U.D. ELECTRONIC CORP. and Subsidiaries

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

INDEPENDENT AUDITORS¡ REVIEW REPORT

The Board of Directors and Shareholders
U.D. ELECTRONIC CORP.

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

We conducted our reviews in accordance with Statement of Auditing Standards No. 36 - ¡Engagements to Review of Financial Statements¡ issued by the Auditing Standards Committee of the Accounting Research and Development Foundation of the Republic of China. A review consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated financial statements referred to in the first paragraph for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 ¡Interim Financial Reporting¡ endorsed by the Financial Su pervisory Commission of the Republic of China.

November 3, 2016

<u>*Notice to Readers*</u>

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the independent auditors¡ review report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors¡ review report and consolidated financial statements shall prevail. Also, as stated in Note 4 to the consolidated financial statements, the additional footnote disclosures that are not required under IFRSs were not translated into English.

U.D. ELECTRONIC CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	September 30, 2016 (Reviewed)		December 31, 2015 (Audited)		September 30, 2015 (Reviewed)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	$ 303,601	7	$ 394,355	9	$ 404,706	9
Notes receivable (Note 9)	7,030	-	74,742	2	63,332	1
Trade receivables (Note 9)	1,095,251	26	1,053,528	23	1,113,467	24
Trade receivables from related parties (Note 28)	4,454	-	-	-	-	-
Other receivables (Note 9)	30,624	1	29,750	1	51,422	1
Inventories (Note 10)	1,201,990	28	1,471,833	32	1,475,915	32
Prepayments (Notes 15 and 16)	48,228	1	55,354	1	86,723	2
Other current financial assets (Notes 16 and 29)	100	-	100	-	-	-
Other current assets (Note 16)	112,631	3	99,413	2	87,052	2
Total current assets	2,803,909	66	3,179,075	70	3,282,617	71
NON-CURRENT ASSETS						
Financial assets measured at cost - non-current (Note 8)	92,796	2	89,608	2	89,608	2
Property, plant and equipment (Notes 12 and 28)	1,006,601	24	971,034	21	1,008,020	22
Computer software, net (Note 14)	8,579	-	6,595	-	6,186	-
Goodwill (Note 13)	6,103	-	6,103	-	6,103	-
Deferred tax assets (Note 4)	19,840	-	4,717	-	3,661	-
Prepayments for equipment (Notes 16 and 28)	160,625	4	111,908	3	98,117	2
Long-term prepayments for lease (Note 15)	63,580	2	69,618	2	71,566	2
Other non-current financial assets (Notes 16 and 29)	-	-	-	-	100	-
Other non-current assets (Note 16)	89,279	2	81,976	2	59,901	1
Refundable deposits (Note 16)	13,753	-	13,503	-	15,249	-
Total non-current assets	1,461,156	34	1,355,062	30	1,358,511	29
TOTAL	$ 4,265,065	100	$ 4,534,137	100	$ 4,641,128	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 17)	$ 818,826	19	$ 761,820	17	$ 690,270	15
Financial liabilities at fair value through profit or loss - current (Note 7)	-	-	-	-	18,067	-
Trade payables (Note 19)	440,143	10	528,820	12	478,748	10
Trade payables to related parties (Note 28)	1,322	-	-	-	-	-
Other payables (Note 20)	441,857	11	508,424	11	602,568	13
Current tax liabilities	10,556	-	12,956	-	11,653	-
Current portion of long-term bonds payable (Note 18)	-	-	17,015	-	121,807	3
Other current liabilities (Note 20)	20,020	1	21,712	1	21,062	1
Total current liabilities	1,732,724	41	1,850,747	41	1,944,175	42
NON-CURRENT LIABILITIES						
Deferred tax liabilities (Note 4)	43	-	12,512	-	20,717	-
Guarantee deposits received (Note 20)	4,871	-	5,014	-	934	-
Total non-current liabilities	4,914	-	17,526	-	21,651	-
Total liabilities	1,737,638	41	1,868,273	41	1,965,826	42
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 21)						
Share capital						
Ordinary shares	696,758	17	696,758	15	696,758	15
Capital surplus	726,551	17	726,715	16	726,715	16
Retained earnings						
Legal reserve	258,686	6	241,124	6	241,124	5
Special reserve	7,778	-	7,778	-	7,778	-
Unappropriated earnings (Note 23)	889,960	21	920,109	20	892,928	19
Total retained earnings	1,156,424	27	1,169,011	26	1,141,830	24
Other equity						
Exchange differences on translating foreign operations	(79,005)	(2)	50,262	1	84,738	2
Total equity attributable to owners of the company	2,500,728	59	2,642,746	58	2,650,041	57
NON-CONTROLLING INTERESTS (Note 21)	26,699	-	23,118	1	25,261	1
Total equity	2,527,427	59	2,665,864	59	2,675,302	58
TOTAL	$ 4,265,065	100	$ 4,534,137	100	$ 4,641,128	100

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

U.D. ELECTRONIC CORP. AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2016		2015		2016		2015	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE								
Sales (Note 28)	$ 1,162,951	100	$ 1,244,022	100	$ 3,342,377	100	$ 3,364,917	100
OPERATING COSTS								
Cost of goods sold (Notes 10, 22 and 28)	(930,456)	(80)	(996,960)	(80)	(2,717,398)	(81)	(2,660,224)	(79)
GROSS PROFIT	232,495	20	247,062	20	624,979	19	704,693	21
OPERATING EXPENSES (Note 22)								
Selling and marketing	(45,542)	(4)	(49,487)	(4)	(135,059)	(4)	(153,701)	(5)
General and administrative	(76,188)	(6)	(82,689)	(7)	(229,281)	(7)	(257,094)	(8)
Research and development	(58,501)	(5)	(52,749)	(4)	(183,156)	(5)	(144,408)	(4)
Total operating expenses	(180,231)	(15)	(184,925)	(15)	(547,496)	(16)	(555,203)	(17)
PROFIT FROM OPERATIONS	52,264	5	62,137	5	77,483	3	149,490	4
NON-OPERATING INCOME AND EXPENSES								
Other income (Notes 22 and 28)	8,032	-	7,282	1	22,945	-	25,773	1
Other gains and losses (Notes 7 and 22)	9,046	1	(8,077)	(1)	28,592	1	36,272	1
Finance costs (Notes 18 and 22)	(2,782)	-	(3,334)	-	(8,499)	-	(9,107)	-
Total non-operating income and expenses	14,296	1	(4,129)	-	43,038	1	52,938	2
PROFIT BEFORE INCOME TAX	66,560	6	58,008	5	120,521	4	202,428	6
INCOME TAX EXPENSE (Notes 4 and 23)	(11,671)	(1)	(25,576)	(2)	(38,959)	(1)	(62,909)	(2)
NET PROFIT FOR THE PERIOD	54,889	5	32,432	3	81,562	3	139,519	4
OTHER COMPREHENSIVE INCOME (Note 21)								
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating foreign operations	(78,129)	(7)	68,240	5	(156,130)	(5)	18,564	1
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 23)	13,216	1	(11,601)	(1)	26,476	1	(3,156)	-
Other comprehensive income (loss) for the period, net of income tax	(64,913)	(6)	56,639	4	(129,654)	(4)	15,408	1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ (10,024)	(1)	$ 89,071	7	$ (48,092)	(1)	$ 154,927	5

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U.D. ELECTRONIC CORP. AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2016		2015		2016		2015	
	Amount	%	Amount	%	Amount	%	Amount	%
NET PROFIT ATTRIBUTABLE TO:								
Owners of the Company	$ 59,739	5	$ 37,635	3	$ 91,927	3	$ 148,434	4
Non-controlling interests	(4,850)	-	(5,203)	-	(10,365)	(1)	(8,915)	-
	$ 54,889	5	$ 32,432	3	$ 81,562	2	$ 139,519	4
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of the Company	$ (4,787)	-	$ 94,274	7	$ (37,340)	(1)	$ 163,842	5
Non-controlling interests	(5,237)	(1)	(5,203)	-	(10,752)	-	(8,915)	-
	$ (10,024)	(1)	$ 89,071	7	$ (48,092)	(1)	$ 154,927	5
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 24)								
Basic	$ 0.86		$ 0.54		$ 1.32		$ 2.13	
Diluted	$ 0.86		$ 0.54		$ 1.30		$ 2.06	

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

U.D. ELECTRONIC CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Equity Attributable to Owners of the Company									
		Capital Surplus			Retained Earnings					
	Share Capital	Share Premium	Others	Share Option	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2015	$ 696,758	$ 720,999	$ -	$ 5,716	$ 190,273	$ 30,887	$ 1,071,842	$ 69,330	$ 34,176	$ 2,819,981
Appropriation of 2014 earnings (Note 21)										
Legal reserve	-	-	-	-	50,851	-	(50,851)	-	-	-
Special reserve reversed	-	-	-	-	-	(23,109)	23,109	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(299,606)	-	-	(299,606)
Net profit (loss) for the nine months ended September 30, 2015	-	-	-	-	-	-	148,434	-	(8,915)	139,519
Other comprehensive income (loss) for the nine months ended September 30, 2015, net of income tax	-	-	-	-	-	-	-	15,408	-	15,408
Total comprehensive income (loss) for the nine months ended September 30, 2015	-	-	-	-	-	-	148,434	15,408	(8,915)	154,927
BALANCE AT SEPTEMBER 30, 2015	$ 696,758	$ 720,999	$ -	$ 5,716	$ 241,124	$ 7,778	$ 892,928	$ 84,738	$ 25,261	$ 2,675,302
BALANCE AT JANUARY 1, 2016	$ 696,758	$ 720,999	$ 4,935	$ 781	$ 241,124	$ 7,778	$ 920,109	$ 50,262	$ 23,118	$ 2,665,864
Actual acquisition of interest in subsidiaries - Ta Yang UDE Limited (Note 21)	-	-	-	-	-	-	-	-	14,333	14,333
Appropriation of 2015 earnings (Note 21)										
Legal reserve	-	-	-	-	17,562	-	(17,562)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(104,514)	-	-	(104,514)
Other changes in capital surplus (Notes 18 and 21)	-	-	617	(781)	-	-	-	-	-	(164)
Net profit (loss) for the nine months ended September 30, 2016	-	-	-	-	-	-	91,927	-	(10,365)	81,562
Other comprehensive income (loss) for the nine months ended September 30, 2016, net of income tax	-	-	-	-	-	-	-	(129,267)	(387)	(129,654)
Total comprehensive income for the nine months ended September 30, 2016	-	-	-	-	-	-	91,927	(129,267)	(10,752)	(48,092)
BALANCE AT SEPTEMBER 30, 2016	$ 696,758	$ 720,999	$ 5,552	$ -	$ 258,686	$ 7,778	$ 889,960	$ (79,005)	$ 26,699	$ 2,527,427

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

U.D. ELECTRONIC CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2016	**2015**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 120,521	$ 202,428
Adjustments for:		
Depreciation expenses	161,242	152,507
Amortization expenses	5,907	9,740
Amortization of prepayments for lease	1,151	819
(Reversal of impairment loss) impairment loss recognized on trade receivables	(4,072)	27
Net loss on fair value change of financial assets at fair value through profit or loss	-	11,214
Finance costs	8,499	9,107
Interest income	(820)	(4,602)
Impairment loss recognized on inventories	25	2,022
Loss on disposal of property, plant and equipment	790	1,739
Unrealized loss on foreign currency exchange, net	39,098	(47,074)
Changes in operating assets and liabilities		
Notes receivable	67,406	(286)
Trade receivables	(66,924)	(23,321)
Trade receivables from related parties	(4,454)	58,276
Other receivables	(1,874)	18,055
Inventories	193,137	(162,502)
Prepayments	(7,922)	33,295
Other current assets	(23,140)	8,860
Financial liabilities held for trading	-	(1,646)
Trade payables	(53,724)	(33,986)
Trade payables to related parties	1,322	-
Other payables	(31,996)	(148,217)
Other current liabilities	(493)	(5,744)
Cash generated from operations	403,679	80,711
Interest received	702	4,936
Interest paid	(8,526)	(6,577)
Income tax paid	(30,438)	(117,836)
Net cash generated from (used in) operating activities	365,417	(38,766)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(242,510)	(267,174)
Proceeds from disposal of property, plant and equipment	15,446	1,371
Increase in refundable deposits	(1,165)	(7,784)
Payments for intangible assets	(7,994)	(327)
Increase in prepayments for equipment	(89,060)	(37,630)

(Continued)

U.D. ELECTRONIC CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2016	**2015**
Purchase of financial assets measured at cost	$ (3,188)	$ (40,000)
Increase in other non-current assets	(19,617)	(91,646)
Net cash used in investing activities	(348,088)	(443,190)
CASH FLOWS FROM FINANCING ACTIVITIES		
Redemption of convertible bonds	(17,200)	-
Decrease in short-term borrowings	75,130	115,045
Decrease in guarantee deposits received	(94)	(1,154)
Ordinary shares from subsidiary	14,333	-
Cash dividends	(104,514)	(299,606)
Net cash used in financing activities	(32,345)	(185,715)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(75,738)	58,970
NET DECREASE IN CASH AND CASH EQUIVALENTS	(90,754)	(608,701)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	394,355	1,013,407
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 303,601	$ 404,706

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

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

U.D. ELECTRONIC CORP. (the ¡Company¡) was incorporated in the Republic of China (RO C) on March 18, 2005 with a share capital $10,000 thousand, and the accumulated share capital was $696,758 thousand as of September 30, 2016. The Company is a trading enterprise and mainly engaged in the selling of electronic connectors for telecommunications, data communications and computers.

The Company¡s shares have been listed on the Taipei Exchange since October 2012. The shares are widely distributed; therefore, there is no ultimate parent company or ownership interest. The consolidated financial statements are presented in the Company¡s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company¡s board of directors on November 3, 2016.

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

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

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

New, Amended or Revised Standards and Interpretations (the ¡New IFRSs¡)	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 ¡Investment Entities: Applying the Consolidation Exception¡	January 1, 2016
Amendment to IFRS 11 ¡Accounting for Acquisitions of Interests in Joint Operations¡	January 1, 2016
IFRS 14 ¡Regulatory Deferral Accounts¡	January 1, 2016
Amendment to IAS 1 ¡Disclosure Initiative¡	January 1, 2016
Amendments to IAS 16 and IAS 38 ¡Clarification of Acceptable Methods of Depreciation and Amortization¡	January 1, 2016
Amendments to IAS 16 and IAS 41 ¡Agriculture: Bearer Plants¡	January 1, 2016
Amendment to IAS 19 ¡Defined Benefit Plans: Employee Contributions¡	July 1, 2014
Amendment to IAS 36 ¡Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets¡	January 1, 2014

(Continued)

New, Amended or Revised Standards and Interpretations (the ¡New IFRSs¡)	Effective Date Announced by IASB (Note 1)
Amendment to IAS 39 ¡Novation of Derivatives and Continuation of Hedge Accounting¡	January 1, 2014
IFRIC 21 ¡Levies¡	January 1, 2014

(Concluded)

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

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

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

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

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

   The amendment clarifies that the recoverable amount of an asset or a cash-generating unit is disclosed only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, if the recoverable amount of an item of property, plant and equipment for which impairment loss has been recognized or reversed is fair value less costs of disposal, the Group is required to disclose the fair value hierarchy. If the fair value measurements are categorized within (Level 2/Level 3), the valuation technique and key assumptions used to measure the fair value are disclosed. The discount rate used is disclosed if such fair value less costs of disposal is measured by using present value technique. The mentioned amendment will be applied retrospectively in 2017.

2) Annual Improvements to IFRSs: 2010-2012 Cycle

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

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

   IAS 24 was amended to clarify that a management entity providing key management personnel services to the Group is a related party of the Group. Consequently, the Group is required to disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required. When the amendment becomes effective in 2017. Owner of the Company which provides key management personnel services to the Group will be treated retrospectively as a related party and disclosed accordingly.

3) Amendments to IAS 16 and IAS 38 ¡Clarification of Acceptable Methods of Depreciation and Amortization¡

The entity should use appropriate depreciation and amortization method to reflect the pattern in which the future economic benefits of the property, plant and equipment and intangible asset are expected to be consumed by the entity.

The amended IAS 16 ¡Property, Plant and Equipment¡ s tipulates that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. The amended standard does not provide any exception from this requirement.

The amended IAS 38 ¡Intangible Assets¡ clarifies there is a rebuttable presumption that an amortization method that is based on revenue that is generated by an activity that includes the use of an intangible asset is not appropriate. This presumption can be overcome only in the following limited circumstances:

a) In which the intangible asset is expressed as a measure of revenue (for example, the contract that specifies the entity¡s use of the intangible asset will expire upon achievement of a revenue threshold); or

b) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

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

b. IFRSs issued by the International Accounting Standards Board (IASB) but not yet endorsed by the FSC.

The Group has not applied the following IFRSs issued by the IASB but not yet endorsed by the FSC. In addition, the FSC announced that the public companies in Taiwan should apply IFRS 15 starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new, amended and revised standards and interpretations.

New, Revised or Amended Standards and Interpretations	Effective Date Announced by IASB (Note)
Amendment to IFRS 2 ¡Classification and Measurement of Share-based Payment Transactions¡	January 1, 2018
Amendments to IFRS 4 ¡Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts¡	January 1, 2018
IFRS 9 ¡Financial Instruments¡	January 1, 2018
Amendments to IFRS 9 and IFRS 7 ¡Mandatory Effective Date of IFRS 9 and Transition Disclosures¡	January 1, 2018
Amendments to IFRS 10 and IAS 28 ¡Sale or Contribution of Assets between an Investor and its Associate or Joint Venture¡	To be determined by IASB
IFRS 15 ¡Revenue from Contracts with Customers¡	January 1, 2018
Amendment to IFRS 15 Clarifications to IFRS 15	January 1, 2018
IFRS 16 ¡Leases¡	January 1, 2019
Amendment to IAS 7 ¡Disclosure Initiative¡	January 1, 2017
Amendments to IAS 12 ¡Recognition of Deferred Tax Assets for Unrealized Losses¡	January 1, 2017

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

1) IFRS 9 ¡Financial Instruments¡

Recognition and measurement of financial assets

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

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

a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;

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

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

Impairment of financial assets

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

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

2) IFRS 15 ¡Revenue from Contracts with Customers¡ and related amendment

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 ¡Revenue¡, IAS 11 ¡Construction Contra cts¡ and a number of revenue-related interpretations.

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

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

In identifying performance obligations, IFRS 15 and related amendment require that a good or service is distinct if it is capable of being distinct (for example, the Group regularly sells it separately) and the promise to transfer it is distinct within the context of the contract (i.e. the nature of the promise in the contract is to transfer each of those goods or services individually rather than to transfer combined items).

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

3) IFRS 16 ¡Leases¡

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

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

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

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

4) Amendments to IAS 12 ¡Recognition of Deferred Tax Assets for Unrealized Losses¡

The amendment clarifies that the difference between the carrying amount of the debt instrument measured at fair value and its tax base gives rise to a temporary difference, even though there are unrealized losses on that asset, irrespective of whether the Group expects to recover the carrying amount of the debt instrument by sale or by holding it and collecting contractual cash flows.

In addition, in determining whether to recognize a deferred tax asset, the Group should assess a deductible temporary difference in combination with all of its other deductible temporary differences, unless the tax law restricts the utilization of losses as deduction against income of a specific type, in which case, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. The amendment also stipulates that, when determining whether to recognize a deferred tax asset, the estimate of probable future taxable profit may include some of the Group¡s assets for more than their carrying amount if there is sufficient evidence that it is probable that the Group will achieve the higher amount, and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the convenience of readers, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language consolidated financial statements shall prevail. However, the consolidated financial statements do not include the English translation of the additional footnote disclosures that are not required under IFRSs but are required by the FSC for their oversight purposes.

a. Statement of compliance

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

b. Basis of consolidation

See Note 11 for the detailed information of subsidiaries (including the percentage of ownership and main business).

c. Other accounting policies

Except for the following, the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2015.

<u>Taxation</u>

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

6. CASH AND CASH EQUIVALENTS

	September 30, 2016	December 31, 2015	September 30, 2015
Cash on hand	$ 1,640	$ 2,914	$ 1,552
Demand deposits	292,569	376,441	377,318
Cash equivalents			
Time deposits	9,392	15,000	25,836
	$ 303,601	$ 394,355	$ 404,706

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2016	December 31, 2015	September 30, 2015
Financial liabilities held for trading - current			
Derivative financial liabilities (not under hedge accounting)			
Forward exchange contracts	$ -	$ -	$ 8,460
Convertible bond options	-	-	9,607
	$ -	$ -	$ 18,067

For the nine months ended September 30, 2016, the financial assets at fair value through profit or loss held by the Group were forward exchange contracts. The gains on the valuation of financial instruments recognized by the Group was $560 thousand which was included in gains or losses on financial asset at FVTPL.

For the nine months ended September 30, 2015, the financial liabilities at fair value through profit or loss held by the Group were forward exchange contracts and convertible bond options. The losses on the valuation of financial instruments recognized by the Group were $18,308 thousand and $(3,121) thousand, respectively, which were included in gains or losses on financial liability at FVTPL.

For the nine months ended September 30, 2016 and 2015, the Group entered into forward exchange contracts to offset its business exposure to fluctuation in foreign currency exchange rates. However, those contracts did not meet the criteria of hedge accounting. Therefore, the Group did not apply hedge accounting treatment for forward exchange contracts.

At the end of the reporting period, outstanding forward exchange contracts not under hedge accounting were as follows:

	Currency	Maturity Period	Notional Amount (In Thousands)
September 30, 2015			
Sell	USD/RMB	2015.10.13-2015.12.17	USD16,000/RMB100,341

8. FINANCIAL ASSETS MEASURED AT COST

	September 30, 2016	December 31, 2015	September 30, 2015
Non-current			
Domestic investment - unlisted shares	$ 92,796	$ 89,608	$ 89,608
Classification			
Available-for-sale	$ 92,796	$ 89,608	$ 89,608

9. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	September 30, 2016	December 31, 2015	September 30, 2015
Notes receivable			
Notes receivable - operating	$ 7,030	$ 74,742	$ 63,332
Less: Allowance for impairment loss	-	-	-
	$ 7,030	$ 74,742	$ 63,332
Trade receivables			
Trade receivables	$ 1,095,291	$ 1,057,640	$ 1,113,509
Less: Allowance for impairment loss	(40)	(4,112)	(42)
	$ 1,095,251	$ 1,053,528	$ 1,113,467
Other receivables			
The reserved portion on receivables factoring	$ 16,161	$ 16,698	$ 31,033
Tax refund receivable	13,080	12,023	19,282
Others	1,383	1,029	1,107
	$ 30,624	$ 29,750	$ 51,422

a. Notes receivable

The average credit period for notes receivable is 30 to 180 days. In determining the recoverability of a note receivable, the Group considered any change in the credit quality of the note receivables since the date credit was initially granted to the end of the reporting period. Because historical experience had been shown that all notes receivable were recoverable, the allowance for impairment loss was recognized based on estimated irrecoverable amounts determined by reference to past default experience and current financial condition of customers.

There was no note receivable that was past due at the end of the reporting period; in addition, the Group had not recognized an allowance for impairment loss for these receivables.

b. Trade receivables

The Group has no material irrecoverable trade receivables and it periodically evaluates the reasons for overdue receivables individually. After evaluating and confirming unusual amounts, the Group estimates the allowance for impairment loss rate by dividing overdue receivables by the net sales, and irrecoverable amounts are calculated by multiplying the rate and the current receivables together.

For the trade receivables balances that were past due at the end of the reporting period, the Group did not recognize an allowance for impairment loss because there was no significant change in the credit quality and the amounts were still considered recoverable. The Group did not hold any collateral or other credit enhancements for these balances.

The aging of receivables was as follows:

	September 30, 2016	December 31, 2015	September 30, 2015
Not overdue	$ 1,076,907	$ 960,998	$ 986,032
Less than 60 days	18,384	96,374	127,376
61-90 days	-	219	60
91-120 days	-	8	41
Over 120 days	-	41	-
	$ 1,095,291	$ 1,057,640	$ 1,113,509

The above aging schedule was based on the past due date.

The aging of receivables that were past due but not impaired was as follows:

	September 30, 2016	December 31, 2015	September 30, 2015
Less than 60 days	$ 18,344	$ 92,262	$ 127,334
61-90 days	-	219	60
91-120 days	-	8	41
Over 120 days	-	41	-
	$ 18,344	$ 92,530	$ 127,435

The above aging schedule was based on the past due date.

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

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2015	$ 15	$ -	$ 15
Add: Impairment losses recognized on receivables	27	-	27
Balance at September 30, 2015	$ 42	$ -	$ 42
Balance at January 1, 2016	$ 4,112	$ -	$ 4,112
Less: Impairment losses reversed	(4,072)	-	(4,072)
Balance at September 30, 2016	$ 40	$ -	$ 40

Factored trade receivables for the nine months ended September 30, 2016 and 2015 were as follows:

Counter-parties	Receivables Sold	Amounts Collected	Advances Received at Period-end	Interest Rates on Advances Received (%)	Credit Line (In Thousand)
For the nine months ended September 30, 2016					
Yuanta Commercial Bank	$ 37,117	$ 32,131	$ 18,803	1.25-1.45	US$ 16,000
Taipei Fubon Commercial Bank Co., Ltd.	435,818	446,172	126,647	1.1628-1.5328	US$ 12,000
	$ 472,935	$ 478,303	$ 145,450		
For the nine months ended September 30, 2015					
Yuanta Commercial Bank	$ 132,080	$ 96,640	$ 46,425	0.95-1.25	US$ 16,000
Taipei Fubon Commercial Bank Co., Ltd.	623,683	640,065	232,737	0.9514-1.0428	US$ 17,500
	$ 755,763	$ 736,705	$ 279,162		

The above credit lines may be used on a revolving basis.

Under the Group¡s factoring agreements, losses from commercial disputes (such as sales returns or allowances) were borne by the Group, while losses from the credit risks were borne by the banks. As of September 30, 2016, December 31, 2015 and September 30, 2015, the Group had issued promissory notes of US$28,000 thousand, US$33,500 thousand and US$16,000 thousand as collateral to the banks, respectively.

c. Other receivables

Other receivables are tax refund receivables and trade receivables factoring with reserve. Due to historical experience shows that the majority of other receivables are recoverable and after considering past default experience and current financial condition of customers, there is no need to recognize the allowance for impairment loss for other receivables.

10. INVENTORIES

	September 30, 2016	December 31, 2015	September 30, 2015
Finished goods	$ 279,832	$ 377,508	$ 312,243
Work in progress	784,188	948,300	1,029,340
Raw materials and supplies	137,970	146,025	134,332
	$ 1,201,990	$ 1,471,833	$ 1,475,915

The cost of inventories recognized as cost of goods sold included inventory write-downs of $45 thousand for the three months ended September 30, 2016 and $25 thousand for the nine months ended September 30, 2016.

The cost of inventories recognized as cost of goods sold included inventory write-downs of $1,920 thousand for the three months ended September 30, 2015 and $2,022 thousand for the nine months ended September 30, 2015.

11. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

			% of Ownership			
Investor	Investee	Investee¡s Company Type/Main Business	September 30, 2016	December 31, 2015	September 30, 2015	Remark
U.D. ELECTRONIC CORP.	Global Connection (Samoa) Holding Inc.	Holding company	100	100	100	Foreign exchange risk is major operational risk
U.D. ELECTRONIC CORP.	CDE Corp.	Manufacturing and sale of electronic materials	50	50	50	Market risk is major operational risk
Global Connection (Samoa) Holding Inc.	Sunderland Inc.	Holding company	100	100	100	Foreign exchange risk is major operational risk
Global Connection (Samoa) Holding Inc.	San Francisco Inc.	Holding company	100	100	100	Foreign exchange risk is major operational risk
Global Connection (Samoa) Holding Inc.	All First International Co., Ltd.	International trading	100	100	100	Foreign exchange and market risk are major operational risks
Global Connection (Samoa) Holding Inc.	Ta Yang UDE Limited (大洋湧德有限公司)	Holding company	55	-	-	Foreign exchange risk is major operational risk
Sunderland Inc.	Dongguan Jian Guan P.E. Co, Ltd. (東莞建冠塑膠電子有限公司)	Manufacturing and sale of electronic components	100	100	100	Political, foreign exchange, and market risks are major operational risks
San Francisco Inc.	Zhong Jiang U.D.E. Electronics Corp. (中江湧德電子有限公司)	Manufacturing and sale of electronic components	100	100	100	Political, foreign exchange, and market risks are major operational risks
Zhong Jiang U.D.E. Electronics Corp. (中江湧德電子有限公司)	Zhong Jiang U.D.E. Networking Electronics Corp. (中江湧德聯網電子有限公司)	Sale of electronic components	100	100	100	Political, foreign exchange, and market risks are major operational risks
Ta Yang UDE Limited (大洋湧德有限公司)	Dongguan TY U.D.E. Precision Co., Ltd. (東莞德洋精密橡塑有限公司)	Manufacturing and sale of electronic components	100	-	-	Political, foreign exchange, and market risks are major operational risks

12. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Transport-ation Equipment	Office Equipment	Mold Equipment	Leasehold Improvements	Other Equipment	Property under Construction	Total
Cost										
Balance at January 1, 2015	$ 155,218	$ -	$ 900,125	$ 23,414	$ 15,421	$ 389,896	$ 105,140	$ 62,646	$ -	$ 1,651,860
Additions	4,143	88,118	51,083	75	1,887	28,881	6,650	4,896	56,249	241,982
Disposals	-	-	(13,045)	-	(844)	(462)	(4,104)	(1,475)	-	(19,930)
Reclassification (Note)	-	-	-	-	-	(337)	-	-	-	(337)
Effect of exchange rate changes	1	1,281	1,784	34	10	301	299	276	793	4,779
Other - transfer from prepayments to equipment	-	-	10,124	-	-	11,631	2,356	16,101	-	40,212
Balance at September 30, 2015	$ 159,362	$ 89,399	$ 950,071	$ 23,523	$ 16,474	$ 429,910	$ 110,341	$ 82,444	$ 57,042	$ 1,918,566
Accumulated depreciation										
Balance at January 1, 2015	$ -	$ -	$ 383,862	$ 12,678	$ 9,356	$ 280,766	$ 65,736	$ 20,005	$ -	$ 772,403
Disposals	-	-	(11,245)	-	(737)	(87)	(4,104)	(647)	-	(16,820)
Reclassification (Note)	-	-	-	-	-	(44)	-	-	-	(44)
Depreciation	-	3,669	83,757	2,837	2,143	35,850	13,005	11,246	-	152,507
Effect of exchange rate changes	-	53	1,673	24	10	270	283	187	-	2,500
Balance at September 30, 2015	$ -	$ 3,722	$ 458,047	$ 15,539	$ 10,772	$ 316,755	$ 74,920	$ 30,791	$ -	$ 910,546
Carrying amounts at December 31, 2015 and January 1, 2015	$ 155,218	$ -	$ 516,263	$ 10,736	$ 6,065	$ 109,130	$ 39,404	$ 42,641	$ -	$ 879,457
Carrying amounts at September 30, 2015	$ 159,362	$ 85,677	$ 492,024	$ 7,984	$ 5,702	$ 113,155	$ 35,421	$ 51,653	$ 57,042	$ 1,008,020
Cost										
Balance at January 1, 2016	$ 159,163	$ 87,458	$ 875,684	$ 23,013	$ 15,345	$ 307,431	$ 107,997	$ 92,883	$ 83,556	$ 1,752,530
Additions	375	-	39,141	-	253	20,864	1,020	4,564	161,292	227,509
Disposals	-	-	(23,911)	(338)	(1,474)	(29,128)	(322)	(242)	-	(55,415)
Effect of exchange rate changes	-	(6,208)	(57,037)	(1,616)	(792)	(22,167)	(5,031)	(9,884)	(10,637)	(113,372)
Other - transfer from prepayments to equipment	-	-	2,727	-	9,297	15,820	-	12,499	-	40,343
Reclassification	-	-	-	-	-	-	(52,549)	52,549	-	-
Balance at September 30, 2016	$ 159,538	$ 81,250	$ 836,604	$ 21,059	$ 22,629	$ 292,820	$ 51,115	$ 152,369	$ 234,211	$ 1,851,595
Accumulated depreciation										
Balance at January 1, 2016	$ -	$ 5,464	$ 433,899	$ 16,060	$ 10,450	$ 203,238	$ 77,474	$ 34,911	$ -	$ 781,496
Disposals	-	-	(15,405)	(315)	(1,474)	(21,454)	(318)	(213)	-	(39,179)
Depreciation	-	5,333	81,904	2,361	3,336	39,017	10,695	18,596	-	161,242
Reclassification	-	-	-	-	-	-	(36,316)	36,316	-	-
Effect of exchange rate changes	-	(643)	(31,601)	(1,236)	(574)	(15,253)	(4,177)	(5,081)	-	(58,565)
Balance at September 30, 2016	$ -	$ 10,154	$ 468,797	$ 16,870	$ 11,738	$ 205,548	$ 47,358	$ 84,529	$ -	$ 844,994
Carrying amounts at December 31, 2015 and January 1, 2016	$ 159,163	$ 81,994	$ 441,785	$ 6,953	$ 4,895	$ 104,193	$ 30,523	$ 57,972	$ 83,556	$ 971,034
Carrying amounts at September 30, 2016	$ 159,538	$ 71,096	$ 367,807	$ 4,189	$ 10,891	$ 87,272	$ 3,757	$ 67,840	$ 234,211	$ 1,006,601

Note: Mold Equipment was reclassified to other current assets.

The above items of property, plant and equipment were depreciated on a straight-line basis over their useful lives estimated as follows:

Buildings	12 years
Machinery and equipment	1-10 years
Transportation equipment	4-6 years
Office equipment	3-5 years
Mold equipment	2-4 years
Leasehold improvements	2-3 years
Other equipment	3-8 years

13. GOODWILL

	Nine Months Ended September 30	
	2016	2015
Cost		
Balance, beginning of period	$ 6,103	$ 6,103
Additions	-	-
Balance, end of period	$ 6,103	$ 6,103

In February 2013, the Company acquired 50% equity in CDE Corp. 5,000 thousand ordinary shares, with par value of NT$10, for an increase in this associate¡s paid-in capital to $50,000 thousand. The value of goodwill was recognized when the cost of acquisition is higher than the net fair value of the identifiable assets and liabilities recognized at the date of acquisition. As of September 30, 2016, the present value of future cash flows of CDE Corp. exceeded carrying amounts, so the Company did not identify any impairment of the goodwill.

14. OTHER INTANGIBLE ASSET

	Computer Software
Cost	
Balance at January 1, 2015	$ 44,249
Additions	327
Disposals	(3,241)
Effect of exchange rate changes	(31)
Balance at September 30, 2015	$ 41,304
Accumulated amortization and impairment	
Balance at January 1, 2015	$ (28,640)
Amortization expenses	(9,740)
Disposals	3,241
Effect of exchange rate changes	21
Balance at September 30, 2015	$ (35,118)
Carrying amounts at September 30, 2015	$ 6,186
Cost	
Balance at January 1, 2016	$ 42,403
Additions	7,994
Disposals	(15,433)
Effect of exchange rate changes	(1,733)
Balance at September 30, 2016	$ 33,231
Accumulated amortization and impairment	
Balance at January 1, 2016	$ (35,808)
Amortization expenses	(5,907)
Disposals	15,433
Effect of exchange rate changes	1,630
Balance at September 30, 2016	$ (24,652)
Carrying amounts at December 31, 2015 and January 1, 2016	$ 6,595
Carrying amounts at September 30, 2016	$ 8,579

Computer software was depreciated on a straight-line basis over its estimated useful life of one to three years.

15. PREPAYMENTS FOR LEASE

	September 30, 2016	December 31, 2015	September 30, 2015
Current asset (included in prepayments)	$ 1,463	$ 1,574	$ 1,609
Non-current asset	63,580	69,618	71,566
	$ 65,043	$ 71,192	$ 73,175

As of September 30, 2016, December 31, 2015 and September 30, 2015, the carrying amounts of the land use right located in Mainland China were $65,043 thousand, $71,192 thousand and $73,175 thousand, respectively. Moreover, the Group has obtained the certificates of the right.

16. OTHER ASSETS

	September 30, 2016	December 31, 2015	September 30, 2015
Current			
Prepayments	$ 48,228	$ 55,354	$ 86,723
Input tax	48,723	36,664	31,431
Overpaid tax	59,702	54,427	52,415
Other financial assets - current (Note 29)	100	100	-
Others	4,206	8,322	3,206
	$ 160,959	$ 154,867	$ 173,775
Non-current			
Prepayments for equipment (Note 28)	$ 160,625	$ 111,908	$ 98,117
Refundable deposits	13,753	13,503	15,249
Prepayments - non-current	89,279	81,976	59,901
Other financial assets - non-current (Note 29)	-	-	100
	$ 263,657	$ 207,387	$ 173,367

17. BORROWINGS

Short-term Borrowings

	September 30, 2016	December 31, 2015	September 30, 2015
Bank loans	$ 818,826	$ 761,820	$ 690,270

The range of the weighted average effective interest rates for bank loans was 0.63%-2.025%, 0.95%-2.025% and 0.96%-1.10% per annum as of September 30, 2016, December 31, 2015 and September 30, 2015, respectively.

18. BONDS PAYABLE

	September 30, 2016	December 31, 2015	September 30, 2015
Unsecured domestic convertible bonds	$ -	$ 17,015	$ 121,807
Less: Current portion of long-term bonds payable	-	(17,015)	(121,807)
	$ -	$ -	$ -

a. Unsecured domestic convertible bonds

On November 29, 2013, the Company issued 3,000 thousand New Taiwan dollar-denominated unsecured convertible bonds with effective interest rate of 2.15%. The aggregate principal of the bonds is $300,000 thousand. The issue period is three years from November 29, 2013 to November 29, 2016.

The coupon rate is 0%; therefore, no interest payment term was determined. Unless there is bond conversion and/or early redemption by the Company, the bonds will be redeemable at the option of bondholders after two years of the issuance at the principal amount, with interest compensation in cash.

Other bond terms and conditions were as follows: The conversion price is set based on the simple arithmetic means of the closing prices of 1, 3 or 5 trading days prior to November 21, 2013, the conversion price setting date, times 101.70 %, the convertible premium rate. The conversion price will be adjusted for the effect of cash and stock dividends. On the issuance date, the conversion price was set at NT$85.40 per share. The conversion price was adjusted to NT$75.10 after distribution of dividend on July 22, 2015.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under capital surplus - option. The effective interest rate for the liability component was 2.15% per annum on initial recognition.

Proceeds from issue (less transaction costs of $5,000 thousand)	$ 295,000
Equity component	(18,759)
Liability component at the date of issue	276,241
Interest charged at 2.15% (effective interest rate)	8,850
Convertible bonds converted into common shares	(162,421)
Repayment of convertible bonds	(105,655)
Liability component at December 31, 2015	17,015
Interest charged at a 2.15% (effective interest rate)	21
Repayment of convertible bonds	(17,036)
Liability component at September 30, 2016	$ -

b. For the nine months ended September 30, 2016, the Company redeemed convertible bonds with par value of $17,200 thousand. Because of the redemption, capital surplus - option decreased by $781 thousand, and the discount on bonds payable decreased by $164 thousand. The amortization of discount on bonds payable classified under interest expense was $21 thousand. However, for the nine months ended September 30, 2015, there was no bond conversion and the amortization of discount on bonds payable classified under interest expense was $2,439 thousand.

19. TRADE PAYABLES

	September 30, 2016	December 31, 2015	September 30, 2015
Trade payables			
Operating	$ 440,143	$ 528,820	$ 478,748

20. OTHER LIABILITIES

	September 30, 2016	December 31, 2015	September 30, 2015
Current			
Other payables			
Payable for purchase of equipment	$ 37,295	$ 52,296	$ 65,014
Commissions	15,942	19,065	20,448
Salaries and bonus (including bonus to employees and remuneration to directors and supervisors)	115,825	167,438	182,780
Processing fee	164,178	172,055	224,038
Import/export (customs) expense	4,990	3,826	3,705
Social security payments (Mainland China)	34,758	38,962	39,208
Others	68,869	54,782	67,375
	$ 441,857	$ 508,424	$ 602,568
Other liabilities			
Receipts in advance	$ 1,690	$ 4,236	$ 4,798
Others	18,330	17,476	16,264
	$ 20,020	$ 21,712	$ 21,062
Non-current			
Other liabilities			
Guarantee deposits received	$ 4,871	$ 5,014	$ 934

21. EQUITY

a. Share capital

Ordinary shares

	September 30, 2016	December 31, 2015	September 30, 2015
Number of shares authorized (in thousands)	100,000	100,000	100,000
Share capital authorized	$ 1,000,000	$ 1,000,000	$ 1,000,000
Number of shares issued and fully paid (in thousands)	69,676	69,676	69,676
Share capital issued	$ 696,758	$ 696,758	$ 696,758

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

b. Capital surplus

	September 30, 2016	December 31, 2015	September 30, 2015
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)			
Arising from issuance of common shares	$ 568,037	$ 568,037	$ 568,037
Arising from conversion of bonds	152,962	152,962	152,962
May be used to offset a deficit only			
Redemption/repayment of convertible bonds (2)	5,552	4,935	-
May not be used for any purpose			
Arising from share warrants	-	781	5,716
	$ 726,551	$ 726,715	$ 726,715

1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company¡s capital surplus and once a year).

2) Redemption or Repayment of convertible bonds may only be utilized to offset deficits.

c. Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on June 16, 2016 and, in that meeting, had resolved amendments to the Company¡s Articles of Incorporation (the ¡Articles¡), particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees¡ compensation, please refer to employee benefits expense in Note 22,e.

Under the dividend policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company¡s board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders¡ meeting for distribution of dividends and bonus to shareholders.

The Company¡s dividend policy will consider its operating environment, the sufficiency of its cash for future expansion, its long-term financial plan and the shareholders¡ cash flow requirements in determining the stock or cash dividends to be paid. For a steady profitability, a healthy financial structure, and the stability of earnings per share, the Company stipulated a dividend policy that at least 10% of income after tax may be distributed as cash dividends or stock dividends, and cash dividends should not be lower than 10% of total bonus to shareholders.

Under Article 237 of Company Law, a company should appropriate 10% of net income to legal reserve. Legal reserve should be appropriated until the legal reserve equals the Company¡s paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company¡s paid-in capital, the excess may be transferred to capital or distributed in cash.

Under Rule No. 1010012865 issued by the Financial Supervisory Commission and the directive entitled ¡Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs,¡ the Company should appropriate or reverse a special reserve. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and thereafter distributed.

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

The appropriations of earnings for 2015 and 2014 were approved in the shareholders¡ meetings on June 16, 2016 and June 17, 2015, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings Year Ended December 31		Dividends Per Share (NT$) Year Ended December 31	
	2015	2014	2015	2014
Legal reserve	$ 17,562	$ 50,851	$ -	$ -
Special reserve (reversal)	-	(23,109)	-	-
Cash dividends	104,514	299,606	1.5	4.3

d. Special reserves

	September 30, 2016	December 31, 2015	September 30, 2015
First-time adoption of IFRSs	$ 7,778	$ 7,778	$ 7,778

e. Others equity items

Exchange differences on translating the financial statements of foreign operations

	Nine Months Ended September 30	
	2016	2015
Balance, beginning of period	$ 50,262	$ 69,330
Exchange differences arising on translating the financial statements of foreign operations	(155,743)	18,564
Income tax related to gains arising on translating the financial statements of foreign operations	26,476	(3,156)
Balance, end of period	$ (79,005)	$ 84,738

f. Non-controlling interests

	Nine Months Ended September 30	
	2016	2015
Balance, beginning of period	$ 23,118	$ 34,176
Actual acquisition of interest in subsidiaries - Ta Yang UDE Limited	14,333	-
Attributable to non-controlling interests - share of losses for the period	(10,365)	(8,915)
Exchange differences arising on translating the financial statements of foreign operations	(387)	-
Balance, end of period	$ 26,699	$ 25,261

22. NET PROFIT (LOSS) AND OTHER COMPREHENSIVE INCOME (LOSS) FROM CONTINUING OPERATIONS

a. Other income

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
Interest income				
Bank deposits	$ 192	$ 1,643	$ 820	$ 4,602
Dividend income	-	-	-	8,663
Others	7,840	5,639	22,125	12,508
	$ 8,032	$ 7,282	$ 22,945	$ 25,773

b. Other gains and losses

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
Loss on disposal of property, plant and equipment	$ (403)	$ (1,181)	$ (790)	$ (1,739)
Net gain (loss) arising on financial assets and liabilities designated as at FVTPL				
Realized	560	5,268	560	26,401
Unrealized	-	(12,011)	-	(11,214)
Net foreign exchange gain (loss)	9,066	506	29,380	24,630
Others	(177)	(659)	(558)	(1,806)
	$ 9,046	$ (8,077)	$ 28,592	$ 36,272

c. Finance costs

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
Interest on bank loans	$ 2,782	$ 2,486	$ 8,478	$ 6,668
Interest on convertible bonds (Note 18)	-	848	21	2,439
	$ 2,782	$ 3,334	$ 8,499	$ 9,107

d. Depreciation and amortization

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
Property, plant and equipment	$ 52,534	$ 53,714	$ 161,242	$ 152,507
Intangible assets	1,971	3,767	5,907	9,740
	$ 54,505	$ 57,481	$ 167,149	$ 162,247
An analysis of deprecation by function				
Operating costs	$ 42,577	$ 44,358	$ 130,189	$ 128,788
Operating expenses	9,957	9,356	31,053	23,719
	$ 52,534	$ 53,714	$ 161,242	$ 152,507
An analysis of amortization by function				
Operating costs	$ -	$ 25	$ -	$ 95
Selling and marketing expenses	321	279	943	801
General administrative expenses	1,331	2,795	4,145	6,798
Research and development expense	319	668	819	2,046
	$ 1,971	$ 3,767	$ 5,907	$ 9,740

e. Employee benefits expense

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
Post-employment benefits				
Defined contribution plans	$ 8,796	$ 14,527	$ 34,031	$ 38,111
Other employee benefits	238,401	303,803	746,279	852,545
Total employee benefits expense	$ 247,197	$ 318,330	$ 780,310	$ 890,656

(Continued)

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
An analysis of employee benefits expense by function				
Operating costs	$ 161,999	$ 228,537	$ 519,440	$ 631,736
Operating expenses	85,198	89,793	260,870	258,920
	$ 247,197	$ 318,330	$ 780,310	$ 890,656

(Concluded)

In compliance with the Company Act as amended in May 2015, the shareholders¡ meeting in June 2016 resolved the amendments to the Company¡s Articles; the amendments stipulate distribution of employees¡ compensation and remuneration to directors and supervisors at the rates 3%-15% and no higher than 3%, respectively, of net profit before income tax, employees¡ compensation, and remuneration to directors and supervisors. For the nine months ended September 30, 2016, the employees¡ compensation and the remuneration to directors and supervisors represented 7.26% and 2.18%, respectively, of the net profit before income tax.

The Articles before the amendment stipulated to distribute bonus to employees and remuneration to directors and supervisors at the rates 2%-10% and no higher than 5%, respectively, of net income (net of the bonus and remuneration).

	Three Months Ended September 30		Nine Months Ended September 30	
	2015	2014	2015	2014
Bonus to employees	$ 5,760	$ 4,368	$ 8,855	$ 14,304
Remuneration to directors and supervisors	$ 1,727	$ 1,143	$ 2,656	$ 4,124

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

The appropriations of employees¡ compensation and remuneration to directors and supervisors for 2015 were resolved by the board of directors on March 10, 2016, and the appropriations of bonus to employees and remuneration to directors and supervisors for 2014 were approved in the shareholders¡ meeting on June 17, 2015. The amounts of the employees¡ compensation/bonus and remuneration to directors and supervisors are disclosed on the table below. After the amendments to the Articles had been resolved in the shareholders¡ meeting held on June 16, 2016, the appropriations of the employees¡ compensation and remuneration to directors and supervisors for 2015 were reported in the shareholders' meeting.

	For the Year Ended December 31			
	2015		2014	
	Cash	Share	Cash	Share
Bonus to employees	$ 16,000	$ -	$ 52,000	$ -
Remuneration of directors and supervisors	4,800	-	13,000	-

There was no difference between the amounts of the employees¡ compensation and the remuneration to directors and supervisors resolved by the board of directors on March 10, 2016 and the amounts of the bonus to employees and the remuneration to directors and supervisors approved in the shareholders¡ meetings on June 17, 2015, the respective amounts recognized in the consolidated financial statements for the years ended December 31, 2015 and 2014.

Information on the bonus to employees, directors and supervisors proposed by the Company¡s board of directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

23. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	Three Months Ended September 30		**Nine Months Ended September 30**	
	2016	**2015**	**2016**	**2015**
Current tax				
Current year	$ (16,192)	$ (16,782)	$ (33,845)	$ (39,382)
Prior years	123	(3)	(4,461)	(1,374)
Income tax expense of unappropriated earnings	-	-	(5,354)	(15,805)
	(16,069)	(16,785)	(43,660)	(56,561)
Deferred tax				
Current year	4,398	(8,791)	4,701	(6,348)
Income tax expense recognized in profit or loss	$ (11,671)	$ (25,576)	$ (38,959)	$ (62,909)

b. Income tax recognized in other comprehensive income

	Three Months Ended September 30		**Nine Months Ended September 30**	
	2016	**2015**	**2016**	**2015**
Deferred tax				
Translation of foreign operations	$ 13,216	$ (11,601)	$ 26,476	$ (3,156)

c. Integrated income tax

	September 30, 2016	**December 31, 2015**	**September 30, 2015**
Unappropriated earnings			
Generated on and after January 1, 1998	$ 889,960	$ 920,109	$ 892,928
Imputation credits accounts	$ 194,122	$ 189,929	$ 116,448

The creditable ratios for the distribution of the earnings of 2015 and 2014 were 21.10% (expected ratio) and 19.56%, respectively.

d. Income tax assessments

The Company¡s tax returns through 2013 have been assessed by the tax authorities.

24. EARNINGS PER SHARE

Unit: NT$ Per Share

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
Basic earnings per share	$ 0.86	$ 0.54	$ 1.32	$ 2.13
Diluted earnings per share	$ 0.86	$ 0.54	$ 1.30	$ 2.06

The earnings and weighted average number of ordinary shares outstanding (in thousand shares) that were used in the computation of earnings per share from continuing operations were as follows:

Net Profit for the Period

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
Profit for the period attributable to owners of the Company	$ 59,739	$ 37,635	$ 91,927	$ 148,434
Effect of potentially dilutive ordinary shares:				
Convertible bonds	-	704	18	2,025
Earnings used in the computation of diluted earnings per share	$ 59,739	$ 38,339	$ 91,945	$ 150,459

Shares

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
Weighted average number of ordinary shares in computation of basic earnings per share	69,676	69,676	69,676	69,676
Effect of potentially dilutive ordinary shares:				
Employee share option	157	183	776	1,577
Convertible bonds	-	1,676	47	1,676
Weighted average number of ordinary shares used in the computation of diluted earnings per share	69,833	71,535	70,499	72,929

If the Group offers employees bonuses or compensation in cash or shares, the Group assumes the entire amount of the bonus or compensation will be settled in shares, and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. The dilutive effect of the potential shares will included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

25. NON-CASH TRANSACTIONS

For the nine months ended September 30, 2016 and 2015, the Group entered into the following non-cash investing activities which were not reflected in the consolidated statement of cash flows:

As of September 30, 2016, December 31, 2015 and September 30, 2015, the amounts unpaid for acquiring property, plant and equipment were $37,295 thousand, $52,296 thousand and $65,014 thousand, respectively, which were included in other payables.

26. OPERATING LEASE ARRANGEMENTS

Operating leases relate to lease of plants and business premises with lease terms between 3 to 10 years.

The future minimum lease payments for non-cancelable operating lease commitments were as follows:

	September 30, 2016	December 31, 2015	September 30, 2015
Less than 1 year	$ 19,103	$ 23,835	$ 19,972
More than 1 year but not more than 5 years	74,163	80,094	73,246
More than 5 years	18,326	34,584	52,651
	$ 111,592	$ 138,513	$ 145,869

27. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

1) Fair value of financial instruments not measured at fair value but for which fair value is disclosed.

	September 30, 2016		December 31, 2015		September 30, 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities						
Financial liabilities measured at amortized cost						
Convertible bonds	$ -	$ -	$ 17,015	$ 17,159	$ 121,807	$ 119,414

2)

Fair value hierarchy as at December 31, 2015

	Level 1	Level 2	Level 3	Total
Financial liabilities				
Financial liabilities measured at amortized cost				
Convertible bonds	$ -	$ -	$ 17,159	$ 17,159

Fair value hierarchy as at September 30, 2015

	Level 1	Level 2	Level 3	Total
Financial liabilities				
Financial liabilities measured at amortized cost				
Convertible bonds	$ -	$ -	$ 119,414	$ 119,414

The fair values of the financial liabilities included in Level 3 categories above was determined by binary tree model. The significant unobservable inputs used for fair value evaluation reflected the credit risk of the Company.

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

1) Fair value hierarchy

September 30, 2016

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Domestic unlisted securities	$ -	$ -	$ 92,796	$ 92,796

December 31, 2015

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Domestic unlisted securities	$ -	$ -	$ 89,608	$ 89,608

September 30, 2015

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Domestic unlisted securities	$ -	$ -	$ 89,608	$ 89,608
Financial liabilities at FVTPL				
Convertible bond options	$ -	$ -	$ 9,607	$ 9,607
Forward exchange contracts	-	8,460	-	8,460
	$ -	$ 8,460	$ 9,607	$ 18,067

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

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the nine months ended September 30, 2015

Financial liabilities at FVTPL	Convertible Options
Balance, beginning of period	$ 6,486
Recognized in profit or loss (included in other gains and losses)	
Realized	-
Unrealized	3,121
Additions	-
Balance, end of period	$ 9,607

3) Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Derivatives - forward exchange contracts	Discounted cash flow: Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

4) Valuation techniques and inputs applied for the purpose of measuring Level 3 fair value measurement

a) If there is no market price for domestic unlisted securities, the Group evaluates the fair value with valuation technique.

b) The fair values of convertible bond options are determined using option pricing models.

c. Categories of financial instruments

	September 30, 2016	December 31, 2015	September 30, 2015
Financial assets			
Loans and receivables (1)	$ 1,441,733	$ 1,553,955	$ 1,628,994
Available-for-sale financial assets (3)	92,796	89,608	89,608
Financial liabilities			
Fair value through profit or loss (FVTPL)			
Forward exchange contracts	-	-	8,460
Convertible bond options	-	-	9,607
Amortized cost (2)	1,591,194	1,653,655	1,771,547

1) The balances included cash and cash equivalents, notes receivable, trade receivables (including from related parties) and other receivables (excluding tax refund receivable), other financial assets and refundable deposits.

2) The balances included short-term loans, trade payables (including to related parties) and other payables (except salaries and bonuses), bonds payable and guarantee deposit received.

3) The balances included financial assets measured at cost.

d. Financial risk management objectives and policies

The Group¡s major financial instruments include cash and cash equivalents, financial assets (liabilities) at fair value through profit or loss, notes receivable, trade receivables, financial assets measured at cost, trade payables, borrowings and bonds payable.

Risks on the financial instruments include market risk (such as currency risk and interest rate risk), credit risk and liquidity risk.

1) Market risk

The Group¡s activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and in interest rates (see (b) below).

a) Foreign currency risk

The Group has foreign currency sales and purchases, which expose the Group to foreign currency risk. The Group assesses the net risk position of non-functional currency sales and purchases periodically and adjusts its non-functional cash position on the basis of its assessment.

Please reference Note 31 for both monetary assets and monetary liabilities held by the Group in non-functional currencies (including both monetary assets and monetary liabilities which were offset in the consolidated financial statements).

<u>Sensitivity analysis</u>

The Group was mainly exposed to the exchange movements in USD and RMB.

The following table details the Group¡s sensitivity to a 1% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. The 1% sensitivity rate is used in reporting foreign currency risk internally to key management and represents management¡s assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. Sensitivity analysis includes trade receivables and payables to entities outside of the Group, and trade receivables and payables to its foreign operations. A positive number below indicates an increase in pretax profit and other equity associated with a 1% weakening of the New Taiwan dollars against the relevant currency. For a 1% strengthening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pretax profit and other equity, and the balances below would be negative.

	US Dollar Impact		**RMB Impact**	
	Nine Months Ended September 30		**Nine Months Ended September 30**	
	2016	**2015**	**2016**	**2015**
Profit or loss*	$ 3,004	$ (1,164)	$ 3,269	$ 933

* This was mainly attributable to the exposure on outstanding accounts receivable and payable and unrealized forward exchange contract on a financial asset or financial liability at FVTPL in both USD and RMB, which were not hedged at the end of the reporting period.

b) Interest rate risk

The Group was exposed to interest rate risk because some Group entities borrowed funds from banks and issued convertible bonds at both fixed and floating interest rates.

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

	September 30, 2016	December 31, 2015	September 30, 2015
Fair value interest rate risk			
Financial assets	$ 9,492	$ 15,100	$ 25,936
Financial liabilities	230,000	19,510	121,807
Cash flow interest rate risk			
Financial assets	292,569	376,441	377,318
Financial liabilities	588,826	759,325	690,270

Sensitivity analysis

The sensitivity analysis below was based on the Group¡s exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 1% increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management¡s assessment of the reasonably possible change in interest rates.

Had interest rates been 1% higher and all other variables held constant, the Group¡s pretax profits for the nine months ended September 30, 2016 and 2015 would have decreased by $2,222 thousand and $2,347 thousand, respectively, which was mainly attributable to the Group¡s exposure to interest rates on its variable-rate borrowings and bank deposits.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group. As at the end of the reporting period, the Group¡s maximum exposure to credit risk, which will cause a financial loss to the Group due to the failure of counterparties to discharge an obligation and financial guarantees provided by the Group could arise from the carrying amounts of the respective recognized financial assets as stated in the balance sheets.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group continues to monitor its credit exposure and the credit ratings of its counterparties. Credit exposure is controlled by setting a counterparty credit limit, which is approved and periodically reviewed by the risk management committee.

To minimize credit risk, management of the Group has delegated a team to be responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. Thus, management believes the Group¡s credit risk was significantly reduced.

The Group did transactions with a large number of unrelated customers and, thus, no concentration of credit risk was observed.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group¡s operations and mitigate the effects of negative fluctuations in cash flows.

Bank loan is an important resource of liquidity to the Group. As of September 30, 2016, December 31, 2015 and September 30, 2015, the unused amount of financing limit were as b) financing facilities description.

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

The following table shows the Group¡s remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up on the basis of undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows. The maturity dates for other non-derivative financial liabilities were based on the agreed-upon repayment dates.

September 30, 2016

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Over 1 Year to 5 Years
Non-derivative financial liabilities				
Short-term borrowings	$ 795,091	$ 24,038	$ -	$ -
Trade payables	139,837	301,628	-	-
Other payables	157,228	168,804	-	-
Guarantee deposit received	-	-	-	4,871
	$ 1,092,156	$ 494,470	$ -	$ 4,871

December 31, 2015

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Over 1 Year to 5 Years
Non-derivative financial liabilities				
Short-term borrowings	$ 689,450	$ 72,590	$ -	$ -
Trade payables	212,563	316,257	-	-
Other payables	182,293	158,693	-	-
Bonds payable	17,200	-	-	-
Guarantee deposit received	-	-	-	5,014
	$ 1,101,506	$ 547,540	$ -	$ 5,014

September 30, 2015

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Over 1 Year to 5 Years
Non-derivative financial liabilities				
Short-term borrowings	$ 690,972	$ -	$ -	$ -
Trade payables	145,161	333,587	-	-
Other payables	180,940	238,848	-	-
Bonds payable	-	125,900	-	-
Guarantee deposit received	-	-	-	934
	$ 1,017,073	$ 698,335	$ -	$ 934

The amounts of non-derivative financial liabilities included above for variable interest rate instruments was subject to change if actual changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

b) Financing facilities

	September 30, 2016	December 31, 2015	September 30, 2015
Bank loan facilities (reviewed annually)			
Amount used	$ 818,826	$ 761,820	$ 690,270
Amount unused	2,226,534	1,018,580	1,091,570
	$ 3,045,360	$ 1,780,400	$ 1,781,840

28. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and the other related parties are disclosed below.

a. Sales of goods

Line Items	Related Party Categories	Three Months Ended September 30 2016	Three Months Ended September 30 2015	Nine Months Ended September 30 2016	Nine Months Ended September 30 2015
Sales	Substantive related	$ 5,729	$ -	$ 6,940	$ 35,590

The selling prices to related parties were not comparable with those in the market. The selling prices and terms were based on contracts. The collection terms to related parties were open account between 30 and 60 days. The collection terms to third parties were T/T and open account between 30 and 120 days.

b. Purchases of goods

Related Party Categories	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
Substantive related	$ 1,175	$ -	$ 1,258	$ -

The cost of purchases from related parties was negotiated case by case with agreed purchase price and terms. The payment terms to related parties were open account 30 days. The cost of purchases from related parties was not significantly different from those purchases from third parties. The payment terms to third parties were open account between 30 and 90 days.

c. Accounts receivable from related parties (excluding loans to related parties)

Line Items	Related Party Categories	September 30, 2016	December 31, 2015	September 30, 2015
Accounts receivable from related parties	Substantive related	$ 4,454	$ -	$ -

No guarantee for outstanding receivables from related parties had been collected. For the nine months ended September 30, 2016 and 2015, there was also no allowance for doubtful accounts for these receivables.

d. Payables to related parties (excluding loans from related parties)

Line Items	Related Party Categories	September 30, 2016	December 31, 2015	September 30, 2015
Accounts payables from related parities	Substantive related	$ 1,322	$ -	$ -

e. Prepayments

Line Items	Related Party Categories	September 30, 2016	December 31, 2015	September 30, 2015
Prepayments for equipment	Substantive related	$ 21,500	$ -	$ -

f. Property, plant and equipment acquired

Related Party Categories	Price			
	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
Substantive related	$ 445	$ -	$ 445	$ -

g. Compensation of key management personnel

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
Short-term employee benefits	$ 9,388	$ 9,648	$ 31,204	$ 32,158
Post-employment benefits	109	127	327	381
	$ 9,497	$ 9,775	$ 31,531	$ 32,539

The remunerations of directors and key executives were determined by the remuneration committee on the basis of individual performance and market trends.

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets had been provided as collateral for sales tax of imported inventory and society insurance provident fund schemes of reserve account:

	September 30, 2016	December 31, 2015	September 30, 2015
Other financial assets - current			
Time deposits - restricted	$ 100	$ 100	$ -
Other financial assets - non-current			
Time deposits - restricted	$ -	$ -	$ 100

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group were as follows:

Significant Commitments

Unrecognized commitments were as follows:

	September 30, 2016	December 31, 2015	September 30, 2015
Acquisition of property, plant and equipment			
RMB	$ 6,302	$ 9,104	$ 10,406
NTD	$ 110,145	$ 10,800	$ -

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

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

September 30, 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 34,903	31.3600 (USD:NTD)	$ 1,094,551
USD	24,722	6.6778 (USD:RMB)	775,302
RMB	58,304	0.1497 (RMB:USD)	273,809
RMB	16,198	4.6961 (RMB:NTD)	76,066
Financial liabilities			
Monetary items			
USD	39,542	31.3600 (USD:NTD)	1,240,036
USD	10,503	6.6778 (USD:RMB)	329,369
RMB	4,887	0.1497 (RMB:USD)	22,951

December 31, 2015

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 33,134	32.8250 (USD:NTD)	$ 1,087,639
USD	19,655	6.4936 (USD:RMB)	645,156
RMB	25,766	0.1539 (RMB:USD)	130,249
RMB	17,167	5.0550 (RMB:NTD)	86,776
Financial liabilities			
Monetary items			
USD	39,051	32.8250 (USD:NTD)	1,281,865
USD	14,838	6.4936 (USD:RMB)	487,032
RMB	3,130	0.1539 (RMB:USD)	15,823

September 30, 2015

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 33,873	32.87 (USD:NTD)	$ 1,113,397
USD	20,234	6.3613 (USD:RMB)	665,092
RMB	4,644	0.1572 (RMB:USD)	23,999
RMB	16,106	5.1672 (RMB:NTD)	83,219
Financial liabilities			
Monetary items			
USD	38,586	32.87 (USD:NTD)	1,268,326
USD	19,633	6.3613 (USD:RMB)	645,334
RMB	2,703	0.1572 (RMB:USD)	13,967

For the nine months ended September 30, 2016 and 2015, (realized and unrealized) net foreign exchange gains were $29,380 thousand and $24,630 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

32. SEGMENT INFORMATION

Financial information of segment: The Group is engaged in the manufacturing, import and export of telecommunications. All operations belong to one segment. Therefore, the operating segment information is not applicable.