

English Translation of Financial Statements and a Report Originally Issued in Chinese

Ticker: 3189

Kinsus Interconnect Technology Corp. and Subsidiaries
Consolidated Financial Statements
With Review Report of Independent Auditors
As of September 30, 2016 and 2015
And For The Nine-month Periods Then Ended

Address: 1245, Chung Hua Rd., Hsinwu District, Taoyuan City, Taiwan 32747
Telephone: (03)487-1919

The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

**Consolidated Financial Statements
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REVIEW REPORT OF INDEPENDENT AUDITORS

To The Board of Directors of
Kinsus Interconnect Technology Corp.

We have reviewed the accompanying consolidated balance sheets of Kinsus Interconnect Technology Corp. and subsidiaries as of September 30, 2016 and 2015, the related consolidated statements of comprehensive income for the three-month and nine-month periods then ended, as well as the consolidated statements of changes in equity and cash flows for the nine-month periods then ended. The preparation of these consolidated financial statements is the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

Except as discussed in the following paragraph, we conducted our reviews in accordance with the Statements of Auditing Standards No. 36, "Review of Financial Statements" of the Republic of China. A review is limited primarily to applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, 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 at Note 4.(3), we did not review the financial statements of certain subsidiaries of the Company as of September 30, 2016 and 2015, and for the three-month and nine-month periods then ended. The total assets of those un-reviewed subsidiaries as of September 30, 2016 and 2015 were NT\$2,642,315 thousand and NT\$1,951,299 thousand, representing 6.37% and 4.71% of the total consolidated assets, respectively, and the total liabilities were NT\$683,545 thousand and NT\$720,511 thousand, representing 6.30% and 6.33% of the total consolidated liabilities, respectively, while the comprehensive incomes for the three-month periods then ended were NT\$24,611 thousand and NT\$37,875 thousand, representing 5.09% and 4.45% of total consolidated comprehensive incomes and, for the nine-month periods then ended, NT\$73,930 thousand and NT\$70,695 thousand, representing 5.48% and 3.84% of the total consolidated comprehensive incomes. The related information, as disclosed in Note 13 to the consolidated financial statements, with respect to those subsidiaries were not reviewed either.

(To be continued)

(Continued)

Based on our reviews, expect for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to review those financial statements of such subsidiaries mentioned in above paragraph as of September 30, 2016 and 2015 and for the three-month and nine-month periods then ended, we are not aware of any material modifications that should be made to the consolidated financial statements referred to in the first paragraph in order for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting," endorsed by the Financial Supervisory Commission of the Republic of China.

The logo for Ernst & Young, featuring the company name in a stylized, cursive script.

Ernst & Young
Taiwan, R.O.C.
October 24, 2016

Notices to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations 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 accepted and applied in the Republic of China

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Consolidated Balance Sheets

As of September 30, 2016, December 31, 2015 and September 30, 2015 (September 30, 2016 and 2015 are reviewed but unaudited)

(Amounts Expressed In Thousands of New Taiwan Dollars)

Assets			As of September 30, 2016		As of December 31, 2015		As of September 30, 2015	
Code	Accounts	Notes	Amount	%	Amount	%	Amount	%
	Current assets							
1100	Cash and cash equivalents	4, 6(1)	\$10,627,205	26	\$12,746,307	30	\$11,997,572	29
1110	Financial assets at fair value through profit or loss	4, 6(2)	3,162,292	8	3,536,370	8	3,573,236	9
1147	Bond investments with no active market	4, 6(3)	423,057	1	428,112	1	428,276	1
1150	Notes receivable, net	4, 6(5)	2,495	-	1,835	-	1,365	-
1170	Accounts receivable, net	4, 6(6)	3,649,082	9	3,590,193	8	3,622,578	9
1180	Accounts receivable - related parties	4, 6(6), 7	421,644	1	248,909	1	449,288	1
1200	Other receivables		506,581	1	336,543	1	383,981	1
1210	Other receivables - related parties	7	1,773	-	2,081	-	2,706	-
130x	Inventories, net	4, 6(7)	2,200,906	5	2,285,436	5	2,176,322	5
1410	Prepayments		171,796	-	159,205	1	186,968	-
1470	Other current assets		123,590	-	136,377	-	85,678	-
11xx	Total current assets		21,290,421	51	23,471,368	55	22,907,970	55
	Non-current assets							
1543	Financial assets carried at cost	4, 6(4)	50,000	-	50,000	-	50,000	-
1550	Investment accounted for under equity method	4, 6(8)	450,010	1	-	-	-	-
1600	Property, plant and equipment, net	4, 6(9), 8	16,320,795	40	16,150,904	38	15,781,454	38
1780	Intangible assets	4, 6(10)	24,660	-	30,280	-	21,572	-
1840	Deferred income tax assets	4, 6(25)	9,619	-	9,880	-	347	-
1900	Other non-current assets	6(11), 7, 8	299,128	1	318,785	1	324,473	1
1915	Prepaid equipment	4, 6(9), 9	3,018,558	7	2,607,515	6	2,377,213	6
15xx	Total non-current assets		20,172,770	49	19,167,364	45	18,555,059	45
1xxx	Total Assets		\$41,463,191	100	\$42,638,732	100	\$41,463,029	100

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Consolidated Balance Sheets

As of September 30, 2016, December 31, 2015 and September 30, 2015 (September 30, 2016 and 2015 are reviewed but unaudited)

(Amounts Expressed In Thousands of New Taiwan Dollars)

Liabilities and Equity			As of September 30, 2016		As of December 31, 2015		As of September 30, 2015	
Code	Accounts	Notes	Amount	%	Amount	%	Amount	%
	Current liabilities							
2100	Short-term loans	6(12)	\$2,571,520	6	\$3,095,030	7	\$3,417,570	8
2150	Notes payable		41,854	-	55,484	-	37,643	-
2170	Accounts payable		1,961,894	5	1,996,799	5	1,960,019	5
2200	Other payables	6(13),7	3,400,766	8	3,932,762	9	3,647,410	9
2230	Current income tax liabilities	4, 6(25)	446,062	1	569,378	1	421,961	1
2250	Provisions	4, 6(14)	-	-	294	-	369	-
2300	Other current liabilities	6(15)	630,283	2	668,701	2	848,870	2
21xx	Total current liabilities		9,052,379	22	10,318,448	24	10,333,842	25
	Non-current liabilities							
2540	Long-term loans	6(16), 8	1,718,806	4	1,366,299	4	914,677	2
2570	Deferred income tax liabilities	4, 6(25)	428	-	40,190	-	51,797	-
2600	Other non-current liabilities	4, 6(17)	73,485	-	85,994	-	85,939	-
25xx	Total non-current liabilities		1,792,719	4	1,492,483	4	1,052,413	2
2xxx	Total liabilities		10,845,098	26	11,810,931	28	11,386,255	27
31xx	Equity attributable to shareholders of the parent							
3100	Capital	6(19)						
3110	Common stock		4,460,000	11	4,460,000	10	4,460,000	11
3200	Capital surplus	6(19)	5,939,819	14	5,939,819	14	5,939,819	14
3300	Retained earnings	6(19)						
3310	Legal reserve		3,340,018	8	3,049,623	7	3,049,623	7
3350	Unappropriated earnings		14,678,561	36	14,780,095	35	13,873,329	34
3400	Other components of equity		24,739	-	194,484	-	250,616	1
3500	Treasury Stock	6(19)	(32,885)	-	(32,885)	-	(32,895)	-
36xx	Non-controlling interests	6(19)	2,207,841	5	2,436,665	6	2,536,282	6
3xxx	Total equity		30,618,093	74	30,827,801	72	30,076,774	73
	Total liabilities and equity		\$41,463,191	100	\$42,638,732	100	\$41,463,029	100

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three-month and nine-month periods ended September 30, 2016 and 2015 (Reviewed but unaudited)

(Amounts Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

Code	Items	Notes	For the three-month period ended September 30, 2016		For the three-month period ended September 30, 2015		For the nine-month period ended September 30, 2016		For the nine-month period ended September 30, 2015	
			Amount	%	Amount	%	Amount	%	Amount	%
4000	Operating revenues	4, 6(20), 7	\$6,331,055	100	\$5,987,813	100	\$17,477,474	100	\$16,766,699	100
5000	Operating costs		(4,771,249)	(75)	(4,438,160)	(74)	(13,096,919)	(75)	(12,662,600)	(76)
5900	Gross profit		1,559,806	25	1,549,653	26	4,380,555	25	4,104,099	24
6000	Operating expenses	7								
6100	Selling		(150,926)	(2)	(116,888)	(2)	(402,070)	(3)	(300,312)	(2)
6200	General and administrative		(309,968)	(5)	(221,361)	(4)	(874,517)	(5)	(700,199)	(4)
6300	Research and development		(361,322)	(6)	(356,824)	(6)	(1,091,343)	(6)	(1,050,027)	(6)
	Operating expenses total		(822,216)	(13)	(695,073)	(12)	(2,367,930)	(14)	(2,050,538)	(12)
6900	Operating income		737,590	12	854,580	14	2,012,625	11	2,053,561	12
7000	Non-operating income and expense									
7010	Other income	6(23), 7	33,757	-	47,293	-	126,742	-	271,793	2
7020	Other gains and losses	6(23)	(10,812)	-	(15,912)	-	(81,489)	-	(88,070)	(1)
7050	Finance costs	6(23)	(16,985)	-	(13,679)	-	(52,850)	-	(39,308)	-
7060	Share of profit or loss of associates and joint ventures		10	-	-	-	10	-	-	-
	Non-operating income and expenses total		5,970	-	17,702	-	(7,587)	-	144,415	1
7900	Income expense from continuing operations before income tax		743,560	12	872,282	14	2,005,038	11	2,197,976	13
7950	Income tax	6(25)	(124,144)	(2)	(131,008)	(2)	(367,379)	(2)	(324,768)	(2)
8200	Net income		619,416	10	741,274	12	1,637,659	9	1,873,208	11
8300	Other comprehensive income (loss)	6(24)								
8360	Items that may be reclassified subsequently to profit or loss									
8361	Exchange differences on translation of foreign operations		(157,299)	(2)	123,701	2	(328,126)	(1)	(8,519)	-
8362	Unrealized gain (loss) on available-for-sale		-	-	-	-	-	-	(24,694)	-
8399	Income tax related to components of other comprehensive income		21,330	-	(13,186)	-	39,834	-	900	-
	Total other comprehensive income (loss), net of tax		(135,969)	(2)	110,515	2	(288,292)	(1)	(32,313)	-
8500	Total comprehensive income		\$483,447	8	\$851,789	14	\$1,349,367	8	\$1,840,895	11
8600	Net income (loss) attributable to:									
8610	Stockholders of the parent		\$629,489	10	\$770,508	12	\$1,747,936	10	\$1,988,465	12
8620	Non-controlling interests		(10,073)	-	(29,234)	-	(110,277)	(1)	(115,257)	(1)
			\$619,416	10	\$741,274	12	\$1,637,659	9	\$1,873,208	11
8700	Comprehensive income (loss) attributable to:									
8710	Stockholders of the parent		\$550,088	9	\$834,886	14	\$1,578,191	9	\$1,959,378	12
8720	Non-controlling interests		(66,641)	(1)	16,903	-	(228,824)	(1)	(118,483)	(1)
			\$483,447	8	\$851,789	14	\$1,349,367	8	\$1,840,895	11
9750	Earnings per share-basic (in NTD)	6(26)	\$1.41		\$1.73		\$3.92		\$4.46	
9850	Earnings per share-diluted (in NTD)	6(26)	\$1.40		\$1.71		\$3.88		\$4.37	

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Consolidated Statements of Changes in Equity

For the nine-month periods ended September 30, 2016 and 2015 (Reviewed but unaudited)

(Amounts Expressed In Thousands of New Taiwan Dollars)

Code	Items	Equity Attributable to Shareholders of the Parent								Non-controlling Interests	Total Equity
		Capital	Capital Surplus	Retained Earnings		Others		Treasury Stock	Total		
				Legal Reserve	Unappropriated Earnings	Exchange differences arising on translation of foreign operations	Unrealized valuation gain (loss) on available-for-sale financial assets				
3100	3200	3310	3350	3410	3425	3500	31XX	36XX	3XXX		
A1	Balance as of January 1, 2015	\$4,460,000	\$5,939,819	\$2,687,890	\$14,030,597	\$255,009	\$24,694	\$-	\$27,398,009	\$2,654,765	\$30,052,774
	Appropriation and distribution of 2014 earnings										
B1	Legal reserve			361,733	(361,733)				-		-
B5	Cash dividends-common shares				(1,784,000)				(1,784,000)		(1,784,000)
D1	Net income for the nine-month period ended September 30, 2015				1,988,465				1,988,465	(115,257)	1,873,208
D3	Other comprehensive income (loss), net of tax, for the nine-month period ended September 30, 2015					(4,393)	(24,694)		(29,087)	(3,226)	(32,313)
D5	Total comprehensive income	-	-	-	1,988,465	(4,393)	(24,694)	-	1,959,378	(118,483)	1,840,895
L1	Treasury stock repurchased							(32,895)	(32,895)		(32,895)
Z1	Balance as of September 30, 2015	<u>\$4,460,000</u>	<u>\$5,939,819</u>	<u>\$3,049,623</u>	<u>\$13,873,329</u>	<u>\$250,616</u>	<u>\$-</u>	<u>\$(32,895)</u>	<u>\$27,540,492</u>	<u>\$2,536,282</u>	<u>\$30,076,774</u>
A1	Balance as of January 1, 2016	\$4,460,000	\$5,939,819	\$3,049,623	\$14,780,095	\$194,484	\$-	\$(32,885)	\$28,391,136	\$2,436,665	\$30,827,801
	Appropriation and distribution of 2015 earnings										
B1	Legal reserve			290,395	(290,395)				-		-
B5	Cash dividends-common shares				(1,559,075)				(1,559,075)		(1,559,075)
D1	Net income for the nine-month period ended September 30, 2016				1,747,936				1,747,936	(110,277)	1,637,659
D3	Other comprehensive income (loss), net of tax, for the nine-month period ended September 30, 2016					(169,745)			(169,745)	(118,547)	(288,292)
D5	Total comprehensive income	-	-	-	1,747,936	(169,745)	-	-	1,578,191	(228,824)	1,349,367
Z1	Balance as of September 30, 2016	<u>\$4,460,000</u>	<u>\$5,939,819</u>	<u>\$3,340,018</u>	<u>\$14,678,561</u>	<u>\$24,739</u>	<u>\$-</u>	<u>\$(32,885)</u>	<u>\$28,410,252</u>	<u>\$2,207,841</u>	<u>\$30,618,093</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Consolidated Statements of Cash Flows

For the nine-month periods ended September 30, 2016 and 2015 (Reviewed but unaudited)

(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Items	For the nine-month period ended September 30, 2016	For the nine-month period ended September 30, 2015	Code	Items	For the nine-month period ended September 30, 2016	For the nine-month period ended September 30, 2015
AAAA	Cash flows from operating activities:			BBBB	Cash flows from investing activities:		
A10000	Income before income tax	\$2,005,038	\$2,197,976	B00400	Disposal of available-for-sale financial assets	-	46,520
A20000	Adjustments:			B01800	Acquisition of Investment accounted for under equity method	(450,000)	-
A20010	Income and expense adjustments:			B00700	Disposal of bond investments with no active market	5,055	35,551
A20100	Depreciation	2,611,003	2,370,896	B02700	Acquisition of property, plant and equipment	(3,826,638)	(3,586,096)
A20200	Amortization	25,310	24,242	B02800	Disposal of property, plant and equipment	19,022	1,687
A20300	Bad debt expense (gain on recovery)	(12,339)	(13,088)	B03800	Decrease (increase) in refundable deposits	(4,492)	1,756
A20400	Net gain of financial assets at fair value through P/L	(8,511)	(51,268)	B04500	Acquisition of intangible assets	(20,295)	(25,880)
A20900	Interest expense	52,850	39,308	BBBB	Net cash provided by (used in) investing activities	(4,277,348)	(3,526,462)
A21200	Interest income	(55,698)	(64,920)				
A22300	Share of profit or loss of associates and joint ventures	(10)	-	CCCC	Cash flows from financing activities:		
A22500	Loss on disposal of property, plant and equipment	42,808	108,738	C00100	Increase in (repayment of) short-term loans	(523,510)	1,610,674
A23700	Impairment loss on non-financial assets	-	14,202	C01600	Increase (decrease) in long-term loans	800,000	428,700
A30000	Changes in operating assets and liabilities:			C01700	Repayments of long-term loans	(523,419)	(914,159)
A31110	Financial assets at fair value through profit or loss	382,589	1,582,621	C03000	Increase (decrease) in deposits received	(9,420)	(21,500)
A31130	Notes receivable	(660)	4,887	C04500	Cash dividends	(1,559,075)	(1,784,000)
A31150	Accounts receivable	(46,111)	(568,899)	C04900	Treasury stock purchased	-	(32,895)
A31160	Accounts receivable - related parties	(172,735)	(12,882)	CCCC	Net cash provided by (used in) financing activities	(1,815,424)	(713,180)
A31180	Other receivables	(170,354)	63,656				
A31190	Other receivables - related parties	308	(1,399)	DDDD	Effect of exchange rate changes	(9,498)	10,011
A31200	Inventories	84,530	(13,353)				
A31220	Prepayments	(12,591)	(88,467)	EEEE	Increase (decrease) in cash and cash equivalents	(2,119,102)	455,957
A31240	Other current assets	12,787	6,302	E00100	Cash and cash equivalents at beginning of period	12,746,307	11,541,615
A31990	Long-term prepaid rents	24,149	5,484	E00200	Cash and cash equivalents at end of period	\$10,627,205	\$11,997,572
A32130	Notes payable	(13,630)	(3,368)				
A32150	Accounts payable	(34,905)	(26,730)				
A32180	Other payables	(275,075)	(89,780)				
A32200	Provisions	(294)	67				
A32210	Unearned sales revenue	21,135	(15,432)				
A32230	Other current liabilities	16,373	(9,215)				
A32240	Accrued pension liabilities	(3,089)	(3,181)				
A33000	Cash generated from (used in) operations	4,472,878	5,456,397				
A33100	Interest received	55,974	69,486				
A33300	Interest paid	(55,322)	(39,197)				
A33500	Income tax paid	(490,362)	(801,098)				
AAAA	Net cash provided by (used in) operating activities	3,983,168	4,685,588				

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

1. HISTORY AND ORGANIZATION

Kinsus Interconnect Technology Corp. (referred to “the Company”) was established on September 11, 2000. Its main business activities include the manufacture of electronic products, the whole-sale and retail-sale of electronic materials, and the consultation services of business operation and management. The Company’s stocks have been governmentally approved on May 20, 2004 to be listed and traded in Taiwan Stock Exchange starting November 1, 2004. The registered business premise and main operation address is at No. 1245, Chung Hua Rd., Hsinwu District, Taoyuan City, Taiwan 32747.

2. DATE AND PROCEDURE OF AUTHORIZATION FOR FINANCIAL STATEMENTS ISSUANCE

The consolidated financial statements of the Company and its subsidiaries (“the Group”) were authorized to be issued in accordance with a resolution of the Board of Directors’ meeting held on October 24, 2016.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

- (1) Standards or interpretations issued, revised or amended, which are recognized by Financial Supervisory Commission (“FSC”), but not yet adopted by the Group at the date of issuance of the Group’s financial statements are listed below.

(a) IAS 36 “Impairment of Assets” (Amendment)

This amendment relates to the amendment issued in May 2011 and requires entities to disclose the recoverable amount of an asset (including goodwill) or a cash-generating unit when an impairment loss has been recognized or reversed during the period. The amendment also requires detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognized or reversed, including valuation techniques used, level of fair value hierarchy of assets and key assumptions used in measurement. The amendment is effective for annual periods beginning on or after January 1, 2014.

(b) IFRIC 21 “Levies”

This interpretation provides guidance on when to recognize a liability for a levy imposed by a government (both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain). The interpretation is effective for annual periods beginning on or after January 1, 2014.

(c) IAS 39 “Financial Instruments: Recognition and Measurement” (Amendment)

Under the amendment, there would be no need to discontinue hedge accounting if a hedging derivative was notated, provided certain criteria are met. The interpretation is effective for annual periods beginning on or after January 1, 2014.

(d) LAS 19 “Employee Benefits” (Defined benefit plans: employee contributions)

The amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to provide a policy choice for a simplified accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The amendment is effective for annual periods beginning on or after July 1, 2014.

(e) Improvements to International Financial Reporting Standards (2010-2012 cycle):

IFRS 2 “Share-based Payment”

The annual improvements amend the definitions of 'vesting condition' and 'market condition' and add definitions for 'performance condition' and 'service condition' (which were previously part of the definition of 'vesting condition'). The amendment prospectively applies to share-based payment transactions for which the grant date is on or after July 1, 2014.

IFRS 3 “Business Combinations”

The amendments include: (1) deleting the reference to "other applicable IFRSs" in the classification requirements; (2) deleting the reference to "IAS 37 Provisions, Contingent Liabilities and Contingent Assets or other IFRSs as appropriate", other contingent consideration that is not within the scope of IFRS 9 shall be measured at fair value at each reporting date and changes in fair value shall be recognized in profit or loss; (3) amending the classification requirements of IFRS 9 Financial Instruments to clarify that contingent consideration that is a financial asset or financial liability can only be measured at fair value, with changes in fair value being presented in profit or loss depending on the requirements of IFRS 9. The amendments apply prospectively to business combinations for which the acquisition date is on or after July 1, 2014.

IFRS 8 “Operating Segments”

The amendments require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments. The amendments also clarify that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly. The amendment is effective for annual periods beginning on or after July 1, 2014.

IFRS 13 “Fair Value Measurement”

The amendment to the Basis for Conclusions of IFRS 13 clarifies that when deleting paragraph B5.4.12 of IFRS 9 Financial Instruments and paragraph AG79 of IAS 39 Financial Instruments: Recognition and Measurement as consequential amendments from IFRS 13 Fair Value Measurement, the IASB did not intend to change the measurement requirements for short-term receivables and payables.

IAS 16 “Property, Plant and Equipment”

The amendment clarifies that when an item of property, plant and equipment is revalued, the accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset. The amendment is effective for annual periods beginning on or after July 1, 2014.

IAS 24 “Related Party Disclosures”

The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. The amendment is effective for annual periods beginning on or after July 1, 2014.

IAS 38 “Intangible Assets”

The amendment clarifies that when an intangible asset is revalued, the accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset. The amendment is effective for annual periods beginning on or after July 1, 2014.

(f) Improvements to International Financial Reporting Standards (2011-2013 cycle):

IFRS 1 “First-time Adoption of International Financial Reporting Standards”

The amendment clarifies that an entity, in its first IFRS financial statements, has the choice between applying an existing and currently effective IFRS or applying early a new or revised IFRS that is not yet mandatorily effective, provided that the new or revised IFRS permits early application.

IFRS 3 “Business Combinations”

This amendment clarifies that paragraph 2(a) of IFRS 3 Business Combinations excludes the formation of all types of joint arrangements as defined in IFRS 11 Joint Arrangements from the scope of IFRS 3; and the scope exception only applies to the financial statements of the joint venture or the joint operation itself. The amendment is effective for annual periods beginning on or after July 1, 2014.

IFRS 13 “Fair Value Measurement”

The amendment clarifies that paragraph 52 of IFRS 13 includes a scope exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis. The objective of this amendment is to clarify that this portfolio exception applies to all contracts within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation. The amendment is effective for annual periods beginning on or after July 1, 2014.

IAS 40 “Investment Property”

The amendment clarifies the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property; in determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 Business Combinations and investment property as defined in IAS 40 Investment Property, separate application of both standards independently of each other is required. The amendment is effective for annual periods beginning on or after July 1, 2014.

(g) IFRS 14 “Regulatory Deferral Accounts”

IFRS 14 permits first-time adopters to continue to recognize amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognize such amounts, the Standard requires that the effect of rate regulation must be presented separately from other items. IFRS 14 is effective for annual periods beginning on or after January 1, 2016.

(h) IFRS 11 “Joint Arrangements” (Accounting for Acquisitions of Interests in Joint Operations)

The amendments provide new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments require the entity to apply all of the principles on business combinations accounting in IFRS 3 “Business Combinations”, and other IFRS (that do not conflict with the guidance in IFRS 11), to the extent of its share in a joint operation acquired. The amendment also requires certain disclosure. The amendment is effective for annual periods beginning on or after January 1, 2016.

(i) IAS 16 “Property, Plant and Equipment and IAS 38 “Intangible Assets” — Clarification of Acceptable Methods of Depreciation and Amortization

The amendment clarified that the use of revenue-based methods to calculate depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, such as selling activities and change in sales volumes or prices. The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. The amendment is effective for annual periods beginning on or after January 1, 2016.

(j) IAS 16 “Property, Plant and Equipment and IAS 41 “Agriculture” — Agriculture: Bearer Plants

The IASB decided that bearer plants should be accounted for in the same way as property, plant and equipment in IAS 16 *Property, Plant and Equipment*, because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, and the produce growing on bearer plants will remain within the scope of IAS 41. The amendment is effective for annual periods beginning on or after January 1, 2016.

(k) IAS 27“Separate Financial Statements” — Equity Method in Separate Financial Statements

The IASB restored the option to use the equity method under IAS 28 for an entity to account for investments in subsidiaries and associates in the entity’s separate financial statements. In 2003, the equity method was removed from the options. This amendment removes the only difference between the separate financial statements prepared in accordance with IFRS and those prepared in accordance with the local regulations in certain jurisdictions. The amendment is effective for annual periods beginning on or after January 1, 2016.

(l) Improvements to International Financial Reporting Standards (2012-2014 cycle):

IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”

The amendment clarifies that a change of disposal method of assets (or disposal groups) from disposal through sale or through distribution to owners (or vice versa) should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. The amendment also requires identical accounting treatment for an asset (or disposal group) that ceases to be classified as held for sale or as held for distribution to owners. The amendment is effective for annual periods beginning on or after January 1, 2016.

IFRS 7 “Financial Instruments: Disclosures”

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset and therefore the disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety under IFRS 7 Financial Instruments: Disclosures is required. The amendment also clarifies that whether the IFRS 7 disclosure related to the offsetting of financial assets and financial liabilities are required to be included in the condensed interim financial report would depend on the requirements under IAS 34 Interim Financial Reporting. The amendment is effective for annual periods beginning on or after January 1, 2016.

IAS 19 “Employee Benefits”

The amendment clarifies the requirement under IAS 19.83, that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. The amendment is effective for annual periods beginning on or after January 1, 2016.

IAS 34 “Interim Financial Reporting”

The amendment clarifies what is meant by “elsewhere in the interim financial report” under IAS 34; the amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report. The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. The amendment is effective for annual periods beginning on or after January 1, 2016.

(m) Disclosure Initiative — Amendment to IAS 1 “Presentation of Financial Statements”:

The amendments contain (1) clarifying that an entity must not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. The amendments reemphasize that, when a standard requires a specific disclosure, the information must be assessed to determine whether it is material and, consequently, whether presentation or disclosure of that information is warranted, (2) clarifying that specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated, and how an entity shall present additional subtotals, (3) clarifying that entities have flexibility as to the order in which they present the notes to financial statements, but also emphasize that understandability and comparability should be considered by an entity when deciding on that order, (4) removing the examples of the income taxes accounting policy and the foreign currency accounting policy, as these were considered unhelpful in illustrating what significant accounting policies could be, and (5) clarifying that the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, classified between those items that will or will not be subsequently reclassified to profit or loss. The amendment is effective for annual periods beginning on or after January 1, 2016.

(n) IFRS 10“Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities”, and IAS 28“Investments in Associates and Joint Ventures” — Investment Entities: Applying the Consolidation Exception

The amendments contain (1) clarifying that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity when the investment entity measures all of its subsidiary at fair value, (2) clarifying that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated when all other subsidiaries of an investment entity

are measured at fair value, and (3) allowing the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. The amendment is effective for annual periods beginning on or after January 1, 2016.

The abovementioned standards and interpretations issued by IASB and recognized by FSC are applicable for annual periods beginning on or after January 1, 2017. The Group assesses that there will be no significant impact on the Group's financial statements then.

(2) Standards or interpretations issued, revised or amended, by IASB but not yet recognized by FSC at the date of issuance of the Group's financial statements are listed below.

(a) IFRS 15 "Revenue from Contracts with Customers"

The core principle of the new Standard is for companies to recognize revenue to depict the transfer of promised goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The new Standard includes a cohesive set of disclosure requirements that would result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The Standard is effective for annual periods beginning on or after January 1, 2018.

(b) IFRS 9 "Financial Instruments"

The IASB has issued the final version of IFRS 9, which combines classification and measurement, the expected credit loss impairment model and hedge accounting. The standard will replace IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9 *Financial Instruments* (which include standards issued on classification and measurement of financial assets and liabilities and hedge accounting).

Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore there is requirement that 'own credit risk' adjustments are not recognized in profit or loss.

Impairment: Expected credit loss model is used to evaluate impairment. Entities are required to recognize either 12-month or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

Hedge accounting: Hedge accounting is more closely aligned with risk management activities and hedge effectiveness is measured based on the hedge ratio.

The new standard is effective for annual periods beginning on or after January 1, 2018.

- (c) IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

The effective date of this amendment has been postponed indefinitely, but early adoption is allowed.

(d) IFRS 16“Leases”

The new standard requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions). Lessor accounting still uses the dual classification approach: operating lease and finance lease. The Standard is effective for annual periods beginning on or after January 1, 2019.

(e) IAS 12“Income Taxes” — Recognition of Deferred Tax Assets for Unrealized Losses

The amendment clarifies how to account for deferred tax assets for unrealized losses. The amendment is effective for annual periods beginning on or after 1 January 2017.

(f) Disclosure Initiative — Amendment to IAS 7 “Statement of Cash Flows”:

The amendment relates to changes in liabilities arising from financing activities and to require a reconciliation of the carrying amount of liabilities at the beginning and end of the period. The amendment is effective for annual periods beginning on or after 1 January 2017.

(g) IFRS 15 “Revenue from Contracts with Customers” — Clarifications to IFRS 15

The amendment clarifies how to identify a performance obligation in a contract, determine whether an entity is a principal or an agent, and determine whether the revenue from granting a licence should be recognized at a point in time or over time. The amendment is effective for annual periods beginning on or after 1 January 2018.

(h) IFRS 2 “Share-based Payment” — Amendments to IFRS 2

The amendment contains (1) clarifying that vesting conditions (service and non-market performance conditions), upon which satisfaction of a cash-settled share-based payment transaction is conditional, are not taken into account when estimating the fair value of the cash-settled share-based payment at the measurement date. Instead, these are taken into account by adjusting the number of awards included in the measurement of the liability arising from the transaction, (2) clarifying if tax laws or regulations require the employer to withhold a certain amount in order to meet the employee’s tax obligation associated with the share-based payment, such transactions will be classified in their entirety as equity-settled share-based payment transactions if they would have been so classified in the absence of the net share settlement feature, and (3) clarifying that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the

modification. The equity-settled share-based payment transaction is measured by reference to the fair value of the equity instruments granted at the modification date and is recognised in equity, on the modification date, to the extent to which goods or services have been received. The liability for the cash-settled share-based payment transaction as at the modification date is derecognised on that date. Any difference between the carrying amount of the liability derecognised and the amount recognised in equity on the modification date is recognised immediately in profit or loss. The amendment is effective for annual periods beginning on or after January 1, 2018.

(i) Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts — Amendments to IFRS 4

The amendments help to resolve issues arising from the different effective dates for IFRS 9 “Financial Instruments” (1 January 2018) and the new insurance contracts standard about to be issued by the IASB (still to be decided, but not before 1 January 2020). The amendments allow entities issuing insurance contracts within the scope of IFRS 4 to mitigate certain effects of applying IFRS 9 “Financial Instruments” before the IASB’s new insurance contracts standard becomes effective. The amendments introduce two approaches: an overlay approach and a temporary exemption. The overlay approach allows an entity applying IFRS 9 to remove from profit or loss the effects of some of the accounting mismatches that may occur from applying IFRS 9 before the new insurance contracts standard is applied. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 until 2021 (these entities that defer the application of IFRS 9 will continue to apply IAS 39).

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group’s financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Group is still currently determining the potential impact of the standards and interpretations listed under (a)~(b), it is not practicable to estimate their impact on the Group at this point in time. All other standards and interpretations have no material impact on the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The consolidated financial statements for the nine-month periods ended September 30, 2016 and 2015 have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting,” by the FSC of the Republic of China.

Except the following 4(3) ~ 4(6), 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, 2015. For more details, please refer to Note 4 of the Company's consolidated financial statements for the year ended December 31, 2015.

(2)Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are presented in thousands of New Taiwan Dollars ("NT\$") unless otherwise specified.

(3)Basis of consolidation

The same principles of consolidation have been applied in the Company's consolidated financial statements as those applied in the Company's consolidated financial statements for the year ended December 31, 2015. For the principles of consolidation, please refer to Note 4(3) of the Company's consolidated financial statements for the year ended December 31, 2015.

The consolidated entities are listed as follows:

Investor	Subsidiary	Main business	Percentage of Ownership (%), as of		
			Sep. 30, 2016	Dec. 31, 2015	Sep. 30, 2015
The Company	KINSUS CORP. (USA)	Designing substrates, formulating marketing strategy analysis, developing new customers, researching and development new product technology	100.00%	100.00%	100.00%
The Company	KINSUS HOLDING (SAMOA) LIMITED	Investing activities	100.00%	100.00%	100.00%
The Company	KINSUS INVESTMENT CO., LTD.	Investing activities	100.00%	100.00%	100.00%
KINSUS HOLDING (SAMOA) LIMITED	KINSUS HOLDING (CAYMAN) LIMITED	Investing activities	100.00%	100.00%	100.00%

Kinsus Interconnect Technology Corp.

Notes to Consolidated Financial Statements (Continued)

KINSUS HOLDING (SAMOA) LIMITED	PIOTEK HOLDINGS LTD. (CAYMAN)	Investing activities	51.00%	51.00%	51.00%
KINSUS INVESTMENT CO., LTD.	PEGAVISION CORPORATION	Manufacture of medical equipment	36.81%	36.81%	36.81% (Note)
KINSUS HOLDING (CAYMAN) LIMITED	KINSUS INTERCONNECT TECHNOLOGY SUZHOU CORP.	Manufacturing and selling printed circuit board (PCB) (not high- density fine-line)	100.00%	100.00%	100.00%
KINSUS HOLDING (CAYMAN) LIMITED	XIANG-SHOU (SUZHOU) TRADING LIMITED	Trading of PCB related products and materials (not high-density fine- line)	100.00%	100.00%	100.00%
PIOTEK HOLDINGS LTD. (CAYMAN)	PIOTEK HOLDING LIMITED	Investing activities	100.00%	100.00%	100.00%
PIOTEK HOLDING LIMITED	PIOTEK COMPUTER (SUZHOU) CO., LTD.	Researching, developing, producing and selling electronic components, PCBs and related products and providing after-sale services	100.00%	100.00%	100.00%
PIOTEK HOLDING LIMITED	PIOTEK (H.K.) TRADING LIMITED	Trading activities	100.00%	100.00%	100.00%
PEGAVISION CORPORATION	PEGAVISION HOLDINGS CORPORATION	Investing activities	100.00%	100.00%	100.00%
PEGAVISION CORPORATION	PEGAVISION JAPAN INC.	Selling medical equipment	100.00%	100.00%	100.00%
PEGAVISION HOLDINGS CORPORATION	PEGAVISION CONTACT LENSES (SHANGHAI) CORPORATION	Selling medical equipment	100.00%	100.00%	100.00%

The financial statements of certain subsidiaries as of September 30, 2016 and 2015 and for the three-month and nine-month periods were not reviewed by independent auditors. Total assets of the unreviewed subsidiaries were NT\$2,642,315 thousand and NT\$1,951,299 thousand, respectively, while the total liabilities were NT\$683,545 thousand and NT\$720,511 thousand, respectively. The un-reviewed comprehensive incomes were NT\$24,611 thousand and NT\$37,875 thousand and NT\$73,930 thousand and NT\$70,695 thousand for the three-month and nine-month periods then ended.

Note: The Group owned a compound 36.81% of ownership of Pegavision Corporation as of September 30, 2016, December 31, 2015 and September 30, 2015. The management decided to include Pegavision Corporation as a consolidated entity because the Group, in substance, possessed the control over this entity.

(4) Investments accounted for using the equity method

The Group's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the Group's related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affects the Group's percentage of ownership interests in the associate or joint venture, the Group recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a prorata basis.

When the associate or joint venture issues new stock, and the Group's interest in an associate or a joint venture is reduced or increased as the Group fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in Additional Paid in

Capital and Investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Group disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 39 Financial Instruments: Recognition and Measurement. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the ‘share of profit or loss of an associate’ in the statement of comprehensive income in accordance with IAS 36 Impairment of Assets. In determining the value in use of the investment, the Group estimates:

- (a) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
- (b) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 *Impairment of Assets*.

Upon loss of significant influence over the associate or joint venture, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

(5) Post-employment benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted and disclosed for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events

(6) Income tax

Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The same significant accounting judgments, estimates and assumptions have been applied in the Company's consolidated financial statements for the nine-month period ended September 30, 2016 as those applied in the Company's consolidated financial statements for the year ended December 31, 2015. For significant accounting judgments, estimates and assumptions, please refer to Note 5 of the Company's consolidated financial statements for the year ended December 31, 2015.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As of		
	9/30/2016	12/31/2015	9/30/2015
	(NT\$'000)	(NT\$'000)	(NT\$'000)
Cash and petty cash	4,271	6,234	8,351
Checking and saving	2,576,907	3,379,804	2,837,676
Time deposit	8,046,027	9,360,269	9,151,545
Total	10,627,205	12,746,307	11,997,572

(2) Financial assets at fair value through profit or loss

	As of		
	9/30/2016	12/31/2015	9/30/2015
	(NT\$'000)	(NT\$'000)	(NT\$'000)
Held for trading:			
Money market fund	3,094,293	3,453,872	3,494,873
Valuation adjustment	67,999	82,498	78,363
Total	3,162,292	3,536,370	3,573,236

No financial asset at fair value through profit or loss was pledged as collateral.

(3) Bond investments with no active market

	As of		
	9/30/2016	12/31/2015	9/30/2015
	(NT\$'000)	(NT\$'000)	(NT\$'000)
Time deposits	423,057	428,112	428,276
Current	423,057	428,112	428,276
Non-current	-	-	-

There was no bond investments with no active market pledged as collateral.

(4) Financial assets carried at cost

	As of		
	9/30/2016	12/31/2015	9/30/2015
	(NT\$'000)	(NT\$'000)	(NT\$'000)
Stocks	50,000	50,000	50,000
Non-current	50,000	50,000	50,000

A. Because the interval of reasonable estimates of the fair value of unlisted stocks held by the Group is significantly variable and the probabilities of each estimate cannot be reasonably evaluated, these stocks cannot be measured in fair value. Thus they are carried at cost.

B. No financial assets carried at cost were pledged as collateral.

(5)Notes receivable

	As of		
	9/30/2016	12/31/2015	9/30/2015
	(NT\$'000)	(NT\$'000)	(NT\$'000)
Notes receivable – from operations	2,495	1,835	1,365
Less: allowance for doubtful accounts	-	-	-
Net	2,495	1,835	1,365

No notes receivable was pledged by the Group as collateral.

(6)Accounts receivable and accounts receivable - related parties, net

A. Accounts receivable, net

	As of		
	9/30/2016	12/31/2015	9/30/2015
	(NT\$'000)	(NT\$'000)	(NT\$'000)
Accounts receivable, gross	3,691,654	3,642,703	3,685,661
Less: allowance against doubtful accounts	(35,021)	(47,799)	(54,610)
Less: allowance against return & discount	(7,551)	(4,711)	(8,473)
Net of allowances	3,649,082	3,590,193	3,622,578
Accounts receivable - related parties, gross	421,644	248,909	449,288
Less: allowance against doubtful accounts	-	-	-
Net of allowances	421,644	248,909	449,288
Total accounts receivable, net	4,070,726	3,839,102	4,071,866

B. The Group evaluated sales return and discount based on experiences and other known factors and recorded it as a reduction against sales at the time of recognizing revenue.

C. The Group entered into factoring agreements with banks. Accounts receivables from selected customers are transferred to banks without recourse. Details of the agreed credit limits and accounts receivables transferred were as follows:

	Financial Institution	Accounts receivable de-recognized (NT\$'000)	Advance received (NT\$'000)	Collateral	Credit Limit
9/30/2016	Mega International Commercial Bank - LanYa Branch	351,837	127	None	Note
12/31/2015	Mega International Commercial Bank - LanYa Branch	251,600	-	None	Note
9/30/2015	Mega International Commercial Bank - LanYa Branch	395,495	147,922	None	Note

Note: The credit limits were US\$30,000 thousand as of September 30, 2016, December 31, 2015 and September 30, 2015.

D. The collection term of accounts receivables are generally on 60 to 120 day after monthly closing. The movement schedule of the impairment provision for accounts receivable, including related parties, was presented as below. (Please also refer to Note 12 for credit risk disclosure)

	Impaired Individually (NT\$'000)	Impaired Collectively (NT\$'000)	Total (NT\$'000)
As of January 1, 2016	-	47,799	47,799
Provision (reversal)	-	(12,339)	(12,339)
Effect of exchange rate changes	-	(439)	(439)
As of September 30, 2016	-	35,021	35,021
As of January 1, 2015	-	67,946	67,946
Provision (reversal)	-	(13,088)	(13,088)
Effect of exchange rate changes	-	(248)	(248)
As of September 30, 2015	-	54,610	54,610

Aging analysis for the net accounts receivable, including related parties, were as follows.

	Neither past due nor impaired (NT\$'000)	Accounts receivable – past due, but not impaired				Total (NT\$'000)
		Less than 61 days (NT\$'000)	61 to 90 days (NT\$'000)	91 to 120 days (NT\$'000)	Longer than 121 days (NT\$'000)	
9/30/2016	3,933,643	137,083	-	-	-	4,070,726
12/31/2015	3,639,724	199,378	-	-	-	3,839,102
9/30/2015	3,949,364	120,599	317	-	1,586	4,071,866

(7)Inventory

A.

	As of		
	9/30/2016 (NT\$'000)	12/31/2015 (NT\$'000)	9/30/2015 (NT\$'000)
Raw material	612,896	638,897	558,082
Supplies	40,886	41,027	34,812
Work in process	846,903	815,704	854,346
Finished goods	637,985	759,271	695,268
Merchandises	62,236	30,537	33,814
Total	2,200,906	2,285,436	2,176,322

B. For the three-month periods ended September 30, 2016 and 2015, the Group recognized NT\$4,771,249 thousand and NT\$4,438,160 thousand under the caption of costs of sale, respectively. For the nine-month periods ended September 30, 2016 and 2015, the Group recognized NT\$13,096,919 thousand and NT\$12,662,600 thousand under the caption of costs of sale, respectively. The following items were also included in cost.

Item	For the three-month period ended Sep. 30,		For the nine-month period ended Sep. 30,	
	2016 (NT\$'000)	2015 (NT\$'000)	2016 (NT\$'000)	2015 (NT\$'000)
Loss from inventory market decline	50,759	159,258	105,459	144,412
Loss from physical	6,647	1,473	18,576	6,500
Loss in inventory write-off	475,427	191,320	1,221,601	836,647
Total	532,833	352,051	1,345,636	987,559

C. The inventories were not pledged.

(8) Investments accounted for using the equity method

Investees	As of					
	9/30/2016		12/31/2015		9/30/2015	
	Carrying amount (NT\$'000)	Percentage of ownership (%)	Carrying amount (NT\$'000)	Percentage of ownership (%)	Carrying amount (NT\$'000)	Percentage of ownership (%)
Investments in associates:						
FuYang Technology Corp.	<u>450,010</u>	36.00%	<u>-</u>	-%	<u>-</u>	-%

A. The Group invested cash in FuYang Technology Corp. during May 2016 for interest ownership of 36%. The investment is accounted for as an investment in associates due to the Group's significant influence.

B. Investments in associates

The aggregate carrying amount of the Group's interests in FuYang Technology Corp. is NT\$450,010 thousand. The aggregate financial information based on Group's share of FuYang Technology Corp. is as follows:

	For the three-month period ended Sep. 30,		For the nine-month period ended Sep. 30,	
	2016 (NT\$'000)	2015 (NT\$'000)	2016 (NT\$'000)	2015 (NT\$'000)
Profit or loss from continuing operations	10	-	10	-
Other comprehensive income (post-tax)	-	-	-	-
Total comprehensive income	<u>10</u>	<u>-</u>	<u>10</u>	<u>-</u>

There were no contingent liabilities or capital commitments with respect to the investment in the associate as of September 30, 2016. Nor any of the Group's share interest on FuYang was pledged as collateral.

C. The Group's investment accounted for under equity method as of September 30, 2016 amounted to NT\$450,010 thousand while the related investment income/loss and joint venture income were NT\$10 thousand for the three-month and nine-month periods then

ended and other comprehensive income were NT\$0 for the three-month and nine-month periods then ended. They were measured based on the reviewed financial statements of the investee for the same correspondent period.

D. No investment accounted for under equity method was pledged as collateral as of September 30, 2016.

(9)Property, plant and equipment

	Land	Buildings	Machinery	Office Equipment	Transportation	Other Equipment	Construction in progress and equipment awaiting inspection (including prepaid equipment)	Total
	(NT\$'000)	(NT\$'000)	(NT\$'000)	(NT\$'000)	(NT\$'000)	(NT\$'000)	(NT\$'000)	(NT\$'000)
<u>Cost:</u>								
As of 1/1/2016	1,557,800	5,556,743	16,781,076	131,576	15,809	3,992,908	5,238,467	33,274,379
Addition	-	2,017	8,991	8,397	1,805	166,019	3,385,051	3,572,280
Disposals	-	-	(187,770)	(3,776)	-	(49,525)	(2,612)	(243,683)
Effect of EX rate	-	(213,663)	(459,190)	(4,093)	(571)	(96,456)	(8,911)	(782,884)
Reclassification	4,642	1,021,244	2,122,486	9,084	-	456,911	(3,615,757)	(1,390)
As of 9/30/2016	<u>1,562,442</u>	<u>6,366,341</u>	<u>18,265,593</u>	<u>141,188</u>	<u>17,043</u>	<u>4,469,857</u>	<u>4,996,238</u>	<u>35,818,702</u>
As of 1/1/2015	1,366,426	5,614,222	17,202,285	118,946	14,700	3,958,417	3,107,645	31,382,641
Addition	-	9,527	59,697	9,394	1,355	70,683	3,343,770	3,494,426
Disposals	-	(71,898)	(2,442,282)	(17,956)	-	(336,635)	-	(2,868,771)
Effect of EX rate	-	(4,081)	(12,575)	(292)	(11)	(3,951)	(122)	(21,032)
Reclassification	-	74,654	1,336,673	12,529	-	179,551	(1,603,407)	-
As of 9/30/2015	<u>1,366,426</u>	<u>5,622,424</u>	<u>16,143,798</u>	<u>122,621</u>	<u>16,044</u>	<u>3,868,065</u>	<u>4,847,886</u>	<u>31,987,264</u>
<u>Depreciation and impairment:</u>								
As of 1/1/2016	-	1,743,546	10,148,920	80,839	11,552	2,531,103	-	14,515,960
Depreciation	-	210,696	1,919,084	22,305	2,224	456,694	-	2,611,003
Impairment	-	-	-	-	-	-	-	-
Disposal	-	-	(134,088)	(2,526)	-	(45,239)	-	(181,853)
Effect of EX rate	-	(65,254)	(327,012)	(3,413)	(710)	(68,176)	-	(464,565)
Reclassification	-	-	415	(201)	-	(1,410)	-	(1,196)
As of 9/30/2016	<u>-</u>	<u>1,888,988</u>	<u>11,607,319</u>	<u>97,004</u>	<u>13,066</u>	<u>2,872,972</u>	<u>-</u>	<u>16,479,349</u>

As of 1/1/2015	-	1,521,919	10,235,466	73,772	8,679	2,364,370	-	14,204,206
Depreciation	-	200,030	1,769,003	17,650	2,270	381,943	-	2,370,896
Impairment	-	-	13,417	390	-	395	-	14,202
Disposal	-	(26,534)	(2,402,497)	(16,631)	-	(312,684)	-	(2,758,346)
Effect of EX rate	-	410	(1,670)	(161)	13	(953)	-	(2,361)
Reclassification	-	-	8,737	-	-	(8,737)	-	-
As of 9/30/2015	-	1,695,825	9,622,456	75,020	10,962	2,424,334	-	13,828,597

Net carrying amount:

As of 9/30/2016	1,562,442	4,477,353	6,658,274	44,184	3,977	1,596,885	4,996,238	19,339,353
As of 12/31/2015	1,557,800	3,813,197	6,632,156	50,737	4,257	1,461,805	5,238,467	18,758,419
As of 9/30/2015	1,366,426	3,926,599	6,521,342	47,601	5,082	1,443,731	4,847,886	18,158,667

A. " Significant components" of buildings primarily comprised the main buildings and the facilities, which are depreciated based on their respective useful economic life of 20 to 25 years and 3 to 20 years.

B. Details of property, plant & equipment and prepayment for machinery is as follows:

	As of		
	9/30/2016 (NT\$'000)	12/31/2015 (NT\$'000)	9/30/2015 (NT\$'000)
Property, plant and equipment	16,320,795	16,150,904	15,781,454
Prepaid equipment	3,018,558	2,607,515	2,377,213
Total	19,339,353	18,758,419	18,158,667

C. Please refer to Note 8 for details on property, plant and equipment pledged as collaterals.

D. The Company purchased 40 parcels of land with a total area of 36,287.15 square meters. Lands are located at the addresses of No. 1113, 1114, 1438 to 1443, 1479, 1486 to 1487 at ShiLeiZi Sub-section, ShiLeiZi Section, No. 1044, 1047 to 1049 at QingHua Section, and No. 0001, 697 to 700 and 712 to 726 at RongHua Section, XinFeng Village. Due to regulatory restrictions, the agricultural land cannot be registered under the Company's name while it has been temporarily registered under the general manager's name and, to secure the Company's right to the land, mortgage registration has been set aside with the Company being the obligee.

(10) Intangible assets

	Computer software (NT\$'000)
<u>Cost:</u>	
As of 1/1/2016	55,622
Additions – acquired separately	20,295
Derecognized upon retirement	(29,930)
Reclassification	1,390
Effect of exchange rate changes	(1,582)
As of 9/30/2016	45,795
As of 1/1/2015	40,101
Additions – acquired separately	25,880
Derecognized upon retirement	(19,514)
Effect of exchange rate changes	(12)
As of 9/30/2015	46,455
<u>Amortization and Impairment:</u>	
As of 1/1/2016	25,342
Amortization	25,310
Derecognized upon retirement	(29,930)
Reclassification	1,196
Effect of exchange rate changes	(783)
As of 9/30/2016	21,135
As of 1/1/2015	20,119
Amortization	24,242
Derecognized upon retirement	(19,514)
Effect of exchange rate changes	36
As of 9/30/2015	24,883
<u>Carrying amount, net:</u>	
As of 9/30/2016	24,660
As of 12/31/2015	30,280
As of 9/30/2015	21,572

Amounts of amortization recognized for intangible assets are as follows:

	For the nine-month period ended Sep. 30	
	2016 (NT\$'000)	2015 (NT\$'000)
Cost of goods sold	161	226
Selling	696	772
General and administrative	23,801	21,803
Research and development	652	1,441
Total	25,310	24,242

(11) Other non-current assets

	As of		
	9/30/2016 (NT\$'000)	12/31/2015 (NT\$'000)	9/30/2015 (NT\$'000)
Refundable deposits	49,598	45,106	42,987
Long-term prepaid rent	249,530	273,679	281,486
Total	299,128	318,785	324,473

As of September 30, 2016, December 31, 2015 and September 30, 2015, land use rights, recorded under the caption of long-term prepaid rent, amounted to NT\$249,530 thousand, NT\$273,679 thousand and NT\$281,486 thousand, respectively.

(12) Short-term loans

	Interest interval (%)	As of		
		9/30/2016 (NT\$'000)	12/31/2015 (NT\$'000)	9/30/2015 (NT\$'000)
Unsecured bank loans	0.83%~1.5965%	2,571,520	3,095,030	3,417,570

As of September 30, 2016, December 31, 2015 and September 30, 2015, the line of unused short-term loan credit for the Group amounted to NT\$6,252,240 thousand, NT\$3,156,970 thousand and NT\$3,926,340 thousand, respectively.

(13) Other payable

	As of		
	9/30/2016	12/31/2015	9/30/2015
	(NT\$'000)	(NT\$'000)	(NT\$'000)
Accrued expense	2,387,891	2,662,966	2,499,812
Equipment payable	1,011,400	1,265,758	1,144,854
Accrued interest	1,475	4,038	2,744
Total	3,400,766	3,932,762	3,647,410

(14) Provisions

	Sales Returns and Allowances (NT\$'000)
As of 1/1/2016	294
Additions	-
Used	-
Reversal	(294)
Adjustment to present value due to discount rate change and passage of time	-
As of 9/30/2016	-

	As of		
	9/30/2016	12/31/2015	9/30/2015
	(NT\$'000)	(NT\$'000)	(NT\$'000)
Current	-	294	369
Non-current	-	-	-
Total	-	294	369

Sales returns and allowances

The Group incurred sales returns and allowances based on past experience and other known factors as reductions against sales revenue upon sale, recording it under the caption of provisions.

(15) Other current liabilities

A.

	As of		
	9/30/2016	12/31/2015	9/30/2015
	(NT\$'000)	(NT\$'000)	(NT\$'000)
Other current liabilities	86,403	73,152	66,493
Unearned sales revenue	42,742	21,607	17,028
Deferred revenue - Customer Loyalty Programmes	4,424	1,302	1,174
Current portion of long-term loans	496,714	572,640	764,175
Total	630,283	668,701	848,870

B. Customer loyalty programs

	For the nine-month period ended September 30,	
	2016	2015
	(NT\$'000)	(NT\$'000)
Balance, beginning	1,302	781
Deferred during the period	10,272	501
Recognized in profit or loss	(7,150)	(108)
Balance, ending	4,424	1,174

	As of		
	9/30/2016	12/31/2015	9/30/2015
	(NT\$'000)	(NT\$'000)	(NT\$'000)
Current	4,424	1,302	1,174
Non-current	-	-	-
Total	4,424	1,302	1,174

(16) Long-term loans

Details of long-term loans were as follows:

Debtor	Type of Loan	Maturity	Loan Balance	Repayment
			As of 9/30/2016 (NT\$'000)	
Mega International Commercial Bank - LanYa Branch	Secured bank loan	2016.11.06- 2020.05.07	117,228	Notes 1, 2 and 11
Mega International Commercial Bank - LanYa Branch	Credit loan	2018.08.12- 2021.09.05	1,723,552	Notes 10
The Shanghai Commercial & Savings Bank - ZhongLi Branch	Secured bank loan	2017.04.15- 2019.01.15	86,250	Notes 6 and 10
The Shanghai Commercial & Savings Bank - ZhongLi Branch	Credit loan	2017.01.15- 2017.04.15	6,250	Notes 10
Taipei Fubon Commercial Bank – BeiTou Branch	Credit loan	2017.12.14	282,240	Note 12
Total			2,215,520	
Less: current portion			(496,714)	
Non-current portion			1,718,806	

Debtor	Type of Loan	Maturity	As of 12/31/2015 (NT\$'000)	Repayment
			(NT\$'000)	
Mega International Commercial Bank - LanYa Branch	Secured bank loan	2016.05.07- 2016.12.15	123,081	Notes 1, 2 and 11
Mega International Commercial Bank - LanYa Branch	Credit loan	2016.01.17- 2020.12.04	1,162,006	Notes 2, 3 and 4
The Shanghai Commercial & Savings Bank - ZhongLi Branch	Secured bank loan	2016.07.15- 2019.01.15	181,953	Notes 6, 7 and 10

The Shanghai Commercial & Savings Bank - ZhongLi Branch	Credit loan	2016.01.24- 2017.04.15	15,000	Notes 6 and 10
Land Bank of Taiwan - ZhongLi Branch	Credit loan	2016.04.27	62,999	Notes 2 and 5
Taipei Fubon Commercial Bank – BeiTou Branch	Credit loan	2017.12.14	393,900	Note 12
Total			1,938,939	
Less: current portion			(572,640)	
Non-current portion			1,366,299	

			As of 9/30/2015	
Debtor	Type of Loan	Maturity	(NT\$'000)	Repayment
Mega International Commercial Bank - LanYa Branch	Secured bank loan	2015.10.27- 2016.12.15	201,261	Notes 1, 2 and 8
Mega International Commercial Bank - LanYa Branch	Credit loan	2015.10.27- 2018.04.02	657,676	Notes 1, 3 and 10
The Shanghai Commercial & Savings Bank - ZhongLi Branch	Secured bank loan	2015.07.15- 2019.01.15	149,853	Notes 2, 6, 7 and 10
The Shanghai Commercial & Savings Bank - ZhongLi Branch	Credit loan	2016.01.24- 2017.04.15	18,750	Notes 2, 6 and 10
Land Bank of Taiwan - ZhongLi Branch	Credit loan	2015.12.23- 2016.04.27	158,262	Notes 2, 5 and 9
Taipei Fubon Commercial Bank – BeiTou Branch	Credit loan	2017.12.14	493,050	Note 12
Total			1,678,852	
Less: current portion			(764,175)	
Non-current portion			914,677	

Note 1: A term is defined as every 3 months starting from the initial draw-down date. Grace period is 2 years (8 terms). The rest is repayable in installments of equal amount for 20 terms.

- Note 2: Interest shall be paid for the first 12 months from the initial draw-down date. Starting from the 13th month, interest shall be paid monthly with principal repaid every 3 months.
- Note 3: A term is defined as every 3 months starting from the initial draw-down date. The loan is repayable in installments of equal amount for 20 terms.
- Note 4: A term is defined as every 3 months starting from the initial draw-down date. The loan is repayable in installments of equal amount for 16 terms.
- Note 5: A term is defined as every 1 months starting from the initial draw-down date. The principal and interest are repayable in installments of equal amount.
- Note 6: A term is defined as every 3 months starting from the initial draw-down date. Grace period is 2 years (8 terms). The rest is repayable in installments of equal amount for 12 terms.
- Note 7: Starting from the 25th month, a term is defined as every 3 months. The loan is repayable in installments of equal amount for 11 terms.
- Note 8: A term is defined as every 3 months starting from the initial draw-down date. Grace period is 1 years (4 terms). The rest is repayable in installments of equal amount for 8 terms.
- Note 9: Interest shall be paid monthly starting from the initial draw-down date. Principal is repaid in one lump sum when due.
- Note 10: A term is defined as every 3 months starting from the initial draw-down date. Grace period is 1 years (4 terms). The rest is repayable in installments of equal amount for 16 terms.
- Note 11: The first year is the grace period while the loan principal is repaid in 16 installments 4% for each of the first 15 installments and 40% for the very last installment.
- Note 12: One year after the initial draw-down date is considered term one and the following terms are defined as every 6 months since then. The principal and interest are repayable in installments of equal amount for 5 terms.

- A. A portion of property, plant and equipment were pledged to Mega International Commercial Bank and Shanghai Commercial & Savings Bank (the first-priority mortgagors) as collaterals for secured bank loans. Please refer to Note 8 for more details.
- B. As of September 30, 2016, December 31, 2015 and September 30, 2015, the interest rate intervals for long-term loans were 1.076%~2.27%, 1.02%~2.01% and 0.93%~1.75%, respectively.

(17) Other non-current liabilities

	As of		
	9/30/2016	12/31/2015	9/30/2015
	(NT\$'000)	(NT\$'000)	(NT\$'000)
Accrued pension costs	31,059	34,148	26,487
Deposits received	42,426	51,846	59,452
Total	73,485	85,994	85,939

(18) Post-employment benefits

Defined contribution plan

Expenses under the defined contribution plan for the three-month periods ended September 30, 2016 and 2015 were NT\$28,553 thousand and NT\$28,091 thousand, respectively, while for the nine-month periods ended September 30, 2016 and 2015 were NT\$85,243 thousand and NT\$83,593 thousand, respectively.

Defined benefits plan

Expenses under the defined benefits plan for the nine-month periods ended September 30, 2016 and 2015 were NT\$655 thousand and NT\$615 thousand, respectively.

Expenses under the defined benefits plan are as follows:

	For the three-month period ended Sep. 30		For the nine-month period ended Sep. 30	
	2016	2015	2016	2015
	(NT\$'000)	(NT\$'000)	(NT\$'000)	(NT\$'000)
Cost of goods sold	173	162	512	484
Selling	6	6	21	23
General and administrative	28	21	77	61
Research and development	12	16	45	47

(19) Equity

A. Common shares

As of September 30, 2016, December 31, 2015 and September 30, 2015, the Company's authorized capital and paid-in capital were NT\$5,500,000 thousand and NT\$4,460,000 thousand, respectively, each share at par value of NT\$10, divided into 446,000 thousand shares. Each share represents a voting right and a right to receive dividends.

Treasury stocks brought back by the Company for the purpose of transfer to employee during the period from August 18, 2015 to September 25, 2015 totaled to 550 thousand shares. Please refer to Note 6(19)-C to the financial statements for more details.

B. Capital surplus

	As of		
	9/30/2016 (NT\$'000)	12/31/2015 (NT\$'000)	9/30/2015 (NT\$'000)
Additional paid-in capital	5,850,000	5,850,000	5,850,000
Differences between equity purchase price and carrying amount arising from actual acquisition or disposal of subsidiaries	50,925	50,925	50,925
All changes in interests in subsidiaries	38,894	38,894	38,894
Total	5,939,819	5,939,819	5,939,819

According to the Taiwan Company Act, the capital surplus shall not be used except for making good the deficit of the Company. When a company incurs no loss, it may distribute the capital surplus related to the income derived from the issuance of new shares at a premium or income from endowments received by the company up to a certain percentage of paid-in capital. The said capital surplus could be distributed in cash to its shareholders in proportion to the number of shares being held by each of them. Capital surplus related to long-term equity investments cannot be used for any purpose.

C. Treasury stock

Treasury stock amounting to NT\$32,895 thousand, divided into 550 thousand shares, was held by the Group as of September 30, 2015 while the amount was NT\$32,885 thousand as of September 30, 2016 and December 31, 2015.

For the nine-month period ended September 30, 2016, there was no change in shares of treasury stock. The movement schedule of treasury stock for the nine-month period ended September 30, 2015 was as below (in thousand shares).

Purpose of repurchase	Beginning balance	Addition	Decrease	Ending balance
<u>For the nine-month period ended Sep. 30, 2015</u>				
To be transfered to employees	-	550	-	550

According to the Securities and Exchange Law of the R.O.C., the total shares of treasury stock shall not exceed 10% of the Company's issued stock, and the total purchase amount shall not exceed the sum of the retained earnings, additional paid-in capital-premiums and realized additional paid-in capital. As such, the ceiling number of shares of treasury stock that the Company could hold as of September 30, 2016 were 44,600 thousand shares, with the maximum payments of NT\$23,868,579 thousand.

In compliance with Securities and Exchange Law of the R.O.C., treasury stock should not be pledged, nor should it be entitled to voting rights or receiving dividends.

D. Appropriation of earnings and dividend policies

(a) Retained earnings and dividend policies

According to the Company's original Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

- a. 1% as remuneration to directors
- b. Bonues to employees cannot be less than 1% of the total bonus to employees and shareholders. Bonus to employees can be distributed in cash or stocks. The parties receiving the stock dividends shall include employees in affiliated companies who met certain conditions stipulated by the Board of Directors.
- c. The Board of Directors would propose an earning distribution plan based on the remaining balance combined with the undistributed earnings accumulated during previous years to be resolved at the shareholders' meeting.

However, according to the addition of Article 235-1 of the Company Act announced on May 20, 2015, the Company shall provide a fixed amount or percentage of the actual profit for a year to be distributed as "employees' compensation". The Company's shareholders' meeting held on May 27, 2016 passed the resolution of amending the Articles of Incorporation, according to the revised Articles of Incorporations, current year's earnings, if any, shall be distributed in the following order:

- a. Payment of all taxes and dues;
- b. Offset prior years' operation losses;
- c. Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;
- d. Set aside or reverse special reserve in accordance with law and regulations; and
- e. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

(b) Dividend policies

The Company is in an industry with versatile environment. For long-term finance planning requirements and to meet the shareholders' demand for cash, dividend policy aims for a steady balance. Cash dividends distributed each year cannot be less than 10% of the total dividends paid.

(c) Legal reserve

According to the Company Act, legal reserve shall be set aside until such amount equal total authorized capital. Legal reserve can be used to offset deficits. If the Company does not incur any loss, the portion of legal reserve exceeding 25% of the paid-in capital may be distributed to shareholders by issuing new shares or by cash in proportion to the number of shares held by each shareholder.

(d) Special reserve

Following the adoption of T-IFRS, the FSC on April 6, 2012 issued Order No. Financial-Supervisory-Securities-Corporate-1010012865, which sets out the following provisions for compliance:

On a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special reserve. Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to "other net deductions from shareholders' equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

The Company did not incur any special reserve upon the first-time adoption of T-IFRS.

- (e) The appropriations of earnings for the Year 2015 and 2014 were approved through the Board of Directors' meetings and shareholders' meetings held on May 27, 2016 and June 11, 2015, respectively. The details of the distributions are as follows:

	<u>Appropriation of earnings</u>		<u>Dividend per share</u>	
	2015	2014	(in NT\$)	
	(NT\$'000)	(NT\$'000)	2015	2014
Legal reserve	290,395	361,733		
Cash dividend	1,559,075	1,784,000	3.50	4.00
Total	1,849,470	2,145,733		

Please refer to Note 6(22) for details on employees' compensation and remuneration to directors and supervisors.

E. Non-controlling interests

	For the nine-month period ended Sep. 30,	
	2016 (NT\$'000)	2015 (NT\$'000)
Beginning balance	2,436,665	2,654,765
Net loss attributable to NCIs	(110,277)	(115,257)
Other comprehensive income attributable to NCIs:		
Exchange differences arising on translation of foreign operations	(118,547)	(3,226)
Ending balance	2,207,841	2,536,282

(20) Sale

	For the three-month period ended Sep. 30,		For the nine-month period ended Sep. 30,	
	2016 (NT\$'000)	2015 (NT\$'000)	2016 (NT\$'000)	2015 (NT\$'000)
Sale of goods	6,386,591	6,046,982	17,494,233	16,848,896
Less: sales returns and allowances	(138,926)	(168,152)	(354,076)	(380,097)
Services rendered	26,732	64,980	105,594	141,441
Other operating revenue	56,658	44,003	231,723	156,459
Total	6,331,055	5,987,813	17,477,474	16,766,699

(21) Operating lease

A. Group as a lessee

The commercial leasing agreements that the Group entered into for buildings and plants have an average term of one to five years. There are no restrictive covenants for the Group in the contracts.

Total future minimum lease payments due to irrevocable leasing contracts were as follows:

	As of		
	9/30/2016	12/31/2015	9/30/2015
	(NT\$'000)	(NT\$'000)	(NT\$'000)
Less than one year	88,934	84,745	81,443
More than one year but less than five years	326,636	394,056	415,621
Total	415,570	478,801	497,064

Operating lease expenses recognized are as follows:

	For the three-month period ended Sep. 30,		For the nine-month period ended Sep. 30,	
	2016	2015	2016	2015
	(NT\$'000)	(NT\$'000)	(NT\$'000)	(NT\$'000)
Minimum lease payment	39,807	35,525	108,745	113,119

B. Group as a lessor

The leasing agreements that the Group entered into for plants have an average term of one year.

Future minimum rentals receivable under non-cancellable operating leases as of September 30, 2016, December 31, 2015 and September 30, 2015, are as follows:

	As of		
	9/30/2016	12/31/2015	9/30/2015
	(NT\$'000)	(NT\$'000)	(NT\$'000)
Less than one year	1,330	-	2,127

For the three-month periods ended September 30, 2016 and 2015, rent incomes of the Group amounted to NT\$4,512 thousand and NT\$6,139 thousand, respectively. For the nine-month periods ended September 30, 2016 and 2015, rent incomes of the Group amounted to NT\$14,559 thousand and NT\$16,261 thousand, respectively.

(22) Summary statement of employee benefits, depreciation and amortization by function is as follows:

Function Nature	For the three-month period ended September 30, 2016 (NT\$'000)			For the three-month period ended September 30, 2015 (NT\$'000)		
	Cost of goods sold	Operating expense	Total	Cost of goods sold	Operating expense	Total
Employee benefit						
Salaries & wages	651,427	228,049	879,476	712,187	202,371	914,558
Labor and health insurance	46,773	18,049	64,822	48,099	17,177	65,276
Pension	19,680	9,092	28,772	19,980	8,316	28,296
Other employee benefit	69,996	20,273	90,269	47,478	26,541	74,019
Depreciation	785,311	95,265	880,576	748,674	61,551	810,225
Amortization	45	6,881	6,926	75	8,733	8,808

Function Nature	For the nine-month period ended September 30, 2016 (NT\$'000)			For the nine-month period ended September 30, 2015 (NT\$'000)		
	Cost of goods sold	Operating expenses	Total	Cost of goods sold	Operating expenses	Total
Employee benefit						
Salaries	2,228,253	713,203	2,941,456	2,087,637	599,156	2,686,793
Labor and health insurance	139,156	53,673	192,829	141,488	50,347	191,835
Pension	58,586	27,312	85,898	59,613	24,595	84,208
Other employee benefit	163,223	73,748	236,971	155,118	75,046	230,164
Depreciation	2,378,766	232,237	2,611,003	2,187,916	182,980	2,370,896
Amortization	161	25,149	25,310	226	24,016	24,242

A resolution was passed at the shareholders' meeting of the Company held on May 27, 2016 to amend the Articles of Incorporation of the Company. According to the resolution, not lower than 10% of profit of the current year is distributable as employees' compensation and no higher than 1% of profit of the current year is distributable as remuneration to directors and supervisors. However, the company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on profit of the nine-month period ended September 30, 2016, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the nine-month period ended September 30, 2016 to be not lower than 10% and not higher than 1% of profit of the current nine-month period, respectively, recognized as employee benefits expense. As such, employees' compensation and remuneration to directors and supervisors for the three-month period ended September 30, 2016 amount to NT\$97,833 thousand and NT\$5,955 thousand, respectively. Employees' compensation and remuneration to directors and supervisors for the nine-month period ended September 30, 2016 amount to NT\$272,209 thousand and NT\$16,569 thousand, respectively. The Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the three-month period ended September 30, 2015 to be NT\$117,321 thousand and NT\$6,901 thousand, respectively, and for the nine-month period ended September 30, 2015 to be NT\$303,192 and NT\$17,835 respectively. The aforementioned employees' compensation and remuneration to directors and supervisors for the three and nine-month periods ended September 30, 2015 were estimated based on post-tax net income of the period and recognized as salaries expense. The number of stocks distributed as employees' compensation was calculated based on the closing price one day earlier than the date of shareholders' meeting and considered the impacts of ex-right/ex-dividend.

The Company's Board has determined the employees' compensation and directors' remuneration, all in cash, to be NT\$442,444 thousand and NT\$26,026 thousand, respectively, in a meeting held on February 1, 2016.

No material differences exist between the estimated amount and the actual distribution of the employee bonuses and remuneration to directors and supervisors for the year ended December 31, 2015.

The difference in amount of NT\$457 thousand between the actual employees' compensation and directors' remuneration and the accrual in 2014 financial statements was recorded as an expense for the Year 2015.

(23) Non-operating incomes and expenses

A. Other incomes

	For the three-month period ended Sep. 30,		For the nine-month period ended Sep. 30,	
	2016	2015	2016	2015
	(NT\$'000)	(NT\$'000)	(NT\$'000)	(NT\$'000)
Interest income	16,125	20,534	55,698	64,920
Other income — others	17,632	26,759	71,044	206,873
Total	33,757	47,293	126,742	271,793

B. Other gains and losses

	For the three-month period ended Sep. 30,		For the nine-month period ended Sep. 30,	
	2016	2015	2016	2015
	(NT\$'000)	(NT\$'000)	(NT\$'000)	(NT\$'000)
Gain (loss) from disposal of property, plant and equipment	2,395	(288)	(42,808)	(108,738)
Foreign exchange gain (loss), net	(3,918)	(12,325)	(26,863)	2,078
Valuation gain of financial assets at fair value through profit or loss	2,273	6,101	8,511	51,268
Impairment loss on non-financial assets	-	(37)	-	(14,202)
Other expenses	(11,562)	(9,363)	(20,329)	(18,476)
Total	(10,812)	(15,912)	(81,489)	(88,070)

C. Finance costs

	For the three-month period ended Sep. 30,		For the nine-month period ended Sep. 30,	
	2016	2015	2016	2015
	(NT\$'000)	(NT\$'000)	(NT\$'000)	(NT\$'000)
Interest on bank loans	16,985	13,679	52,850	39,308

(24) Components of other comprehensive income (OCI)

For the three-month period ended September 30, 2016

	Arising during the period (NT\$'000)	Reclassification during the period (NT\$'000)	Subtotal (NT\$'000)	Income tax benefit (expense) (NT\$'000)	OCI, Net of tax (NT\$'000)
<u>To be reclassified to profit or loss in subsequent period:</u>					
Exchange differences arising on translation of foreign operations	(157,299)	-	(157,299)	21,330	(135,969)

For the three-month period ended September 30, 2015

	Arising during the period (NT\$'000)	Reclassification during the period (NT\$'000)	Subtotal (NT\$'000)	Income tax benefit (expense) (NT\$'000)	OCI, Net of tax (NT\$'000)
<u>To be reclassified to profit or loss in subsequent period:</u>					
Exchange differences arising on translation of foreign operations	123,701	-	123,701	(13,186)	110,515

For the nine-month period ended September 30, 2016

	Arising during the period (NT\$'000)	Reclassification during the period (NT\$'000)	Subtotal (NT\$'000)	Income tax benefit (expense) (NT\$'000)	OCI, Net of tax (NT\$'000)
<u>To be reclassified to profit or loss in subsequent period:</u>					
Exchange differences arising on translation of foreign operations	(328,126)	-	(328,126)	39,834	(288,292)

For the nine-month period ended September 30, 2015

	Arising during the period (NT\$'000)	Reclassification during the period (NT\$'000)	Subtotal (NT\$'000)	Income tax benefit (expense) (NT\$'000)	OCI, Net of tax (NT\$'000)
<u>To be reclassified to profit or loss in subsequent period:</u>					
Exchange differences arising on translation of foreign operations	(8,519)	-	(8,519)	900	(7,619)
Unrealized valuation gain (loss) on available-for-sale financial assets	6,151	(30,845)	(24,694)	-	(24,694)
Total OCI	(2,368)	(30,845)	(33,213)	900	(32,313)

(25) Income tax

A. The major components of income tax expense (income) are as follows:

Income tax expense (benefit) recognized in profit or loss

	For the three-month period ended Sep. 30,		For the nine-month period ended Sep. 30,	
	2016	2015	2016	2015
	(NT\$'000)	(NT\$'000)	(NT\$'000)	(NT\$'000)
Current income tax expense (benefit):				
Current income tax expense	123,716	131,906	368,216	323,450
Adjustments in respect of current income tax of prior periods	1	-	(1,170)	3,069
Deferred tax expense (benefit):				
Deferred tax expense (benefit) relating to origination and reversal of temporary differences	427	(898)	333	(1,751)
Total income tax expense	<u>124,144</u>	<u>131,008</u>	<u>367,379</u>	<u>324,768</u>

B. Income tax recognized in other comprehensive income

	For the three-month period ended Sep. 30,		For the nine-month period ended Sep. 30,	
	2016	2015	2016	2015
	(NT\$'000)	(NT\$'000)	(NT\$'000)	(NT\$'000)
Deferred tax expense (benefit):				
Exchange differences arising on translation of foreign operations	<u>(21,330)</u>	<u>13,186</u>	<u>(39,834)</u>	<u>(900)</u>

C. Imputation credit information

	As of		
	9/30/2016	12/31/2015	9/30/2015
	(NT\$'000)	(NT\$'000)	(NT\$'000)
Balances of imputation credit	<u>2,143,110</u>	<u>1,942,384</u>	<u>1,871,496</u>

The Company's actual creditable ratio for 2015 and 2014 were 14.50% and 13.34%. However, effective January 1, 2015, the creditable ratio for the individual shareholders residing in the Republic of China will be half of the original creditable ratio according to the revised Article 66-6 of the Income Tax Law.

D. The assessment of income tax return

As of September 30, 2016, the assessment status of income tax returns of the Company and subsidiaries were as follows:

	The assessment of income tax returns
The Company	Assessed and approved up to 2013
Subsidiary - Pegavision Corporation	Assessed and approved up to 2014
Subsidiary - Kinsus Investment Co., Ltd.	Assessed and approved up to 2014

(26) Earnings per share

Basic earnings per share is calculated by dividing net profit for the year attributable to the common shareholders of the parent entity by the weighted average number of common shares outstanding during the year.

Diluted earnings per share are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

A. Basic earnings per share

	For the three-month period ended Sep. 30,		For the nine-month period ended Sep. 30,	
	2016	2015	2016	2015
Net income available to common shareholders of the parent (in thousand NT\$)	629,489	770,508	1,747,936	1,988,465
Weighted average number of common shares outstanding (in thousand shares)	445,450	445,846	445,450	445,948
Basic earnings per share (in NT\$)	\$1.41	\$1.73	\$3.92	\$4.46

B. Diluted earnings per share

	For the three-month period ended Sep. 30,		For the nine-month period ended Sep. 30,	
	2016	2015	2016	2015
Net income available to common shareholders of the parent (in thousand NT\$)	629,489	770,508	1,747,936	1,988,465
Net income available to common shareholders of the parent after dilution (in thousand NT\$)	629,489	770,508	1,747,936	1,988,465
Weighted average number of common shares outstanding (in thousand shares)	445,450	445,846	445,450	445,948
Effect of dilution:				
Employee compensation – stock (in thousand shares)	3,724	4,812	4,470	8,820
Weighted average number of common shares outstanding after dilution (in thousand shares)	449,174	450,658	449,920	454,768
Diluted earnings per share (in NT\$)	\$1.40	\$1.71	\$3.88	\$4.37

No other transactions that would significantly change the outstanding common shares or potential common shares incurred during the period subsequent to reporting date and up to the approval date of financial statements.

(27) Subsidiary that has material non-controlling interests

Proportion of equity interest held by non-controlling interests:

Name	Country	As of		
		9/30/2016	12/31/2015	9/30/2015
PIOTEK HOLDINGS LTD. and its subsidiary	China	51.00%	51.00%	51.00%

Accumulated balances of material non-controlling interest:

	As of		
	9/30/2016 (NT\$'000)	12/31/2015 (NT\$'000)	9/30/2015 (NT\$'000)
PIOTEK HOLDINGS LTD. and subsidiaries	1,483,922	1,777,880	1,891,605

Profit/(loss) allocated to material non-controlling interest:

	For the nine-month period ended Sep. 30,	
	2016 (NT\$'000)	2015 (NT\$'000)
PIOTEK HOLDINGS LTD. and subsidiaries	(177,428)	(180,786)

The summarized financial information of this subsidiary is provided below. This information is based on amounts before inter-company eliminations.

Summarized information of profit or loss is as follows:

	For the nine-month period ended Sep. 30,	
	2016 (NT\$'000)	2015 (NT\$'000)
Operating revenue	3,296,856	3,605,844
Profit/loss from continuing operation	(362,110)	(368,943)
Total comprehensive income for the period	(599,940)	(377,000)

Summarized information of financial position is as follows:

	As of		
	9/30/2016 (NT\$'000)	12/31/2015 (NT\$'000)	9/30/2015 (NT\$'000)
Current assets	2,262,184	2,516,463	2,523,102
Non-current assets	2,726,971	3,336,563	3,537,075
Current liabilities	1,095,811	1,188,561	1,665,753
Non-current liabilities	864,940	1,036,121	533,710

Summarized cash flows information is as follows:

	For the nine-month period ended Sep. 30,	
	2016	2015
	(NT\$'000)	(NT\$'000)
Operating activities	(143,411)	(90,438)
Investing activities	(36,836)	(171,769)
Financing activities	(171,115)	230,640
Net increase/(decrease) in cash and cash equivalents	(385,302)	(28,850)

7. RELATED PARTY TRANSACTIONS

(1) Significant transactions with related parties

A. Sales to

	For the three-month period ended Sep. 30,		For the nine-month period ended Sep. 30,	
	2016	2015	2016	2015
	(NT\$'000)	(NT\$'000)	(NT\$'000)	(NT\$'000)
Ultimate parent company	412,729	409,376	1,053,388	1,092,921
Other related parties	12,753	26,905	27,019	32,583
Total	425,482	436,281	1,080,407	1,125,504

Selling prices and collection terms to related parties are similar to those to third party customers for the nine-month periods ended September 30, 2016 and 2015. The collection terms are 30 to 60 days from the end of delivery month by telegraphic transfer.

B. For the nine-month periods ended September 30, 2016 and 2015, the Group recognized travelling expenses of NT\$135 thousand and NT\$240 thousand, respectively, for commissioning other related parties to handle travelling logistics.

C. For the nine-month periods ended September 30, 2016 and 2015, the Group recognized rent expenses of NT\$48,320 thousand and NT\$27,502 thousand, respectively, for plants leased from the Parent.

Moreover, for the nine-month periods ended September 30, 2016 and 2015, the Group recognized rent expenses of NT\$695 thousand and NT\$6,606 thousand, respectively, for plants leased from other related parties.

In addition, for the nine-month periods ended September 30, 2016 and 2015, the Group recognized rent expenses of NT\$239 thousand and NT\$7,854 thousand (tax included), respectively, for various facilities leased from the Parent.

D. For the nine-month periods ended September 30, 2016 and 2015, the Group recognized operating expenses of NT\$4,405 thousand and NT\$6,145 thousand, respectively, for services provided by other related parties.

Moreover, for the nine-month periods ended September 30, 2016 and 2015, the Group recognized operating expenses of NT\$725 thousand and NT\$943 thousand (tax included), respectively, for services provided by the Parent.

In addition, for the nine-month periods ended September 30, 2016 and 2015, the Group incurred operating expenses of NT\$39,956 thousand and NT\$49,843 thousand (tax included), respectively, for utility bills paid by the Parent on behalf of the Group.

E. For the nine-month periods ended September 30, 2016 and 2015, the Group recognized rent income of NT\$4,080 thousand and NT\$5,147 thousand, respectively, for plants leased to other related parties.

F. For the nine-month periods ended September 30, 2016, the Group recognized other income of NT\$1,096 thousand, respectively, for provided services to other related parties.

G. Accounts receivable - related parties

	As of		
	9/30/2016	12/31/2015	9/30/2015
	(NT\$'000)	(NT\$'000)	(NT\$'000)
Parent company	409,649	227,150	425,590
Other related parties	11,995	21,759	23,698
Total	421,644	248,909	449,288
Less: allowance for doubtful accounts	-	-	-
Net	421,644	248,909	449,288

H. Salaries and rewards to key management of the Group

	For the three-month period ended Sep. 30,		For the nine-month period ended Sep. 30,	
	2016 (NT\$'000)	2015 (NT\$'000)	2016 (NT\$'000)	2015 (NT\$'000)
Short-term employee benefit	39,727	40,876	\$86,782	78,087
Post-employee benefit	207	198	585	630
Total	39,934	41,074	\$87,367	78,717

I. Other receivables

	As of		
	9/30/2016 (NT\$'000)	12/31/2015 (NT\$'000)	9/30/2015 (NT\$'000)
Other related parties	1,773	2,081	2,706

J. Refundable deposits

	As of		
	9/30/2016 (NT\$'000)	12/31/2015 (NT\$'000)	9/30/2015 (NT\$'000)
Parent company	10,000	5,700	5,700

K. Accrued expenses

	As of		
	9/30/2016 (NT\$'000)	12/31/2015 (NT\$'000)	9/30/2015 (NT\$'000)
Parent company	16,830	22,971	25,395
Other related parties	957	1,607	1,338
Total	17,787	24,578	26,733

8. PLEDGED ASSETS

The following assets of the Group are pledged as collaterals:

Item	Carrying Amount As of			Purpose
	9/30/2016 (NT\$'000)	12/31/2015 (NT\$'000)	9/30/2015 (NT\$'000)	
Property, plant and equipment – machinery (carrying amount)	543,592	332,913	568,304	Long-term secured loans
Property, plant and equipment – other equipment (carrying amount)	32,461	13,400	32,461	Long-term secured loans
Refundable deposits	2,000	-	-	Security deposit to custom authority
Total	<u>578,053</u>	<u>346,313</u>	<u>600,765</u>	

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) The Group's unused letters of credit (LC) as of September 30, 2016 were as follows:

Currency	LC Amount (in thousand)		Security(in thousand)
JPY	JPY	1,560,116	-
USD	USD	3,812	-
Euro	EUR	53	-

(2) Details of significant constructions in progress and outstanding contracts of property, plant and equipment as of September 30, 2016 were as follows:

Nature of Contract	Contract Amount (NT\$'000)	Amount Paid (NT\$'000)	Outstanding Balance (NT\$'000)
Machinery and contruction contracts	<u>3,932,199</u>	<u>3,059,086</u>	<u>873,113</u>

10. SIGNIFICANT DISASTER LOSS

None

11. SIGNIFICANT SUBSEQUENT EVENT

None

12. OTHERS

(1) Categories of financial instruments

Financial assets

	As of		
	9/30/2016	12/31/2015	9/30/2015
	(NT\$'000)	(NT\$'000)	(NT\$'000)
Financial assets at fair value through profit or loss:			
Held for trading	3,162,292	3,536,370	3,573,236
Loans and receivable:			
Cash and cash equivalents (excluding cash on hand)	10,622,934	12,740,073	11,989,221
Bond investments with no active market	423,057	428,112	428,276
Notes receivable	2,495	1,835	1,365
Accounts receivable	3,649,082	3,590,193	3,622,578
Accounts receivable - related parties	421,644	248,909	449,288
Other receivable	506,581	336,543	383,981
Other receivable - related parties	1,773	2,081	2,706
Total	18,789,858	20,884,116	20,450,651

Financial liabilities

	As of		
	9/30/2016	12/31/2015	9/30/2015
	(NT\$'000)	(NT\$'000)	(NT\$'000)
Financial liabilities measured at amortized cost:			
Short-term loans	2,571,520	3,095,030	3,417,570
Payables	5,404,514	5,985,045	5,645,072
Long-term loans (including current portion)	2,215,520	1,938,939	1,678,852
Total	10,191,554	11,019,014	10,741,494

(2) Objectives and policies of financial risk management

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies, measures, and manages the aforementioned risks based on its policy and risk preferences.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market risk comprises currency risk, interest rate risk and other price risk (e.g. equity instruments).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables. There are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Group's exposure to foreign currency risk relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign operations. The Group has certain foreign currency receivables denominated in the same foreign currency as certain foreign currency payables, therefore natural hedge is achieved. Thus, hedge accounting is not adopted.

Foreign currency sensitivity analysis of possible change in foreign exchange rates on the Group's profit/loss and equity is performed on significant monetary items denominated in foreign currencies as of the reporting period-end. The Group's foreign currency risk is mainly related to volatility in the exchange rates of US dollars. It is stated as follows:

If NT dollars appreciates/depreciates against US dollars by 1%, net income (loss) for the nine-month periods ended September 30, 2016 and 2015 would increase/decrease by NT\$8,504 thousand and NT\$14,481 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk relates primarily to the Group's investments with variable interest rates and loans with fixed and variable interest rates, which are all categorized as loans and receivables.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as of the end of the reporting period and presumed to be held for one accounting year, including investments and loans with variable interest rates. If interest rate increases/decreases by 0.1%, the net income (loss) for the nine-month periods ended September 30, 2016 and 2015 would decrease/increase by NT\$2,223 thousand and decrease/increase by NT\$2,269 thousand, respectively.

(4) Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract and result in a financial loss. The Group is exposed to credit risk from operating activities (primarily for accounts and notes receivable) and financing activities (primarily for bank deposits and other financial instruments).

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit risk of all customers are assessed based on a comprehensive review of the customers' financial status, credit ratings from credit institutions, past transactions, current economic conditions and the Group's internal credit ratings. The Group also employs some credit enhancement instruments (e.g. prepayment or insurance) to reduce certain customers' credit risk.

As of September 30, 2016, December 31, 2015 and September 30, 2015, receivables from the top ten customers were accounted for 42.20%, 51.71% and 51.80% of the Group's total accounts receivable, respectively. The concentration of credit risk is relatively insignificant for the remaining receivables.

Credit risk from balances with banks, fixed-income securities and other financial instruments is managed by the Group's finance division in accordance with the Group's policy. The counterparties that the Group transacts with are determined by internal control procedures. They are banks with fine credit ratings and financial institutions, corporate and government agencies with investment-grade credit ratings. Thus, there is no significant default risk. Conclusively, no significant credit risk is expected by the Group.

(5) Liquidity risk management

The Group maintains financial flexibility through the use of cash and cash equivalents, highly-liquid marketable securities, bank loans, etc. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted interest payment relating to borrowings with variable interest rates is extrapolated based on the estimated yield curve as of the end of the reporting period.

Non-derivative financial instruments

	Less than 1 year (NT\$'000)	2 to 3 years (NT\$'000)	3 to 4 years (NT\$'000)	4 to 5 years (NT\$'000)	Less than 5 years (NT\$'000)	Total (NT\$'000)
<u>As of September 30, 2016</u>						
Loans	3,124,466	1,135,130	437,514	202,152	-	4,899,262
Payables	5,404,514	-	-	-	-	5,404,514
<u>As of December 31, 2015</u>						
Loans	3,734,453	831,211	228,215	252,199	117,342	5,163,420
Payables	5,985,045	-	-	-	-	5,985,045
<u>As of September 30, 2015</u>						
Loans	4,292,204	754,927	115,232	120,959	-	5,283,322
Payables	5,645,072	-	-	-	-	5,645,072

(6) Fair values of financial instruments

A. The evaluation methods and assumptions applied in determining the fair value

Fair value is the price that would be received to sell a financial asset or paid to transfer a financial liability in an orderly transaction between willing market participants (not under coercion or liquidation). The following methods and assumptions are used by the Group in estimating the fair values of financial assets and liabilities:

- The carrying amount of cash and cash equivalents, receivables, payables and other current liabilities approximate their fair value due to their short maturity terms.
- For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (e.g. listed stocks and bonds).

(c) Fair value of equity instruments without active markets (including listed companies' shares from private placement, stocks of public companies not traded in an active market and unlisted stocks) are estimated using the market approach. Under the approach, factors, such as the trading prices of comparable equity instruments in an active market, and other relevant informations (i.e. discount due to lack of liquidity, stock price-to-earning ratio (PER) and price-to-book ratio (PBR) of similar companies) are input into the pricing model for its fair value.

(d) The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

B. Fair value of financial instruments measured at amortized cost

The carrying amount of the Group's financial assets and liabilities measure at amortized cost approximates their fair value.

C. Fair value measurement hierarchy for financial instruments

Please refer to Note 12(7) for fair value measurement hierarchy for financial instruments of the Group.

(7) Fair value measurement hierarchy

A. Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

B. Fair value measurement hierarchy of the Group's assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis is as follows:

As of September 30, 2016

	Level 1 (NT\$'000)	Level 2 (NT\$'000)	Level 3 (NT\$'000)	Total (NT\$'000)
<u>Financial assets:</u>				
Financial assets at fair value through profit or loss				
Funds	3,162,292	-	-	3,162,292
<u>Financial liabilities:</u>				
None				

As of December 31, 2015

	Level 1 (NT\$'000)	Level 2 (NT\$'000)	Level 3 (NT\$'000)	Total (NT\$'000)
<u>Financial assets:</u>				
Financial assets at fair value through profit or loss				
Funds	3,536,370	-	-	3,536,370
<u>Financial liabilities:</u>				
None				

As of September 30, 2015

	Level 1 (NT\$'000)	Level 2 (NT\$'000)	Level 3 (NT\$'000)	Total (NT\$'000)
<u>Financial assets:</u>				
Financial assets at fair value through profit or loss				
Funds	3,573,236	-	-	3,573,236
<u>Financial liabilities:</u>				
None				

Transfers between Level 1 and Level 2 during the period

For the nine-month periods ended September 30, 2016 and 2015, there were no transfers between Level 1 and Level 2 fair value hierarchy.

(8) Significant financial assets and liabilities denominated in foreign currencies

Information regarding the Group's significant financial assets and liabilities denominated in foreign currencies was listed below: (In Thousands)

	As of					
	9/30/2016			12/31/2015		
	Foreign Currencies (\$'000)	Exchange Rate	NTD (NT\$'000)	Foreign Currencies (\$'000)	Exchange Rate	NTD (NT\$'000)
<u>Financial assets</u>						
Monetary items:						
USD	137,287	31.36	4,305,311	139,277	32.83	4,571,767
CNY	96,296	4.6962	452,220	93,723	5.05	473,750
<u>Financial liabilities</u>						
Monetary items:						
USD	158,312	31.36	4,964,650	166,990	32.83	5,482,634
CNY	95,559	4.6962	448,760	118,755	5.05	600,304
	As of					
	9/30/2015					
	Foreign Currencies (\$'000)	Exchange Rate	NTD (NT\$'000)			
<u>Financial assets</u>						
Monetary items:						
USD	128,689	32.79	4,219,754			
CNY	77,315	5.17	399,483			
<u>Financial liabilities</u>						
Monetary items:						
USD	164,771	32.87	5,415,776			
CNY	119,485	5.17	617,399			

The above information is disclosed based on the carrying amount of foreign currency (after being converted to functional currency).

Foreign exchange gain/loss on monetary financial assets and liabilities is shown as below.

Foreign currency resulting in exchange gain or loss	For the nine-month period ended Sep. 30,	
	2016 (NT\$'000)	2015 (NT\$'000)
USD	(23,708)	(360)
Other	(3,155)	2,438

(9) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages and adjusts its capital structure in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. ADDITIONAL DISCLOSURES

(1) Information on significant transactions

A. Financing provided to others: None.

B. Endorsement/Guarantee provided to others: Please refer to attachment 1.

C. Marketable securities held as of September 30, 2016 (excluding investments in subsidiaries, associates and joint ventures): Please refer to attachment 2.

D. Individual securities acquired or disposed of with accumulated amount of at least NT\$ 300 million or 20 percent of the paid-in capital for the nine-month period ended September 30, 2016: Please refer to attachment 3.

E. Acquisition of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the nine-month period ended September 30, 2016: Please refer to attachment 4.

F. Disposal of individual real estate with amount of at least NT\$100 million or 20 percent of the paid-in capital for the nine-month period ended September 30, 2016: None.

G. Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the nine-month period ended September 30, 2016: Please refer to attachment 5.

H. Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of September 30, 2016: None.

I. Derivative instrument transactions: None.

J. Intercompany relationships and significant intercompany transactions for the nine-month period ended September 30, 2016: Please refer to attachment 11.

(2) Information on investees

A. Investees over whom the Company exercises significant influence or control (excluding investees in Mainland China): Please refer to attachment 6.

B. Investees over which the Company exercises control shall be disclosed of information under Note 13(1):

(a) Financing provided to others: None.

(b) Endorsement/Guarantee provided to others: None.

(c) Marketable securities held as of September 30, 2016 (excluding investments in subsidiaries, associates and joint ventures): Please refer to attachment 7.

(d) Individual securities acquired or disposed of with accumulated amount of at least NT\$300 million or 20 percent of the paid-in capital for the nine-month period ended September 30, 2016: Please refer to attachment 8.

(e) Acquisition of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the nine-month period ended September 30, 2016: None.

(f) Disposal of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the nine-month period ended September 30, 2016: None.

(g) Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the nine-month period ended September 30, 2016: Please refer to attachment 9.

- (h) Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of September 30, 2016: Please refer to attachment 10.
- (i) Derivative instrument transactions: None.

(3) Information on investments in Mainland China:

A. Name of investee in China, main business, paid-in capital, method of investment, investment flows, percentage of ownership, investment gain or loss, carrying amount at the end of reporting period, inward remittance of earning or loss and the upper limit on investment in China:

(In Thousands of New Taiwan Dollars)

Name of Investee in China	Main Business	Paid-in Capital (NT\$'000)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of Jan. 1, 2016 (NT\$'000)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of Sep. 30, 2016 (NT\$'000)	Profit/Loss of Investee (NT\$'000)	Percentage of Ownership (Direct or Indirect Investment)	Share of Profit/Loss (NT\$'000)	Carrying Amount as of Sep. 30, 2016 (NT\$'000)	Accumulated Inward Remittance of Earnings as of Sep. 30, 2016 (NT\$'000)	Accumulated Outflow of Investment from Taiwan to Mainland China as of Sep. 30, 2016 (NT\$'000)	Investment Amounts Authorized by Investment Commission, MOEA (NT\$'000)	Upper Limit on Investment in China by Investment Commission, MOEA (NT\$'000)
					Outflow (NT\$'000)	Inflow (NT\$'000)									
Kinsus Interconnect Technology Suzhou Corp.	Manufacturing and selling PCB (not high-density fine-line)	2,195,200 (Note 2)	(Note 1)	2,195,200 (Note 2)	-	-	2,195,200 (Note 2)	61,289 (Note 2 and Note 4)	100%	61,289 (Note 2、Note 4 and Note 7)	1,075,029 (Note 2、Note 4 and Note 7)	-	2,195,200 (Note 2)	2,195,200 (Note 2)	No upper limit (Note 5)

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Kinsus Interconnect Technology Corp.

Notes to Consolidated Financial Statements (Continued)

Piotek Computer (Suzhou) Co., Ltd.	Researching, developing, producing and selling electronic components, PCBs and related products and providing after-sale services	5,227,712 (Note 2)	(Note 1)	2,955,797 (Note 2)	-	-	2,955,797 (Note 2)	(356,701) (Note 2 and Note 4)	51%	(181,918) (Note 2 、 Note 4 and Note 7)	1,511,863 (Note 2 、 Note 4 and Note 7)	-	2,955,797 (Note 2)	2,955,797 (Note 2)	No upper limit (Note 5)
Xiang-Shuo (Suzhou) Trading Limited	Trading of PCB (not high-density fine-line) and material for related products	62,720 (Note 2)	(Note 1)	62,720 (Note 2)	-	-	62,720 (Note 2)	686 (Note 2 and Note 4)	100%	686 (Note 2 、 Note 4 and Note 7)	65,025 (Note 2 、 Note 4 and Note 7)	-	62,720 (Note 2)	62,720 (Note 2)	No upper limit (Note 5)
Pegavision Contact Lenses (Shanghai) Corporation	Selling medical equipment	65,062 (Note 3)	(Note 1)	65,062	-	-	65,062	3,846 (Note 2)	100%	3,846 (Note 2 and Note 7)	44,511 (Note 2 、 Note 4 and Note 7)	-	65,062	65,062	668,636 (Note 6)

Note 1: Investment in Mainland China through companies in the third area.

Note 2: Amounts in foreign currencies are translated into New Taiwan dollars using the exchange rates on the balance sheet date.

Note 3: The paid-in capital is USD2,100 thousand, equivalent to NT\$65,062 thousand.

Note 4: Gain/loss on investment is recognized based on the reviewed financial statements of the parent company in Taiwan.

Note 5: The Company meets the conditions of corporate operation headquarter in the Principle of Evaluation for Investment and Technical Cooperation in Mainland China. Thus, there is no upper limit on investment amount.

Note 6: The upper limit on investment for Pegavision Contact Lenses (Shanghai) Corporation is calculated as 60% of Pegavision Corporation's net equity.

Note 7: Transactions are eliminated upon preparation of consolidated financial statements.

B. Significant transactions with investees in China:

- (a) Purchase and balances of related accounts payable as of September 30, 2016: Please refer to attachment 11 for details.
- (b) Sale and balance of related accounts receivable as of September 30, 2016: Please refer to attachment 11 for details.
- (c) Property transaction amounts and resulting gain or loss: None.
- (d) Ending balance of endorsements/guarantees or collateral provided and the purposes: Please refer to attachment 1.
- (e) Maximum balance, ending balance, interest rate range and total interest for current period from financing provided to others: None.
- (f) Transactions that have significant impact on profit or loss of current period or the financial position, such as services provided or rendered: Please refer to attachment 11 for details.
- (g) Above transactions are eliminated upon preparation of consolidated financial statements. Please refer to attachment 11 for details.

14. OPERATING SEGMENT

For management purposes, the Group is organized into operating segments based on different products and services and has two reportable operating segments as follows:

IC Substrate: This segment produces and manufactures BGA substrates and sells the products to manufacturers of electronic products.

Printed Circuit Board (PCB): This segment produces and manufactures PCBs and sells the products to manufacturers of electronic products.

No operating segments have been aggregated to form the above reportable operating segments.

The Group's operating segments adopts the same accounting policies as the ones in Note 4. Management monitors the operating results of its business units separately for the purpose of decision-making on resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and measured consistently with methods applied to operating profit or loss in the consolidated financial statements.

(1) Segment income (loss), assets and liabilities

For the three-month period ended September 30, 2016

	IC Substrate (NT\$'000)	PCB (NT\$'000)	Elimination (NT\$'000)	Consolidated (NT\$'000)
External customer	4,885,024	1,446,031	-	6,331,055
Inter-segment	-	-	-	-
Total revenue	4,885,024	1,446,031	-	6,331,055
Segment income (loss)	665,085	(45,669)	-	619,416

For the nine-month period ended September 30, 2016

	IC Substrate (NT\$'000)	PCB (NT\$'000)	Elimination (NT\$'000)	Consolidated (NT\$'000)
External customer	13,525,398	3,952,076	-	17,477,474
Inter-segment	-	-	-	-
Total revenue	13,525,398	3,952,076	-	17,477,474
Segment income (loss)	1,922,071	(284,412)	-	1,637,659

For the three-month period ended September 30, 2015

	IC Substrate (NT\$'000)	PCB (NT\$'000)	Elimination (NT\$'000)	Consolidated (NT\$'000)
External customer	4,467,395	1,520,418	-	5,987,813
Inter-segment	-	-	-	-
Total revenue	4,467,395	1,520,418	-	5,987,813
Segment income (loss)	839,732	(98,458)	-	741,274

For the nine-month period ended September 30, 2015

	IC Substrate (NT\$'000)	PCB (NT\$'000)	Elimination (NT\$'000)	Consolidated (NT\$'000)
External customer	12,773,465	3,993,234	-	16,766,699
Inter-segment	-	-	-	-

Total revenue	12,773,465	3,993,234	-	16,766,699
Segment income (loss)	2,170,439	(297,231)	-	1,873,208

Details of assets and liabilities under the Group's operating segments are as follows:

<u>Segment assets</u>	IC Substrate (NT\$'000)	PCB (NT\$'000)	Elimination (NT\$'000)	Consolidated (NT\$'000)
As of 9/30/2016	34,648,431	6,814,760	-	41,463,191
As of 12/31/2015	35,118,866	7,519,866	-	42,638,732
As of 9/30/2015	33,738,200	7,724,829	-	41,463,029
<u>Segment liabilities</u>	IC Substrate (NT\$'000)	PCB (NT\$'000)	Elimination (NT\$'000)	Consolidated (NT\$'000)
As of 9/30/2016	8,258,613	2,586,485	-	10,845,098
As of 12/31/2015	9,012,667	2,798,264	-	11,810,931
As of 9/30/2015	8,584,578	2,801,677	-	11,386,255

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Kinsus Interconnect Technology Corp. and Subsidiaries

Endorsement/Guarantee Provided to Others

For the nine-month period ended September 30, 2016

Table 1
(In Thousands of Foreign Currency / New Taiwan Dollars)

Endorsement/ Guarantee Provider		Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee secured by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Worth per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowed	Endorsement provided by parent company to subsidiaries	Endorsement provided by subsidiaries to parent company	Endorsement provided to entities in China
No.	Name	Name	Nature of Relationship										
(Note 1)													
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	Investee accounted for using equity method indirectly	The overall amount of guarantees/ endorsements provided to a subsidiary in which the Company holds directly over 50% (inclusive) of common equity interest shall not exceed 20% of the net worth in the current financial statements. \$5,682,050	\$3,606,400 (USD 115,000) (Note 2)	\$3,136,000 (USD 100,000) (Note 2)	\$909,440	\$-	11.04%	Shall not exceed 50% of the net worth in the current financial statements. \$14,205,126	Y	N	Y
0	Kinsus Interconnect Technology Corp.	Piotek Computer (Suzhou) Co., Ltd.	Investee accounted for using equity method indirectly	The overall amount of guarantees/ endorsements provided to a subsidiary in which the Company holds directly over 50% (inclusive) of common equity interest shall not exceed 20% of the net worth in the current financial statements. \$5,682,050	\$959,616 (USD 30,600) (Note 2)	\$959,616 (USD 30,600) (Note 2)	\$419,832	\$-	3.38%	Shall not exceed 50% of the net worth in the current financial statements. \$14,205,126	Y	N	Y

Note 1: Kinsus Interconnect Technology Corp. is coded "0".

Note 2: Amounts in foreign currencies are converted to New Taiwan Dollars using the exchange rates as of the balance sheet date.

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Kinsus Interconnect Technology Corp. and Subsidiaries

Marketable Securities Held as of September 30, 2016

Table 2
(In Thousands of New Taiwan Dollars)

Name of Held Company	Type and Name of Marketable Securities	Relationship with the Issuer	Financial Statement Account	June 30, 2016			Fair Value (Note)	Note
				Shares / Units	Carrying Amount	Shareholding %		
Kinsus Interconnect Technology Corp.	Money market funds:							
	Capital Money Market Fund	-	Financial assets at fair value through profit or loss	32,783,435	\$510,667	-%	\$523,617	
	Taishin Ta Chong Money Market Fund	-	Financial assets at fair value through profit or loss	18,812,748	255,796	-%	264,536	
	Taishin 1699 Money Market Fund	-	Financial assets at fair value through profit or loss	30,522,218	400,000	-%	408,686	
	FSITC Money Market Fund	-	Financial assets at fair value through profit or loss	1,168,258	200,000	-%	206,296	
	Mega Diamond Money Market Fund	-	Financial assets at fair value through profit or loss	41,465,474	500,000	-%	514,574	
	Jih Sun Money Market	-	Financial assets at fair value through profit or loss	31,315,952	450,000	-%	459,089	
	Union Money Market Fund	-	Financial assets at fair value through profit or loss	15,838,553	203,448	-%	207,086	
	UPAMC James Bond Fund	-	Financial assets at fair value through profit or loss	15,322,946	250,000	-%	253,553	
	Subtotal				2,769,911		\$2,837,437	
	Add: Valuation adjustments of financial assets held for trading				67,526			
	Total				\$2,837,437			

Note: Companies without quotes in the open markets are valued at net equities.

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Kinsus Interconnect Technology Corp. and Subsidiaries

Marketable Securities Acquired and Disposed of At Costs or Prices of At Least NT\$300 Million or 20% of The Paid-In Capital

For the nine-month period ended September 30, 2016

Table 3

(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
		Account			Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Carrying Value	Gain/Loss on Disposal	Shares/Units	Amount
Kinsus Interconnect Technology Corp.	Stock: Kinsus Investment Co., Ltd.	Investments accounted for using the equity method	-	-	39,800,000	\$398,000	60,200,000	\$602,000	-	\$-	\$-	\$-	100,000,000	\$1,000,000

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Kinsus Interconnect Technology Corp. and Subsidiaries

Acquisition of Individual Real Estate with Amount of at Least NT\$ 300 million or 20% of the Paid-in Capital

For the nine-month period ended September 30, 2016

Table 4

(In Thousands of New Taiwan Dollars)

Acquiring Company	Name of Property	Transaction Date	Transaction Amount	Payment Status	Counter-party	Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose and Use of Acquisition	Other Terms
							Owner	Relationship with the Company	Transfer Date	Amount			
Kinsus Interconnect Technology Corp.	<u>Houses and buildings</u> Construction of XinFeng Plant	104.03.24	\$486,186	NT\$420,383 thousand was paid as of September 30, 2016	Guo-Gong Construction Co., Ltd.	None	None	None	None	None	Bidding	Production expansion and operation planning	None

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Kinsus Interconnect Technology Corp. and Subsidiaries

Related Party Transactions with Purchase or Sales Amount of At least NT\$ 100 Million or 20% of the Paid-in Capital

For the nine-month period ended September 30, 2016

Table 5

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/ Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment/ Collection Term	Unit Price	Payment/ Collection Term	Ending Balance	% to Total	
Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	Investee accounted for using equity method indirectly	Purchase	\$1,536,055	28.01%	Payment within 30 days from the end of delivery month	Specs of goods purchased are different from others. Cannot be reasonably compared.	Other vendors also enjoy payment within 30~90 days from the end of delivery month	Accounts payable \$(166,986)	(14.15)%	Note

Note: Transactions are eliminated when preparing the consolidated financial statements.

Investor	Investee	Business Location	Main Business and Product	Original Investment Amount		Ending balance			Net Income (Loss) of the Investee	Share of Income (Loss) of the Investee	Note
				As of Sep. 30, 2015	As of Sep. 30, 2016	Shares	%	Carrying Value			
Kinsus Interconnect Technology Corp.	KINSUS CORP. (USA)	CA U.S.A.	Designing substrates, formulating marketing strategy analysis, developing new customers, researching and development new product technology	USD500	USD500	500,000	100.00%	<u>\$35,615</u>	<u>\$4,757</u>	<u>\$4,757</u>	Note
Kinsus Interconnect Technology Corp.	KINSUS HOLDING (SAMOA) LIMITED	Samoa	Investing activities	USD166,309	USD166,309	166,308,720	100.00%	<u>\$2,684,545</u>	<u>\$(120,604)</u>	<u>\$(120,604)</u>	Note
Kinsus Interconnect Technology Corp.	Kinsus Investment Co., Ltd.	Taoyuan City	Investing activities	\$398,000 (Note 1)	\$1,000,000 (Note 1)	100,000,000	100.00%	<u>\$1,202,630</u>	<u>\$35,420</u>	<u>\$35,420</u>	Note
Kinsus Investment Co., Ltd.	Pegavision Corporation	Taoyuan City	Manufacturing medical equipment	\$286,418	\$286,418	22,088,736	36.81%	<u>\$421,786</u>	<u>\$106,276</u>	<u>\$39,125</u>	Note
Kinsus Investment Co., Ltd.	FuYang Technology Corp.	Hsinchu County	Electronic Parts and Components Manufacturing	\$-	\$450,000	45,000,000	36.00%	<u>\$450,010</u>	<u>\$27</u>	<u>\$10</u>	
KINSUS HOLDING (SAMOA) LIMITED	KINSUS HOLDING (CAYMAN) LIMITED	Cayman Islands	Investing activities	USD72,000	USD72,000	72,000,000	100.00%	<u>USD 36,354</u>	<u>USD 1,976</u>	<u>USD 1,976</u>	Note
KINSUS HOLDING (SAMOA) LIMITED	PIOTEK HOLDINGS LTD. (CAYMAN)	Cayman Islands	Investing activities	USD94,309	USD94,309	95,755,000	51.00%	<u>USD 49,250</u>	<u>USD (11,170)</u>	<u>USD (5,696)</u>	Note
PIOTEK HOLDINGS LTD. (CAYMAN)	PIOTEK HOLDING LIMITED	British Virgin Islands	Investing activities	USD139,841	USD139,841	139,840,790	100.00%	<u>USD 96,569</u>	<u>USD (11,170)</u>	<u>USD (11,170)</u>	Note
PIOTEK HOLDING LIMITED	PIOTEK (H.K.) TRADING LIMITED	Hong Kong	Trading activities	USD26	USD26	200,000	100.00%	<u>USD 2,007</u>	<u>USD 207</u>	<u>USD 207</u>	Note
Pegavision Corporation	PEGAVISION HOLDINGS CORPORATION	Samoa	Investing activities	USD2,130	USD2,130	2,130,000	100.00%	<u>\$45,142</u>	<u>\$3,788</u>	<u>\$3,788</u>	Note
Pegavision Corporation	PEGAVISION JAPAN INC.	JAPAN	Selling Medical facility	JPY 9,900	JPY 9,900	198	100.00%	<u>\$3,298</u>	<u>\$163</u>	<u>\$163</u>	Note

Note: Transactions are eliminated when preparing the consolidated financial statements.

Note 1: The Company's original investment in Kinsus Investment Co., Ltd. was NT\$500,000 thousand. Kinsus Investment Co., Ltd. reduced capital by NT\$102,000 thousand to offset deficits in 2013, and increased capital by NT\$602,000 thousand in 2016. After the increase, investment amount increased to NT\$1,000,000 thousand.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Marketable Securities Held as of September 30, 2016 (Excluding Investments in Subsidiaries, Associates and Jointly Controlled Entities)

As of September 30, 2016

Table 7

(In Thousands of New Taiwan Dollars)

Name of Held Company	Type and Name of Marketable Securities	Relationship with the Issuer	Financial Statement Account	As of September 30, 2016				Guarantee, Pledge or Other Restricted Conditions		
				Shares (Unit)	Carrying Amount	%	Fair Value (Net Equity)	Shares	Carrying Amount	Note
Kinsus Investment Co., Ltd.	Money market funds:									
	Taishin Ta Chong Money Market Fund	-	Financial assets at fair value through profit or loss	829,070	\$11,315	-%	\$11,658	-	\$-	
	Valuation adjustments of financial assets held for trading				343					
	Total				\$11,658					
Kinsus Investment Co., Ltd.	Stocks:									
	Yi-Shuo Creative Co., Ltd.	-	Financial assets carried at cost	5,000,000	\$50,000	7.49%	\$-	-	\$-	
							(Note)			
Pegavision Corporation	Money market funds:									
	Yuanta Wan Tai Money Market Fund	-	Financial assets at fair value through profit or loss	20,878,702	\$313,067	-%	\$313,197	-	\$-	
	Valuation adjustments of financial assets held for trading				130					
	Total				\$313,197					

Note: No quotes in active markets and fair values cannot be measured reliably.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Marketable Securities Acquired and Disposed of At Costs or Prices of At Least NT\$300 Million or 20% of The Paid-In Capital

For the nine-month period ended September 30, 2016

Table 8

(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Carrying Value	Gain/Loss on Disposal	Shares/Units	Amount
Kinsus Investment Co., Ltd.	Stock: FuYang Technology Corp.	Investments accounted for using the equity method	-	-	-	\$-	45,000,000	\$450,000	-	\$-	\$-	\$-	45,000,000	\$450,000

Kinsus Interconnect Technology Corp. and Subsidiaries

Related Party Transactions with Purchase or Sales Amount of At least NT\$ 100 Million or 20% of the Paid-in Capital

As of September 30, 2016

Table 9

(In Thousands of US Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment/ Collection Term	Unit Price	Payment/ Collection Term	Ending Balance	% to Total	
Piotek Computer (Suzhou) Co., Ltd.	Pegatron Corporation	Parent company	Sales	USD 32,494	37.76%	Payment within 60 days from the end of delivery month	Specs of goods sold are different from others. Cannot be reasonably compared.	No non-related parties to be compared with.	Accounts receivable USD 13,063	38.75%	
Piotek Computer (Suzhou) Co., Ltd.	Piotek (H.K.) Trading Limited	Also a subsidiary under the Company's control	Sales	USD 14,751	17.14%	Payment within 60 days from the end of delivery month	Specs of goods sold are different from others. Cannot be reasonably compared.	No non-related parties to be compared with.	Accounts receivable USD 2,972	8.82%	Note
Piotek (H.K.) Trading Limited	Piotek Computer (Suzhou) Co., Ltd.	Also a subsidiary under the Company's control	Purchase	USD 14,751	100.00%	Payment within 60 days from the end of delivery month	Specs of goods sold are different from others. Cannot be reasonably compared.	No non-related parties to be compared with.	Accounts payable USD (2,972)	(100.00)%	Note
Kinsus Interconnect Technology Suzhou Corp.	Kinsus Interconnect Technology Corp.	Parent company	Sales	USD 47,895	99.99%	Payment within 30 days from the end of delivery month	Specs of goods sold are different from others. Cannot be reasonably compared.	No non-related parties to be compared with.	Accounts receivable USD 5,797	100.00%	Note

Note: Transactions are eliminated when preparing the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Receivables from Related Parties of at Least NT\$ 100 Million or 20% of the Paid-in Capital

As of September 30, 2016

Table 10

(In Thousands of US Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Ratio	Overdue		Amount Received in Subsequent Periods	Allowance for Doubtful Debts
					Amount	Action Taken		
Piotek Computer (Suzhou) Co., Ltd.	Pegatron Corporation	Parent company	<u>USD 13,063</u> (Note)	<u>4.34</u>	<u>\$-</u>	-	<u>\$-</u>	<u>\$-</u>
Piotek Computer (Suzhou) Co., Ltd.	Piotek (H.K.) Trading Limited	Also a subsidiary under the Company's control	<u>USD 5,797</u> (Note and Note 1)	<u>6.91</u>	<u>\$-</u>	-	<u>\$-</u>	<u>\$-</u>

Note: Accounts receivable

Note 1: Transactions are eliminated when preparing the consolidated financial statements.

(In Thousands of Foreign Currency / New Taiwan Dollars)

No. (Note 1)	Company Name	Counter-Party	Nature of Relationship (Note 2)	Intercompany Transaction			
				Financial Statement Account	Amount	Terms	Percentage to Consolidated Net Revenue or Total Assets (Note 3)
0	2016.09.30 Kinsus Interconnect Technology Corp.	Xiang-Shuo (Suzhou) Trading Limited	1	Other receivables	\$838	-	-%
0	Kinsus Interconnect Technology Corp.	Xiang-Shuo (Suzhou) Trading Limited	1	Other income	\$1,600	Payment within 60 days from the end of delivery month	0.01%
0	Kinsus Interconnect Technology Corp.	KINSUS CORP. (USA)	1	Accrued expense	\$3,389	Payment within 30 days from the end of delivery month by TT	0.01%
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	1	Accrued expense	\$707	Payment within 60 days from the end of delivery month	-%
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	1	Accounts payable	\$166,986	Payment within 30 days from the end of delivery month	0.40%
0	Kinsus Interconnect Technology Corp.	Piotek Computer (Suzhou) Co., Ltd.	1	Accounts payable	\$1,779	Payment within 60 days from the end of delivery month	-%
0	Kinsus Interconnect Technology Corp.	Piotek Computer (Suzhou) Co., Ltd.	1	Other receivables	\$846	-	-%
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	1	Other receivables	\$5,510	-	0.01%
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	1	Purchase	\$1,536,055	Payment within 30 days from the end of delivery month	8.79%
0	Kinsus Interconnect Technology Corp.	Piotek Computer (Suzhou) Co., Ltd.	1	Purchase	\$14,973	Payment within 60 days from the end of delivery month	0.09%
0	Kinsus Interconnect Technology Corp.	KINSUS CORP. (USA)	1	Commission expense	\$30,601	Payment within 60 days from the end of delivery month by TT	0.18%
0	Kinsus Interconnect Technology Corp.	KINSUS CORP. (USA)	1	Travel expense	\$74	-	-%
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	1	Manufacturing - processing	\$4,852	Payment within 60 days from the end of delivery month	0.03%
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	1	Sales revenue	\$8,574	Payment within 30 days from the end of delivery month	0.05%
0	Kinsus Interconnect Technology Corp.	Xiang-Shuo (Suzhou) Trading Limited	1	Sales revenue	\$56	Payment within 60 days from the end of delivery month	-%
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	1	Other income	\$5,895	-	0.03%
0	Kinsus Interconnect Technology Corp.	Piotek Computer (Suzhou) Co., Ltd.	1	Other income	\$3,556	-	0.02%
0	Kinsus Interconnect Technology Corp.	PIOTEK (H.K.) TRADING LIMITED	1	Other income	\$6,056	-	0.03%
1	Piotek Computer (Suzhou) Co., Ltd.	PIOTEK (H.K.) TRADING LIMITED	3	Sales revenue	USD 14,751	Payment within 60-90 days from the end of delivery month	2.65%
1	Piotek Computer (Suzhou) Co., Ltd.	PIOTEK (H.K.) TRADING LIMITED	3	Accounts receivable	USD 2,972	Payment within 60-90 days from the end of delivery month	0.22%
1	Piotek Computer (Suzhou) Co., Ltd.	Xiang-Shuo (Suzhou) Trading Limited	3	Accounts receivable	USD 117	Payment within 60 days from the end of delivery month	0.01%
1	Piotek Computer (Suzhou) Co., Ltd.	Xiang-Shuo (Suzhou) Trading Limited	3	Sales revenue	USD 1,700	Payment within 60 days from the end of delivery month	0.31%
1	Piotek Computer (Suzhou) Co., Ltd.	Kinsus Interconnect Technology Suzhou Corp.	3	Other income	USD 212	Payment within 60-90 days from the end of delivery month	0.04%
1	Piotek Computer (Suzhou) Co., Ltd.	Kinsus Interconnect Technology Suzhou Corp.	3	Other receivables	USD 160	Payment within 60-90 days from the end of delivery month	0.01%
1	Piotek Computer (Suzhou) Co., Ltd.	Kinsus Interconnect Technology Suzhou Corp.	3	Purchase	USD 8	Payment within 60-90 days from the end of delivery month	-%
2	Xiang-Shuo (Suzhou) Trading Limited	Piotek Computer (Suzhou) Co., Ltd.	3	Accounts receivable	RMB 5,584	Payment within 60 days from the end of delivery month	0.06%
2	Xiang-Shuo (Suzhou) Trading Limited	Piotek Computer (Suzhou) Co., Ltd.	3	Other receivables	RMB 38	Payment within 60 days from the end of delivery month	-%
2	Xiang-Shuo (Suzhou) Trading Limited	Piotek Computer (Suzhou) Co., Ltd.	3	Sales revenue	RMB 20,066	Payment within 60 days from the end of delivery month	0.54%
2	Xiang-Shuo (Suzhou) Trading Limited	Kinsus Interconnect Technology Suzhou Corp.	3	Sales revenue	RMB 3,985	Payment within 60 days from the end of delivery month	0.11%
2	Xiang-Shuo (Suzhou) Trading Limited	Kinsus Interconnect Technology Suzhou Corp.	3	Accounts receivable	RMB 1,180	Payment within 60 days from the end of delivery month	0.01%
4	PIOTEK (H.K.) TRADING LIMITED	KINSUS CORP. (USA)	3	Commission expense	USD 33	Payment within 60 days from the end of delivery month	0.01%

Note 1: Transaction information between Parent company and its subsidiaries should be disclosed by codes below:

(1) Parent company is coded "0".

(2) The subsidiaries are coded from "1" in the order presented in the table above.

Note 2: Relationship are divided into the following three types and the types are required to be indicated:

(1) From the parent company to a subsidiary.

(2) From a subsidiary to the parent company.

(3) Between subsidiaries.

Note 3: Regarding the percentage of transaction amount to consolidated operating revenues or total assets, it is computed based on the ending balance to consolidated total assets for balance sheet items;

and based on interim accumulated amount to consolidated net revenue for income statement items.