ <u>33,752</u>

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Groups' significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

September 30, 2017

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 64,969	30.31500	\$ 1,969,549
JPY	215,953	0.26990	58,286
HKD	296	3.88094	1,149
CNY	3,608	4.56764	16,480
<u>Financial liabilities</u>			
Monetary items			
USD	42,721	30.31500	1,295,090
JPY	8,010	0.26990	2,162
HKD	7,180	3.88094	27,865

December 31, 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 45,587	32.28000	\$ 1,471,550
JPY	12,374	0.27619	3,417
HKD	4,122	4.16096	17,152
CNY	134,623	4.64480	625,296
<u>Financial liabilities</u>			
Monetary items			
USD	43,791	32.28000	1,413,579
JPY	6,108	0.27619	1,687
HKD	5,361	4.16096	22,306

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

32. SEGMENT INFORMATION

The Group's power supply segment is the only one reportable segment. The power supply products 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, 2017</u>			
Revenues from external customers	<u>\$ 8,554,164</u>	<u>\$ 159,927</u>	<u>\$ 8,714,091</u>
Segment revenues	<u>\$ (61,552)</u>	<u>\$ (16,307)</u>	\$ (77,859)
Other revenues			112,489
Other gain and loss			179,938
Financial cost			(30,736)
Investment income recognized under equity method, net			<u>8,345</u>
Income before income tax			<u>\$ 192,177</u>
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>
Loss before income tax			<u>\$ (436,187)</u>

b. Segment assets and liabilities

	September 30, 2017	December 31, 2016	September 30, 2016
Power supply segment assets	\$ 9,862,560	\$ 11,039,114	\$ 10,339,272
Other assets	<u>537,768</u>	<u>563,963</u>	<u>549,157</u>
Total assets	<u>\$ 10,400,328</u>	<u>\$ 11,603,077</u>	<u>\$ 10,888,429</u>
Power supply segment liabilities	\$ 4,767,159	\$ 6,487,952	\$ 5,873,131
Other liabilities	<u>115,769</u>	<u>140,542</u>	<u>144,295</u>
Total liabilities	<u>\$ 4,882,928</u>	<u>\$ 6,628,494</u>	<u>\$ 6,017,426</u>