

**Acter Co., Ltd. and Subsidiaries  
Consolidated Financial Statements**

**September 30, 2016 and 2015  
(With Independent Auditor's Review Thereon)**

## **Independent Auditors' Report**

The Board of Directors  
Acter Co., Ltd.:

We have reviewed the accompanying consolidated statements of financial position of Acter Co., Ltd. (the "Company") and subsidiaries as of September 30, 2016 and 2015, and the related consolidated statements of comprehensive income, changes in equity, and cash flows for the years then ended September 30, 2016 and 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our review.

Except as discussed in the third and fourth paragraph, we conducted our reviews in accordance with Statement on Auditing Standard No. 36, "Engagement to Review Financial Statements". A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit 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 interim financial statements taken as a whole. Accordingly, we do not express such an opinion.

Included in the accompanying consolidated financial statements are the financial statements of certain consolidated subsidiaries, which were not reviewed by independent accountants. The total assets of these subsidiaries amounted to NT\$1,566,404 thousand and NT\$1,430,662 thousand, representing 19% and 17% of the related consolidated total assets and the total liabilities amounted to NT\$701,722 thousand and NT\$670,878 thousand, representing 13% and 12% of the related consolidated liabilities as of September 30, 2016 and 2015, respectively. The total comprehensive income of these subsidiaries amounted to NT\$35,861 thousand, NT\$2,829 thousand, NT\$87,254 thousand and NT\$47,566 thousand, representing 34% , 2%, 33% and 16% of the related consolidated comprehensive income for the three months ended September 30, 2016 and 2015, and for the nine months ended September 30, 2016 and 2015, respectively.

Except as described in the third paragraph, the financial statements of equity-accounted investee were not reviewed by independent accountants. Long-term investment in the company amounted to NT\$852 thousand and NT\$1,218 thousand as of September 30, 2016 and 2015, and the related investment loss amounted to NT\$74 thousand, NT\$77 thousand, NT\$235 thousand and NT\$242 thousand for the three months ended September 30, 2016 and 2015, and for the nine months ended September 30, 2016 and 2015.

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations, and cash flows in accordance with the 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.

The auditors' audit report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language auditors' review report and consolidated financial statements, the Chinese version shall prevail.

Based on our reviews, except for the effects of such adjustments, if any, as might have been determined to be necessary had the financial statements of some consolidated subsidiaries and the equity-accounted investee been reviewed as described in the preceding paragraphs, we are not aware of any material modifications that should be made to the consolidated financial statements referred to the first paragraph for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and guidelines of International Accounting Standards No. 34 “Interim Financial Reporting” which are endorsed by the Financial Supervisory Commission, Republic of China.

November 08, 2016

### **Note 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 the 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.

The auditors’ audit report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language auditors’ review report and consolidated financial statements, the Chinese version shall prevail.



**Reviewed only, not audited in accordance with the generally accepted auditing standards.  
Acter Co., Ltd. and Subsidiaries**

**Consolidated Statements Of Comprehensive Income**

For The Three Months Ended September 30, 2016 And 2015 and For The Nine Months Ended September 30, 2016 And 2015

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

	For the Three months ended September 30				For the Nine months ended September 30			
	2016		2015		2016		2015	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>Operating revenues:</b>								
4521 Construction revenue (Note 6(4))	\$ 1,636,950	62	1,957,361	82	5,131,062	77	4,858,754	83
4529 Less: allowances	<u>(10,575)</u>	-	<u>(16,231)</u>	-	<u>(19,948)</u>	-	<u>(17,447)</u>	-
	1,626,375	62	1,941,130	82	5,111,114	77	4,841,307	83
4110 Sales	1,017,614	38	429,806	18	1,467,014	22	990,918	17
4800 Other operating revenue	<u>6,164</u>	-	<u>5,680</u>	-	<u>56,674</u>	1	<u>28,773</u>	-
	2,650,153	100	2,376,616	100	6,634,802	100	5,860,998	100
<b>Operating cost (Note 6(13) and (17)):</b>								
5520 Construction cost (Note 7)	1,446,340	55	1,770,713	74	4,505,980	68	4,294,024	73
5110 Cost of goods sold (Note 6(5))	799,887	30	328,834	14	1,115,424	16	747,401	13
5800 Other operating cost	<u>-</u>	-	<u>1</u>	-	<u>-</u>	-	<u>53</u>	-
	<u>2,246,227</u>	<u>85</u>	<u>2,099,548</u>	<u>88</u>	<u>5,621,404</u>	<u>84</u>	<u>5,041,478</u>	<u>86</u>
<b>Gross profit(loss)</b>	<u>403,926</u>	<u>15</u>	<u>277,068</u>	<u>12</u>	<u>1,013,398</u>	<u>16</u>	<u>819,520</u>	<u>14</u>
Operating expenses (Note 6(13) and (17)):								
6100 Selling	26,172	1	28,125	1	77,157	1	85,645	1
6200 General and administrative	153,017	6	131,324	6	416,022	6	330,306	6
6300 Research and development	<u>38,139</u>	<u>1</u>	<u>24,742</u>	<u>1</u>	<u>58,635</u>	<u>1</u>	<u>58,562</u>	<u>1</u>
	<u>217,328</u>	<u>8</u>	<u>184,191</u>	<u>8</u>	<u>551,814</u>	<u>8</u>	<u>474,513</u>	<u>8</u>
<b>Operating income(loss)</b>	<u>186,598</u>	<u>7</u>	<u>92,877</u>	<u>4</u>	<u>461,584</u>	<u>8</u>	<u>345,007</u>	<u>6</u>
<b>Non-operating income and expenses:</b>								
7050 Finance costs	(526)	-	(571)	-	(1,642)	-	(1,716)	-
7010 Other income (Note 6(16))	2,852	-	6,723	-	14,310	-	17,216	-
7060 Share of loss of associates accounted for using equity method	(74)	-	(77)	-	(235)	-	(242)	-
7020 Other gains and losses, net (Note 6(16))	<u>(9,250)</u>	-	<u>21,786</u>	<u>1</u>	<u>(44,237)</u>	<u>(1)</u>	<u>17,556</u>	-
	<u>(6,998)</u>	-	<u>27,861</u>	<u>1</u>	<u>(31,804)</u>	<u>(1)</u>	<u>32,814</u>	-
7900 <b>Profit (loss) before tax</b>	179,600	7	120,738	5	429,780	7	377,821	6
7950 <b>Income tax expense</b> (Note 6(18))	<u>37,591</u>	<u>1</u>	<u>23,779</u>	<u>1</u>	<u>95,585</u>	<u>1</u>	<u>71,569</u>	<u>1</u>
<b>Profit (loss) for the year</b>	<u>142,009</u>	<u>6</u>	<u>96,959</u>	<u>4</u>	<u>334,195</u>	<u>6</u>	<u>306,252</u>	<u>5</u>
8300 <b>Other comprehensive income, net of tax:</b>								
8360 <b>Actuarial gain (loss) from defined benefit plans</b>								
8361 Foreign currency translation differences – foreign operations	(43,221)	(2)	47,445	2	(101,046)	(2)	16,788	-
8362 Net change in fair value of available-for-sale financial assets	(1,578)	-	(4,272)	-	12,219	-	(15,828)	-
8399 Income tax related to components of other comprehensive income (Note 6(18))	<u>(7,236)</u>	-	<u>7,893</u>	-	<u>(16,941)</u>	-	<u>2,734</u>	-
8300 <b>Other comprehensive income, net</b>	<u>(37,563)</u>	<u>(2)</u>	<u>35,280</u>	<u>2</u>	<u>(71,886)</u>	<u>(2)</u>	<u>(1,774)</u>	-
8500 <b>Comprehensive income</b>	<u>\$ 104,446</u>	<u>4</u>	<u>132,239</u>	<u>6</u>	<u>262,309</u>	<u>4</u>	<u>304,478</u>	<u>5</u>
<b>Profit(loss) attributable to :</b>								
8610 Shareholders of the parent	\$ 136,942	6	93,095	4	324,365	6	300,674	5
8620 Non-controlling interests	<u>5,067</u>	-	<u>3,864</u>	-	<u>9,830</u>	-	<u>5,578</u>	-

See accompanying notes to consolidated financial statements.

		\$	<u>142,009</u>	<u>6</u>	<u>96,959</u>	<u>4</u>	<u>334,195</u>	<u>6</u>	<u>306,252</u>	<u>5</u>
	<b>Comprehensive income attributable to :</b>									
8710	Shareholders of the parent	\$	100,031	4	127,354	6	253,871	4	298,414	5
8720	Non-controlling interests		<u>4,415</u>	<u>-</u>	<u>4,885</u>	<u>-</u>	<u>8,438</u>	<u>-</u>	<u>6,064</u>	<u>-</u>
		\$	<u>104,446</u>	<u>4</u>	<u>132,239</u>	<u>6</u>	<u>262,309</u>	<u>4</u>	<u>304,478</u>	<u>5</u>
	<b>Earnings per share ((attributable to shareholders of the parent)) (Note 6(19))</b>									
9750	Basic earnings per share	\$	<u>2.96</u>		<u>2.02</u>		<u>7.02</u>		<u>6.52</u>	
9850	Diluted earnings per share	\$	<u>2.92</u>		<u>2.00</u>		<u>6.90</u>		<u>6.48</u>	

See accompanying notes to consolidated financial statements.

Reviewed only, not audited in accordance with the generally accepted auditing standards.

Acter Co., Ltd. and Subsidiaries

Consolidated Statements Of Changes In equity

For The Nine Months Ended September 30, 2016 And 2015

(Expressed in Thousands of New Taiwan Dollars

Attributable to Shareholders of the Parent

	Retained earnings						Other equity interest				Non-controlling interests	Total Equity
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Foreign currency translation adjustments	Unrealized on gains (losses) available-for-sale financial assets	Others	Total		
<b>Balance, January 1, 2015</b>	\$ 461,359	936,951	333,976	36,885	759,135	1,129,996	58,501	(2,634)	-	55,867	84,205	2,668,378
Appropriation and distribution of retained earnings												
Legal reserves	-	-	9,483	-	(9,483)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(93,232)	(93,232)	-	-	-	-	-	(93,232)
	461,359	936,951	343,459	36,885	656,420	1,036,764	58,501	(2,634)	-	55,867	84,205	2,575,146
Changes in ownership interest in subsidiaries	-	6,153	-	-	-	-	-	-	-	-	-	6,153
The share-based payment	4,800	34,800	-	-	-	-	-	-	(25,960)	(25,960)	-	13,640
Comprehensive income for the nine months ended September 30,2015												
Profit for the period	-	-	-	-	300,674	300,674	-	-	-	-	5,578	306,252
Other comprehensive income for the period	-	-	-	-	-	-	13,568	(15,828)	-	(2,260)	486	(1,774)
Total comprehensive income	-	-	-	-	300,674	300,674	13,568	(15,828)	-	(2,260)	6,064	304,478
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	31,707	31,707
<b>Balance, September 30, 2015</b>	<b>\$ 466,159</b>	<b>977,904</b>	<b>343,459</b>	<b>36,885</b>	<b>957,094</b>	<b>1,337,438</b>	<b>72,069</b>	<b>(18,462)</b>	<b>(25,960)</b>	<b>27,647</b>	<b>121,976</b>	<b>2,931,124</b>
<b>Balance, January 1, 2016</b>	\$ 466,159	978,475	343,459	36,888	1,071,386	1,451,733	58,573	(14,583)	(20,845)	23,145	144,305	3,063,817
Appropriation and distribution of retained earnings												
Legal reserves	-	-	41,635	-	(41,635)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(284,015)	(284,015)	-	-	-	-	-	(284,015)
	466,159	978,475	385,094	36,888	745,736	1,167,718	58,573	(14,583)	(20,845)	23,145	144,305	2,779,802
Changes in ownership interest in subsidiaries	-	(8,809)	-	-	-	-	-	-	-	-	-	(8,809)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	27,151	-	-	-	-	-	-	-	-	-	27,151
The share-based payment	6,920	48,412	-	-	-	-	-	-	(26,668)	(26,668)	-	28,664
Comprehensive income for the nine months ended September 30,2016												
Profit for the period	-	-	-	-	324,365	324,365	-	-	-	-	9,830	334,195
Other comprehensive income for the period	-	-	-	-	-	-	(82,713)	12,219	-	(70,494)	(1,392)	(71,886)
Total comprehensive income	-	-	-	-	324,365	324,365	(82,713)	12,219	-	(70,494)	8,438	262,309
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	26,570	26,570
<b>Balance, September 30, 2016</b>	<b>\$ 473,079</b>	<b>1,045,229</b>	<b>385,094</b>	<b>36,888</b>	<b>1,070,101</b>	<b>1,492,083</b>	<b>(24,140)</b>	<b>(2,364)</b>	<b>(47,513)</b>	<b>(74,017)</b>	<b>179,313</b>	<b>3,115,687</b>

See accompanying notes to consolidated financial statements.

Reviewed only, not audited in accordance with the generally accepted auditing standards.

Acter Co., Ltd. and Subsidiaries

Consolidated Statements Of Cash Flows

For The Nine Months Ended September 30, 2016 And 2015

(All Amount Expressed in Thousands of New Taiwan Dollars)

	For the Nine months Ended September 30	
	2016	2015
<b>Cash flows from operating activities:</b>		
<b>Profit before tax</b>	\$ 429,780	377,821
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss):		
Depreciation(Including investment property)	16,432	18,594
Amortization	5,487	6,192
Provision for bad debt expense	103,883	42,531
Compensation cost arising from employee stock options	28,665	13,640
Provision for (Gain on reversal of) inventory obsolescence	7,028	-
Share of loss of associates accounted for using equity method	235	242
Gain on disposal of investments	15,630	(1,444)
Other	(635)	(7,441)
	<u>176,725</u>	<u>72,314</u>
<b>Changes in operating assets and liabilities</b>		
<b>Changes in operating assets</b>		
Notes receivable	177,544	(1,488)
Accounts receivable	(95,947)	(1,178,229)
Construction contracts receivable	391,570	90,111
Inventories	218,042	(325,819)
Other financial assets	(114,395)	(4,926)
	<u>576,814</u>	<u>(1,420,351)</u>
<b>Changes in operating liabilities</b>		
Notes payable	(18,911)	(46,482)
Accounts payable	(313,938)	295,868
Construction contracts payable	350,783	351,435
Advance sales receipts	(14,104)	519,152
Other current liabilities	5,611	31,665
	<u>9,441</u>	<u>1,151,638</u>
Total adjustments	<u>762,980</u>	<u>(196,399)</u>
<b>Cash inflow generated from operations</b>	1,192,760	181,422
Interest received	5,924	8,543
Interest paid	(1,787)	(1,671)
Income taxes paid	(131,445)	(104,904)
<b>Net cash generated by (used in) operating activities</b>	<u>1,065,452</u>	<u>83,390</u>
<b>Cash flows from investing activities:</b>		
Acquisition of available-for-sale financial assets	(40,174)	(51,000)
Proceeds from disposal of available-for-sale financial assets	50,044	70,558
Acquisition of property, plant and equipment	(20,235)	(7,702)
Proceeds from disposal of property, plant and equipment	2,682	293
Decrease in other non-current assets	12,912	(13,574)
<b>Net cash used in investing activities</b>	<u>5,229</u>	<u>(1,425)</u>
<b>Cash flows from financing activities:</b>		
Decrease in short-term loans	122,346	(6,814)
Decrease in guarantee deposit	(108)	-
Cashing dividends	(284,015)	(93,232)
Change in non-controlling interests	26,570	31,707
<b>Net cash used in financing activities</b>	<u>(135,207)</u>	<u>(68,339)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(77,030)</u>	<u>37,510</u>
Net increase in cash and cash equivalents	858,444	51,136
Cash and cash equivalents at beginning of period	1,495,223	1,141,445
Cash and cash equivalents at end of period	\$ <u>2,353,667</u>	<u>1,192,581</u>

See accompanying notes to consolidated financial statements.



**Acter Co., Ltd. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**September 30, 2016 and 2015**  
**(Expressed in thousands of New Taiwan dollars, unless otherwise specified)**

**1. Organization and business scope**

Acter Co., Ltd. (the "Company") was incorporated on February 19, 1979, under the approval of the Ministry of Economic Affairs, R.O.C. The Company's registered office address is located at 33F-1, No. 787, Zhongming S. Rd., South District., Taichung City 402, Taiwan (R.O.C.). The consolidated financial statements of the Company as of and for the year ended September 30, 2016 comprised the Company and its subsidiaries (together referred to as the "Group"). The Company is engaged in providing construction, design, and maintenance services related to air conditioners, environmental control services, clean room set-up, ice water machine trading, energy storing equipment trading, ventilation engineering, and energy technology services. The principal operating activities of the rest of the Group entities are described in Notes 4 (2). Acter's common shares were publicly listed on the Taipei Exchange ("TPEX") on November 10, 2010.

**2. Approval date and procedures of the consolidated financial Statements**

The consolidated financial statement for the years ended September 30, 2016 and 2015 was subjected to the consent of more than one-half of the entire membership of the audit committee and was authorized for issue by the Board of Directors on November 8, 2016.

**3. New standards and interpretations not yet adopted**

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

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

<u>New standards and amendments</u>	<u>Effective date per IASB</u>
• Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
• Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
• IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
• Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
• Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
• Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
• Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
• Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
• Amendments to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014
• Amendments to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
• Annual improvements cycles 2010-2012 and 2011-2013	July 1, 2014
• Annual improvements cycle 2012-2014	January 1, 2016
• IFRIC 21 "Levies"	January 1, 2014

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

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

The IFRS issued by the IASB after the recent yearly report date but not yet endorsed by the FSC at the end of the quarterly financial report date were as follows:

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

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

Issuance / Release Dates	Standards or Interpretations	Content of amendment
<p>May 28, 2014 April 12, 2016</p>	<p>IFRS 15 "Revenue from Contracts with Customers"</p>	<p>IFRS 15 establishes a five-step model for recognizing revenue that applies to all contracts with customers, and will supersede IAS 18 "Revenue," IAS 11 "Construction Contracts," and a number of revenue-related interpretations.</p> <p>Final amendments issued on April 12, 2016, clarify how to (i) identify performance obligations in a contract; (ii) determine whether a company is a principal or an agent; (iii) account for a license for intellectual property (IP); and (iv) apply transition requirements.</p>
<p>November 19, 2013 July 24, 2014</p>	<p>IFRS 9 "Financial Instruments"</p>	<p>The standard will replace IAS 39 "Financial Instruments: Recognition and Measurement", and the main amendments are as follows:</p> <ul style="list-style-type: none"> <li>• Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial assets' contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore, there is a requirement that "own credit risk" adjustments be measured at fair value through other comprehensive income.</li> </ul>

- Impairment: The expected credit loss model is used to evaluate impairment.
- Hedge accounting: Hedge accounting is more closely aligned with risk management activities, and hedge effectiveness is measured based on the hedge ratio.

January 13, 2016

IFRS 16 "Leases"

The new standard of accounting for lease is amended as follows:

- For a contract that is, or contains, a lease, the lessee shall recognize a right-of-use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right-of-use asset during the lease term.
- A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.

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

#### 4. **Summary of Significant accounting policies**

##### (1) Statement of compliance

These consolidated interim financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 Interim Financial Reporting which are endorsed by FSC and do not include all of the information required for annual financial statements.

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated interim financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2015. For the related information, please refer to Note 4 of the consolidated financial statements for the year ended December 31, 2015.

##### (2) Basis of consolidation

Except as described Note (3(1) is excluded), the same principles of consolidation have been applied in the Group financial statements as those applied in the Group financial statements for the year ended December 31, 2015. The relative information refers to Note 4 (3) of the Group financial statements for the year ended December 31, 2015.

A. List of subsidiaries in the consolidated financial statements

Investor	Subsidiary	Nature of business	Shareholding ratio		
			2016.9.30	2015.12.31	2015.9.30
(a)The Company	Nova Technology Corp. (Nova Tech) (Note 2)	Wholesaling of electronic and chemical equipment	83.55%	87.41%	88.95%
	HerSuo Engineering Co., Ltd. (Her Suo)	Construction and set-up of freezing equipment	100%	100%	100%
	Enrich Tech Co., Ltd(Enrich )	Integrated construction company	60%	60%	60%
	Sheng Huei International Co., Ltd. (Sheng Huei International)	Holding company	100%	100%	100%
	Nova Technology Singapore Pte., Ltd. (NTS)	Auto-supply system for semiconductors	100%	100%	100%
(b) Nova Tech	Winmax Technology(Shanghai) Corp.(Winmax)	Design and manufacture of air containers and liquid containers	100%	100%	100%
	Winmega Technology Corp.(Winmega)	Wholesaling of electronic and chemical equipment	100%	100%	100%
	Suzhou Winmax Technology Corp Corp (Note 3)	Design and manufacture of air containers and liquid containers t	100%	-	-
	Novatech Engineering & Construction Pte.,Ltd.(NTEC) (Note4)	Auto-supply system for semiconductors	100%	-	-
(c) Sheng Huei International	Sheng Huei (Suzhou) Engineering Co., Ltd.	Construction and set-up of electronic equipment and air conditioners	100%	100%	100%
	Acter International Ltd. (Acter International)	Holding company and trading of clean rooms and air conditioners	100%	100%	100%
	New Point Group Ltd. (New Point)	Holding company and trading of clean rooms and air conditioners	100%	100%	100%
	Sheng Huei Engineering Technology Co., Ltd.	Set-up of electronic protection systems and central air conditioners	100%	100%	100%
(d) NTS	Nova Technology Malaysia Sdn. Bhd.(NTM)	Construction design and contract	100%	100%	100%
	Novamex Indonesia, PT. (NMI) (Note 1)	Equipment trading and set-up	100%	100%	100%
	Acter Engineering Co. Ltd.( Acter Engineering)	Construction and set-up of electronic equipment and air conditioners	100%	100%	100%
(e) Sheng Huei (Suzhou) Engineering Co., Ltd.	Shenzhen Ding –Mao Trade Co., Ltd.	Electronic equipment and machinery trading	100%	100%	100%
	SCEC (Suzhou) Co., Ltd.	Construction and set-up of electronic equipment and air conditioners	57.81%	57.81%	57.81%
	SCEC (Shanghai) Corporation (SCEC Shanghai)	Equipment wholesale and agent for electronic equipment importing and exporting	57.81%	57.81%	57.81%
(f) Acter International	Sheng Huei (Shenzhen) Engineering Co., Ltd.	Construction and set-up of electronic equipment and air conditioners	100%	100%	100%
(g) New Point	Zhangjiagang Free Trade Zone Fuyu Internation Trade Co., Ltd. (Fuyu)	Agent for electronic equipment importing and exporting	100%	100%	100%

Note 1: The ownership consists of 99% from NTS and 1% from NTM.

Note 2: Nova Tech increased capital in November, 2015, with 15% shares reserved for employee purchase. The Group participated in this investment by its shareholding ratio, making the shareholding of Nova Tech decrease from 88.95% to 87.41%. The Group sold 2.3% of Nova Tech shares in June, 2016, repurchased 9.7% shares of Nova Tech from Solar Applied Materials Technology Corporation in July, 2016 and sold 11.26% shares of Nova Tech to employees in September, 2016, making the shareholding of Nova Tech decrease from 87.41% to 83.55%.

Note 3: Nova Tech established Suzhou Winmax in June, 2016.

Note 4: Nova Tech established Novatech Engineering & Construction Pte.,Ltd. in August, 2016.

B. Subsidiaries excluded from consolidation: None.

### (3) Income Taxes

The preparation of the consolidated interim financial statements in conformity with IAS 34 “Interim financial reporting” paragraph B12 measurement and disclosure of income tax expense for the interim period.

Income tax expense for the period is best estimated by multiplying pretax income for the interim reporting period with the effective annual tax rate as forecasted by the management. This is recognized and allocated to current and deferred taxes proportionately.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the effective tax rate at the time of realization or liquidation, and recognized directly in equity or other comprehensive income as tax expense.

### (4) Employee benefits

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

## 5. **Major sources of accounting assumptions, judgments and estimation uncertainty**

The preparation of the consolidated interim financial statements in conformity with IAS 34 “Interim financial reporting” approved by FSC requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparation of the consolidated interim financial statements, the major source of significant judgments and estimates of uncertainty made by the Company’s management during the adoption of the Company’s accounting policy is expected to be in alignment with the refer to Note 5 of the Group financial statements for the year ended December 31, 2015.

## 6. **Significant account disclosure**

The significant accounting policies presented in the quarter consolidated financial statements is in conformity with the consolidated financial statements for the year ended December 31, 2015, the related information, please refer to Note 6 of the Group financial statements for the year ended December 31, 2015.

(1) Cash and cash equivalents

	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Petty cash and cash on hand	\$ 2,998	4,296	2,890
Checking and demand deposits	1,527,696	853,034	703,045
Time deposits	418,411	122,400	131,212
Cash equivalent - repurchased commercial paper	<u>404,562</u>	<u>515,493</u>	<u>355,434</u>
	<u><b>\$ 2,353,667</b></u>	<u><b>1,495,223</b></u>	<u><b>1,192,581</b></u>

The above-mentioned repurchased commercial paper rate as of September 30, 2016, December 31, 2015 and September 30, 2015 were 0.32%~0.85%, 0.40%~0.44% and 0.56%, respectively, and they mature from October 3 to December 28, 2016, January 4 to February 1, 2016 and from October 12 to October 28, 2015, respectively.

(2) Investment in financial assets

	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Current:			
Available-for-sale financial assets			
Beneficiary securities - open-end funds	\$ 207,608	211,765	215,145
Non-current:			
Available-for-sale financial assets			
Xantia Corporation Co., Ltd.	-	5,283	4,609
Holy Stone Healthcare Co., Ltd.	5,225	9,938	6,250
Financial assets carried at cost			
Taichung International Entertainment Co., Ltd. (under other noncurrent assets)	45	45	45
Total	<u><b>\$ 212,878</b></u>	<u><b>227,031</b></u>	<u><b>226,049</b></u>

A. The Group had sold the available-for-sale financial assets Xantia Corporation Co., Ltd. amounted to \$1,714, write off the amount \$14,363 cumulative loss under other comprehensive income and the loss on disposal of investments was amounted to \$17,932. The related amount had been collected before March 31, 2016. The loss on disposal of investments, please refer to Note 6(16).

B. The aforesaid financial assets were not pledged.

(3) Notes and accounts receivable, and other receivables net

	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
From operating activities:			
Notes receivable	\$ 68,338	245,882	166,950
Accounts receivable	2,765,765	2,669,818	3,002,406
Less: Allowance for impairment	<u>(262,960)</u>	<u>(173,027)</u>	<u>(188,102)</u>
	\$ 2,571,143	2,742,673	2,981,254
Other receivables	42,053	47,295	58,921
Less: Allowance for impairment	<u>(7,330)</u>	<u>(10,893)</u>	<u>-</u>
Total	<u><b>\$ 2,605,866</b></u>	<u><b>2,779,075</b></u>	<u><b>3,040,175</b></u>

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

	<b>September 30, 2016</b>	<b>December 31, 2015</b>	<b>September 30, 2015</b>
Past due 1day to 120 days	\$ 280,288	365,242	1,811,018
Past due 121days to 180 days	108,608	45,359	144,769
Past due 181days to 360 days	101,604	183,577	148,081
Past due 361days to 540 days	30,149	19,080	29,432
	<b><u>\$ 520,649</u></b>	<b><u>613,258</u></b>	<b><u>2,133,300</u></b>

A. Accounts receivable includes retained construction receivable, which amounted to \$87,542, \$69,073 and \$51,278 as of September 30, 2016, December 31, 2015 and September 30, 2015, respectively.

B. The notes and accounts receivable are not discounted or pledged.

C. Impairment loss is the difference between the carrying amount and the amount expected to be collected. The movement in the allowance for impairment with respect to notes and accounts receivable and other receivables for the nine months ended September 30, 2016 and 2015 were as follows:

	<b><u>For the nine months ended September 30</u></b>	
	<b><u>2016</u></b>	<b><u>2015</u></b>
Balance, January 1	\$ 183,920	141,813
Impairment loss recognized	103,883	42,531
Effect of exchange rate changes	(17,513)	3,758
Balance, September 30	<b><u>\$ 270,290</u></b>	<b><u>188,102</u></b>

(4) Construction contracts

A. Construction revenue and loss

Construction contract revenue of the Group has been determined based on the percentage - of - completion method. The extent of completion is determined based on contract costs incurred for work performed to date in proportion to the estimated total contract costs. Any expected excess of the total contract costs over the total contract revenue is immediately recognized as construction cost.

	<b><u>For the three months ended September 30</u></b>		<b><u>For the nine months ended September 30</u></b>	
	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Construction revenue recognized in the periods	<b><u>\$ 1,626,375</u></b>	<b><u>1,941,130</u></b>	<b><u>5,111,114</u></b>	<b><u>4,841,307</u></b>

B. Construction-in-progress

	<b><u>September 30, 2016</u></b>	<b><u>December 31, 2015</u></b>	<b><u>September 30, 2015</u></b>
Accumulated construction costs incurred (including contract costs that relate to future activity )	\$ 8,976,596	8,851,988	8,641,179
Add: Accumulated construction profit and losses	290,577	187,938	250,189
	9,267,173	9,039,926	8,891,368
Less: Progress billings	(9,129,614)	(8,160,014)	(8,448,964)
	<b><u>\$ 137,559</u></b>	<b><u>879,912</u></b>	<b><u>442,404</u></b>
Construction contracts receivable presented as an asset	\$ 1,028,310	1,419,880	1,297,794
Construction contracts payable presented as a	(890,751)	(539,968)	(855,390)

liability			
	\$	<u>137,559</u>	<u>879,912</u> <u>442,404</u>
Accumulated advance received	\$	<u>24,264</u>	<u>4,575</u> <u>8,197</u>

(5) Inventories

	<u>September 30,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>September 30,</u> <u>2015</u>
Finished goods and merchandise	\$ 166,655	85,842	88,200
Work in process and semi-finished goods	679,095	972,673	1,208,154
Raw materials	<u>89,858</u>	<u>95,135</u>	<u>105,985</u>
	935,608	1,153,650	1,402,339
Less: provision for inventory devaluation	<u>(10,037)</u>	<u>(3,009)</u>	<u>(1,128)</u>
	<u>\$ 925,571</u>	<u>1,150,641</u>	<u>1,401,211</u>

For the three months ended September 30, 2016 and 2015 and for the nine months ended September 30, 2016 and 2015, the Group wrote down an operating cost of \$2,277, \$47 and \$7,028, (\$23,223), respectively, from the write-down of inventory cost to net realizable value.

The inventories are not pledged for the year ended of September 30, 2016, December 31, 2015 and September 30, 2015.

(6) Acquisition of non-controlling interests

The Group sold 2.3% of Nova Tech shares in June, 2016, repurchased 9.7% shares of Nova Tech from Solar Applied Materials Technology Corporation in July, 2016 and sold 11.26% shares of Nova Tech to employees in September, 2016, making the shareholding of Nova Tech decrease from 87.41% to 83.55%. The Group had not participated in the capital increased of Enrich Tech. in March, 2015. The shareholding of Enrich Tech decreased from 100% to 60%. The abovementioned transactions generated non-controlling interests amounting to \$26,570 and \$31,707 for the nine months ended September 30, 2016 and 2015.

(7) Significant subsidiaries of non-controlling interest

Non-controlling interests of subsidiaries of the Group that are significant to the Group are as follows:

<u>Subsidiaries</u>	<u>Main Business</u> <u>Location/Registered</u> <u>Country</u>	<u>Percentage of non-controlling ownership</u>		
		<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Nova Tech	R.O.C.	16.45%	12.59%	11.05%
Enrich Tech	R.O.C.	40%	40%	40%
SCEC Shanghai	China	42.19%	42.19%	42.19%
SCEC Suzhou	China	42.19%	42.19%	42.19%

The following information of the aforementioned subsidiaries has been prepared in accordance with IFRS endorsed by the FSC. Included in these information are adjustment made about the fair value and relevant difference in accounting principles between the Company and its subsidiary as at acquisition date. Intra-group transactions were not eliminated in this information.

A. Information regarding of Nova Tech:

	<u>September 30,2016</u>	<u>December 31,2015</u>	<u>September 30,2015</u>
Current assets	\$ 1,184,403	991,167	846,969
Non-current assets	731,618	565,950	515,803
Current liabilities	(935,598)	(692,842)	(631,635)
Non-current Liabilities	<u>(78,581)</u>	<u>(56,345)</u>	<u>(54,686)</u>



Net assets	\$	<u>901,842</u>	<u>807,930</u>	<u>676,451</u>
Non-controlling interest	\$	<u>148,370</u>	<u>101,727</u>	<u>74,747</u>

	For the three months ended September 30		For the nine months ended September 30	
	2016	2015	2016	2015
Operating revenue	\$ <u>305,019</u>	<u>389,445</u>	<u>977,598</u>	<u>903,028</u>
Net income for the period	108,960	47,847	223,501	110,634
Other comprehensive income	(16,674)	17,877	(40,829)	7,451
Comprehensive income	\$ <u>92,286</u>	<u>65,724</u>	<u>182,672</u>	<u>118,085</u>
Net income attributable to non-controlling interest	\$ <u>5,650</u>	<u>5,287</u>	<u>20,072</u>	<u>12,225</u>
Comprehensive income attributable to non-controlling interest	\$ <u>4,785</u>	<u>6,597</u>	<u>16,661</u>	<u>12,383</u>
Cash flows from operating activities			\$ 341,328	56,587
Cash flows from investing activities			(57,838)	29,116
Cash flows from financing activities			24,300	(34,400)
Net increase (decrease) in cash and cash equivalents			\$ <u>307,790</u>	<u>51,303</u>

B. Information regarding of Enrich Tech:

	September 30, 2016	December 31, 2015	September 30, 2015
Current assets	\$ 56,331	62,349	69,267
Non-current assets	761	1,093	546
Current liabilities	(17,680)	(9,339)	(15,167)
Net assets	\$ <u>39,412</u>	<u>54,103</u>	<u>54,646</u>
Non-controlling interest	\$ <u>15,765</u>	<u>21,642</u>	<u>21,858</u>

	For the three months ended September 30		For the nine months ended September 30	
	2016	2015	2016	2015
Operating revenue	\$ <u>1,491</u>	<u>13,377</u>	<u>33,613</u>	<u>46,421</u>
Net income for the period	(6,162)	(1,094)	(14,691)	(1,988)
Other comprehensive income	-	-	-	-
Comprehensive income	\$ <u>(6,162)</u>	<u>(1,094)</u>	<u>(14,691)</u>	<u>(1,988)</u>
Net income attributable to non-controlling interest	\$ <u>(2,465)</u>	<u>(437)</u>	<u>(5,877)</u>	<u>(548)</u>
Comprehensive income attributable to non-controlling interest	\$ <u>(2,465)</u>	<u>(437)</u>	<u>(5,877)</u>	<u>(548)</u>
Cash flows from operating activities			\$ (10,848)	(17,531)
Cash flows from investing activities			(6)	-
Cash flows from financing activities			-	44,625
Net increase (decrease) in cash and cash equivalents			\$ <u>(10,854)</u>	<u>27,094</u>

C. Information regarding of SCEC Shanghai:

	<u>September 30,2016</u>	<u>December 31,2015</u>	<u>September 30,2015</u>
Current assets	\$ 26,104	\$ 29,180	35,865
Non-current assets	-	4,040	5,149
Current liabilities	<u>(2,187)</u>	<u>(3,201)</u>	<u>(10,116)</u>
Net assets	<u>\$ 23,917</u>	<u>30,019</u>	<u>30,898</u>
Non-controlling interest	<u>\$ 10,090</u>	<u>12,665</u>	<u>13,036</u>

	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Operating revenue	<u>\$ 3,349</u>	<u>17,049</u>	<u>3,349</u>	<u>29,861</u>
Net income for the period	6,572	1,098	(3,997)	470
Other comprehensive income	-	-	-	-
Comprehensive income	<u>\$ 6,572</u>	<u>1,098</u>	<u>(3,997)</u>	<u>470</u>
Net income attributable to non-controlling interest	<u>\$ 2,773</u>	<u>463</u>	<u>(1,686)</u>	<u>198</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 2,773</u>	<u>463</u>	<u>(1,686)</u>	<u>198</u>
Cash flows from operating activities			\$ (217)	(21,059)
Cash flows from investing activities			117	-
Cash flows from financing activities			-	-
Effect of exchange rate changes			(273)	28
Net increase (decrease) in cash and cash equivalents			<u>\$ (373)</u>	<u>(21,031)</u>

D. Information regarding of SCEC Suzhou:

	<u>September 30,2016</u>	<u>December 31,2015</u>	<u>September 30,2015</u>
Current assets	\$ 17,437	24,809	26,056
Non-current assets	-	222	7,170
Current liabilities	<u>(5,380)</u>	<u>(5,427)</u>	<u>(3,992)</u>
Net assets	<u>12,057</u>	<u>19,604</u>	<u>29,234</u>
Non-controlling interest	<u>5,087</u>	<u>8,271</u>	<u>12,334</u>

	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Operating revenue	<u>\$ (120)</u>	<u>1,714</u>	<u>5,181</u>	<u>15,168</u>
Net income for the period	(2,112)	(3,435)	(6,352)	(14,926)
Other comprehensive income	-	-	-	-
Comprehensive income	<u>(2,112)</u>	<u>(3,435)</u>	<u>(6,352)</u>	<u>(14,926)</u>
Net income attributable to non-controlling interest	<u>(891)</u>	<u>(3,435)</u>	<u>(2,680)</u>	<u>(6,297)</u>
Comprehensive income attributable to non-controlling interest	<u>(891)</u>	<u>(1,449)</u>	<u>(2,680)</u>	<u>(6,297)</u>

Cash flows from operating activities	\$	(331)	(58,361)
Cash flows from investing activities		6	(79)
Cash flows from financing activities		-	30,704
Effect of exchange rate changes		(729)	271
Net increase (decrease) in cash and cash equivalents	\$	<u>(1,054)</u>	<u>(27,465)</u>

(8) Property, plant and equipment

	<u>Land</u>	<u>Building and construction</u>	<u>Other facilities</u>	<u>Unfinished construction and equipment under acceptance</u>	<u>Total</u>
<b>Book values:</b>					
Balance on January 1, 2016	\$ 183,187	155,478	40,269	1,420	380,354
Balance on September 30, 2016	\$ 183,187	145,147	42,866	4,166	375,366
Balance on January 1, 2015	\$ 151,631	138,360	49,321	1,283	340,595
Balance on September 30, 2015	\$ 151,631	134,887	43,317	1,307	331,142

There were no significant additions, disposal, or recognition and reversal of impairment losses of intangible assets for the nine months ended September 30 2016 and 2015. Information on amortization for the period is discussed in Note 12(1). Please refer to Note 6(9) of the 2015 annual consolidated financial statements for other related information.

Please refer to Note 8 for details of the property, plant and equipment pledged as collateral.

(9) Investment Property

	<u>Land</u>	<u>Building and construction</u>	<u>Facilities</u>	<u>Total</u>
<b>Book values:</b>				
Balance on January 1, 2016	\$ 20,937	9,585	15	30,537
Balance on September 30, 2016	\$ 20,937	9,338	14	30,289
Balance on January 1, 2015	\$ 20,937	9,916	15	30,868
Balance on September 30, 2015	\$ 20,937	9,669	14	30,620

There were no significant additions, disposal, or recognition and reversal of impairment losses of intangible assets for the nine months ended September 30, 2016 and 2015. Information on amortization for the period is discussed in Note 12(1). Please refer to Note 6(10) of the 2015 annual consolidated financial statements for other related information.

The fair value of investment property was no significant different from 2015 annual consolidated financial statements. Please refer to Note 6(10) of the 2015 annual consolidated financial statements for related information.

The board of directors of Acter resolved in November, 2006 to purchase the building on Chung Cheng land district, Taichung, for self-use or lease purposes, and the lease began in 2007. As of September 30, 2016, the future receivable for the Group is as follows:

<u>Term</u>	<u>Amount</u>
2016.10.01~2019.05.19	\$ <u>954</u>

- a. The original recognition of investment property is measured at cost, and the subsequent measurement is also accounted for under cost model.

- b. The depreciation is calculated by its depreciable amount after the original recognition of investment property, and market value is used as the fair value to asset its impairment.
- c. The investment property is not pledged.

(10) Provisions

The movement in the provisions with respect to warranties was as follows:

	<b>September 30, 2016</b>	<b>December 31, 2015</b>	<b>September 30, 2015</b>
Provisions	<b>\$ 229,340</b>	<b>192,982</b>	<b>228,174</b>

(11) Short-term loans

	<b>September 30, 2016</b>	<b>December 31, 2015</b>	<b>September 30, 2015</b>
Unsecured bank loans	\$ 306,203	183,857	71,421
Secured bank loans	-	-	-
	<b>\$ 306,203</b>	<b>183,857</b>	<b>71,421</b>
Unused facilities	<b>\$ 1,788,872</b>	<b>1,912,269</b>	<b>2,543,603</b>
Interest Rate	<b>1.09%~1.80%</b>	<b>1.65%~2.00%</b>	<b>1.8%~1.93%</b>

1. Issues and Repayments of Short-term loans

For the nine months ended September 30, 2016 and 2015, the issues and repayments amounted to \$122,346 and \$6,814. The short-term loans are due in June, 2017 and March, 2016.

2. Assets pledged for bank loans

For details of the related assets pledged for bank loans, please refer to Note 8.

(12) Advance sales receipts

<b>Construction No.</b>	<b>2016.9.30</b>	<b>2015.12.31</b>	<b>2015.9.30</b>
W3-16C001X	\$ 176,425	-	-
W3-16C002X	112,967	-	-
W3-16C53X	76,890	-	-
W3-15C09X	55,305	-	-
W3-15C08X	55,231	29,802	30,499
W3-14C04X	-	414,890	220,201
W3-14C05X	-	103,440	-
W3-15C05X	-	56,753	58,080
W3-14C06X	-	-	241,685
W3-15C00X	-	-	244,388
Others(less than 5%)	484,088	370,125	338,011
	<b>\$ 960,906</b>	<b>975,010</b>	<b>1,132,864</b>

(13) Employee benefits

A. Defined benefit plans

Due to there are no significant market volatility 、significant reduction 、settlement or other significant one-time items after the end of previous financial year, the Group adopts the actuarial decision cost on December 31, 2015 and 2014 to measure and disclose pension cost during the period.

The Group's pension expenses recognized in profit or loss were as follows:

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Operating cost	\$ 39	31	115	95
Operating expense	159	160	453	478
	<b>\$ 198</b>	<b>191</b>	<b>568</b>	<b>573</b>

#### B. Defined contribution plans

The Group's pension expenses recognized in profit or loss were as follows:

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Operating cost	\$ 4,080	4,290	12,293	12,244
Operating expense	1,486	1,565	4,794	4,792
	<b>\$ 5,566</b>	<b>5,855</b>	<b>17,087</b>	<b>17,036</b>

The company, HerSuo Engineering, Nova Tech and Enrich has deposit the retirement amount to Bureau of Labor and the overseas subsidiaries have deposit the retirement amount to local social insurance institutes base on the local regulation.

#### (14) Capital and other equity

Except as described below, no significant changes in the Group capital and other equity for the nine months ended September 30, 2016 and 2015. The related information, please refer to Note 6(15) of the Group financial statements for the year ended December 31, 2015.

##### A. Issuance of common stock

The Company's annual shareholders' meeting approved the issuance of restricted stock to employees, with a total shares amounting to 1,200,000, and issued by batch. The first batch amounting to 480,000 shares has been issued and its total value amounted to \$4,800 in December, 2014, with a par value \$10, approbated by the Financial Supervisory Commission, and effective on January 12, 2015. The record date of issuance of restricted stock to employees resolved by the board of directors was January 26, 2015.

In addition, the company reported to issue the restricted stock to employees on May 28, 2015, with a total shares amounting to 720,000, with a par value \$10 and its total value amounted to \$7,200. The restricted stocks to employee take effect on June 12, 2015. The record date of issuance of restricted stock to employees resolved by the board of directors was January 11, 2016.

The company canceled 28,000 shares of the restricted stock to employees resolved by the board of directors on May 31, 2016. The record date of cancellation of restricted stock to employees resolved by the board of directors was on June 8, 2016 and has completed relative registration.

##### B. Capital surplus

	<b>September 30, 2016</b>	<b>December 31, 2015</b>	<b>September 30, 2015</b>
From issuance of common stock	\$ 903,124	896,599	896,599
Difference between consideration and carrying amount of subsidiaries acquired or disposed	27,151	-	-
Changes in ownership interest in subsidiaries	38,267	47,076	46,505

Restricted stock to employees	76,687	34,800	34,800
	<u>\$ 1,045,229</u>	<u>978,475</u>	<u>977,904</u>

- i. The Group had not participated in the capital increased of Enrich Tech. in March, 2015. The shareholding of Enrich Tech decreased from 100% to 60%, with an increase in capital surplus amounting to \$6,153.
- ii. The company issued 480,000 and 720,000 restricted stocks to employee at closing price \$ 82.5 and \$80 on January 26, 2015 and January 11, 2016, with an increase in capital surplus amounting to \$34,800 and \$50,400. The restricted stocks are available for employees at the price of \$0 per share. The employees has meet the Company's requirements on June 8, 2016 and removed restrict of 90,000 shares, with an increase in capital surplus amounting to \$6,525 and with a decrease in capital surplus of restricted stocks amounting to \$6,525. The cancellation of 28,000 restricted stock with a decrease in capital surplus amounting to \$1,988.
- iii. The company repurchased 9.7% of Nova Tech shares in July, 2016, with and an decrease in capital surplus amounting to \$8,809. The company sold 2.3% and 11.26% of Nova Tech shares on June 30 and September 30, 2016 with a decrease and increase in capital surplus amounting to \$245 and \$27,396, respectively.

The above transactions generated capital surplus amounting to \$66,754 and \$40,953 for the nine months ended September 30, 2016 and 2015, respectively.

#### C. Retained earnings

According to Acter's articles of incorporation, 10% of the annual earnings, after offsetting any accumulated deficit and payment of income taxes due, if any, shall be set aside as a legal reserve. In addition, a special reserve in accordance with applicable laws and regulations shall also be set aside. The remaining balance is partially reserved depending on the business environment, growth status, and long-term finance planning. After deducting the aforementioned partially reserve, the remaining balance, plus, any unappropriated earnings in previous years shall be used for distribution of stockholders' bonuses by the board of directors, depending on the capital status and economic development in the current year. Cash bonuses should not be less than 10% of the total stockholders' bonuses, and they will be recommended by the board of directors and resolved in the stockholders' meeting.

On May 31, 2016, and May 28, 2015, the meeting of stockholders of Acter approved the distribution plan of retained earnings. Information about dividends per share, employees' bonuses and directors' remuneration for 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Dividends per share (In New Taiwan Dollars):		
Cash	<u>\$ 6.00</u>	<u>2.00</u>
Employees' bonuses—cash		3,457
Directors' and supervisors' remuneration		<u>1,707</u>
		<u><b>5,164</b></u>

The above earnings distribution, which was charged to expense, had no difference from the resolution of Acter's board of directors and its accounting records.

#### D. Other equity interest

	<b>Foreign currency translation differences for foreign operations</b>	<b>Investment in available-for-sale financial assets</b>	<b>Other equity- unrealized bonus</b>	<b>Total</b>
Balance, January 1, 2016	\$ 58,573	(14,583)	(20,845)	23,145
Foreign currency translation differences (net of tax):				
The Group	(82,713)	-	-	(82,713)
Unrealized gains(losses) on available-for-sale financial assets:				
The Group	-	12,219	-	12,219
Employee's unrealized bonus				
The Group	-	-	(26,668)	(26,668)
Balance, September 30, 2016	<u>\$ (24,140)</u>	<u>(2,364)</u>	<u>(47,513)</u>	<u>(74,017)</u>
Balance, January 1, 2015	\$ 58,501	(2,634)	-	55,867
Foreign currency translation differences (net of tax):				
The Group	13,568	-	-	13,568
Unrealized gains(losses) on available-for-sale financial assets:				
The Group	-	(15,828)	-	(15,828)
Employee's unrealized bonus	-	-	(25,960)	(25,960)
Balance, September 30, 2015	<u>\$ 72,069</u>	<u>(18,462)</u>	<u>(25,960)</u>	<u>27,647</u>

#### (15) The share-based payment

Except for the following disclosure, there were no significant changes for share-based payment during the periods from January 1 to September 30, 2016 and 2015. For the related information, please refer to Note 6(16) of the consolidated financial statements for the year ended December 31, 2015.

The Group's share-based payment transactions on September 30, 2016 are as follow:

	Restricted stocks for employees	Restricted stocks for employees
Grant date	2015.1.26	2016.1.11
Grant (Unit : In thousand shares)	480	720
Contractual life	2015.1.26~2018.1.26	2016.1.11~2019.1.11
Object of grant	The Company's employees who have formal employment relationship with the Company and serve as supervisors above manager level related to business operation	The Company's employees who have formal employment relationship with the Company and serve as supervisors above manager level related to business operation
Vesting conditions	Note 1	Note 1

Note 1: A restricted stock is vested when the Company's financial performance given and employees' service years are met.

- a. The Company's financial performance is measured by sum of operating revenue and profit before tax, less share of gain of subsidiaries accounted for using equity method (gain on

long-term investment) when it reaches the goal set by the Company in the next three years since issuance.

- b. Employees who are granted with restricted stock and serve in the Company before the vested period matures, and who do not violate against the labor contract or working rules, will be granted with restricted stock based on the following schedule and granted portion:

<u>Year/Goal</u>	<u>Granted Service Years</u>	<u>Granted Percentage when Goals Reached</u>
First year	1 year	20%
Second year	2 years	30%
Third year	3 years	50%

Information on restricted stock to employee was as follows :

(Expressed in thousand unit)	For the nine months ended September 30, 2016		For the nine months ended September 30, 2015	
	<u>Weighted-Average Exercise Price</u>	<u>Number of Exercisable Shares</u>	<u>Weighted-Average Exercise Price</u>	<u>Number of Exercisable Shares</u>
Balance, beginning of the period	-	480	-	-
Granted	-	720	-	480
Forfeited	-	(28)	-	-
Exercised	-	(90)	-	-
Expired	-	-	-	-
Balance, September 30 of the period		<u><b>1,082</b></u>		<u><b>480</b></u>
Exercisable, September 30 of the period		<u><b>-</b></u>		<u><b>-</b></u>

(16) Non-operating income and expenses

- a. Other revenue

	For the three months ended September 30		For the nine months ended September 30	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Interest income	\$ 1,754	1,596	5,587	8,538
Rental income	358	323	1,061	969
Others	740	4,804	7,662	7,709
	<u><b>\$ 2,852</b></u>	<u><b>6,723</b></u>	<u><b>14,310</b></u>	<u><b>17,216</b></u>

- b. Other income and losses

	For the three months ended September 30		For the nine months ended September 30	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Exchange gain(loss) on foreign currency	\$ (10,542)	21,279	(26,071)	16,250
Gain on disposal of investment	1,221	487	(15,630)	1,444
Others	71	20	(2,536)	(138)
	<u><b>\$ (9,250)</b></u>	<u><b>21,786</b></u>	<u><b>(44,237)</b></u>	<u><b>17,556</b></u>

(17) Employees' and directors' remuneration

According to the Company's articles, remuneration to employees and directors should be appropriated amount not lower to 3% and not higher to 5% of profit before tax without remuneration to employees and directors for the current year, respectively.



The employee bonuses estimated amount \$6,042 and \$15,174 for the three months ended September 30, 2016 and, for the nine months ended September 30, 2016, respectively, and the remuneration to directors estimated amount \$3,021 and \$7,587 for the three months ended September 30, 2016 and, for the nine months ended September 30, 2016, respectively. The employee bonuses and remuneration to directors were estimated based on the net profit before tax of each period times the percentage in accordance with above mentioned earnings distribution policy, and accounted for the operating cost and operating expenses of each period. If there is an adjustment between actual distribution and estimation of the aforementioned employee bonuses and remuneration to directors, the adjustment would reflect to the profit and loss next year.

For the year ended December 31, 2015, the remunerations to employees and directors amounted to \$42,433 and \$21,216, respectively. There is no different between estimation and paid. The information is available on the Market Observation Post System website.

The employee bonuses estimated amount \$3,140 and \$9,349 for the three months ended September 30, 2015 and, for the nine months ended September 30, 2015, respectively, and the remuneration to directors estimated amount \$3,140 and \$9,349 for the three months ended September 30, 2015 and, for the nine months ended September 30, 2015, respectively. The employee bonuses and remuneration to directors were estimated based on the net profit after tax of each period times the percentage in accordance with above mentioned earnings distribution policy, and accounted for the operating cost and operating expenses of each period. If there is an adjustment between actual distribution and estimation of the aforementioned employee bonuses and remuneration to directors, the adjustment would reflect to the profit and loss next year.

(18) Taxes

The group Income tax expense (benefit):

	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current income tax expense:				
Current period	\$ 27,025	24,437	126,336	107,202
Deferred tax expense:				
Origination and reversal of temporary difference	10,566	(658)	(30,751)	(35,633)
Income tax expense	<u>\$ 37,591</u>	<u>23,779</u>	<u>95,585</u>	<u>71,569</u>

The amounts of tax income expense recognized in other comprehensive income were as follows:

	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Foreign currency translation differences—foreign operations	<u>\$ (7,236)</u>	<u>7,893</u>	<u>(16,941)</u>	<u>2,734</u>

The income tax returns of the Company, Hersuo, Nova Technology and Enrich Tech have been examined by the tax authorities through year 2014.

The company's integrated income tax was as follows:

	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Undistributed earnings after 1998	<u>\$ 1,070,100</u>	<u>1,071,386</u>	<u>957,094</u>
Imputation Credit Account	<u>\$ 165,665</u>	<u>162,376</u>	<u>143,490</u>
	<u>2015 (Actual)</u>	<u>2014 (Actual)</u>	

Tax deduction ratio of the distributed earnings of the residents of republic of China

22.22%

19.87%

The above stated information was prepared in accordance with information letter No. 10204562810 issued by the Ministry of Finance of the ROC on October 17, 2013. For net dividends or earnings received by each individual shareholder residing in the territory of the Republic of China, the amount of imputation tax credit has been revised to half of the original amount. In addition, for the amount that actual paid from assessed 10% surtax of imputation tax credit came from net dividends or earnings received by each individual shareholder, half of the actual payment of 10% surtax on undistributed earnings can be offset against the income tax withheld.

(19) Earnings per share (“EPS”)

	For the three months ended September 30		For the nine months ended September 30	
	2016	2015	2016	2015
Profit attributable to common shareholders	<u>\$ 136,942</u>	<u>93,095</u>	<u>324,365</u>	<u>300,674</u>
Weighted average number of common shares (In thousand shares)	<u>46,225</u>	<u>46,136</u>	<u>46,174</u>	<u>46,136</u>
<b>Basic Earnings per share (In New Taiwan Dollars)</b>	<u>\$ 2.96</u>	<u>2.02</u>	<u>7.02</u>	<u>6.52</u>
Profit attributable to common shareholders	<u>\$ 136,942</u>	<u>93,095</u>	<u>324,365</u>	<u>300,674</u>
Weighted average number of common shares (In thousand shares)	46,225	46,136	46,174	46,136
Add: effect on potential common stock — employee bonuses (In thousand shares)	78	40	282	146
restricted stocks for employees	606	137	586	95
Diluted weighted average number of common shares (In thousand shares)	<u>46,909</u>	<u>46,313</u>	<u>47,042</u>	<u>46,377</u>
<b>Diluted Earnings per share (In New Taiwan Dollars)</b>	<u>\$ 2.92</u>	<u>2.00</u>	<u>6.90</u>	<u>6.48</u>

(20) Financial Instruments

Except as described below, there are no significant changes on the fair value of financial instruments and the financial instruments exposed to credit risk, liquidity risk and market risk, please refer to Note 6(21) of the Group’s financial statements for the year ended December 31, 2015.

A. Credit risk

The concentration of credit risk of the major client on September 30, 2016, December 31, 2015 and September 30, 2015 did not exceed 10%, 11% and 15% of the total account receivables. In addition, the credit risk of the other four major clients did not exceed 17%, 21% and 26% of the total account receivables.

B. Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest

payment and excluding netting agreements:

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5years</u>	<u>More than 5 years</u>
<b>September 30, 2016</b>						
Non-derivative financial liabilities						
Unsecured bank loans	\$ 306,203	306,366	306,366	-	-	-
Notes payable	250,087	250,087	250,087	-	-	-
Accounts payable (including related parties)	<u>2,217,432</u>	<u>2,217,432</u>	<u>1,927,053</u>	<u>122,603</u>	<u>167,771</u>	<u>5</u>
	<b><u>\$2,773,722</u></b>	<b><u>2,773,885</u></b>	<b><u>2,483,506</u></b>	<b><u>122,603</u></b>	<b><u>167,771</u></b>	<b><u>5</u></b>
<b>December 31, 2015</b>						
Non-derivative financial liabilities						
Unsecured bank loans	\$ 183,857	184,460	184,460	-	-	-
Notes payable	268,998	268,998	268,998	-	-	-
Accounts payable (including related parties)	<u>2,540,036</u>	<u>2,540,036</u>	<u>2,329,968</u>	<u>129,682</u>	<u>80,374</u>	<u>12</u>
	<b><u>\$ 2,992,891</u></b>	<b><u>2,993,494</u></b>	<b><u>2,783,426</u></b>	<b><u>129,682</u></b>	<b><u>80,374</u></b>	<b><u>12</u></b>
<b>September 30, 2015</b>						
Non-derivative financial liabilities						
Unsecured bank loans	\$ 71,421	72,042	72,042	-	-	-
Notes payable	238,679	238,679	238,679	-	-	-
Accounts payable (including related parties)	<u>2,576,000</u>	<u>2,576,000</u>	<u>2,299,757</u>	<u>199,669</u>	<u>76,562</u>	<u>12</u>
	<b><u>\$ 2,886,100</u></b>	<b><u>2,886,721</u></b>	<b><u>2,610,478</u></b>	<b><u>199,669</u></b>	<b><u>76,562</u></b>	<b><u>12</u></b>

### C. Currency risk

#### (A) Exposure to currency risk

The Group's significant exposures to foreign currency risk were as follows:

	<u>September 30, 2016</u>			<u>December 31, 2015</u>			<u>September 30, 2015</u>		
	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	\$ 43,643	31.366	1,368,894	22,264	33.066	736,181	13,903	33.128	460,575
CNY	262,466	4.7025	1,234,248	219,700	5.0921	1,118,736	241,404	5.2112	1,258,004
SGD	2,076	22.9687	47,690	2,279	23.4195	53,370	2,465	23.2771	57,370
JPY	1,191	0.3109	370	17,421	0.2747	4,785	17,430	0.2760	4,811
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	10,211	31.366	320,268	9,528	33.066	315,037	6,237	33.128	206,613
CNY	163,233	4.7025	767,602	159,398	5.0921	811,671	185,265	5.2112	965,455
SGD	254	22.9687	5,844	213	23.4195	4,981	220	23.2771	5,117
JPY	197,913	0.3109	61,531	117,994	0.2747	32,413	102,849	0.2760	28,386

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, available-for-sale financial assets, loans, accounts payable and other payables that are denominated in foreign currency. A strengthening (weakening) of 1% of appreciation or depreciation of the TWD against the USD, CNY, SGD and JPY as of September 30, 2016 and 2015 would have increased or decreased the after-tax net income by \$14,958 and \$5,753 respectively. The analysis is performed on the same basis for both periods.

Due to the group have various functional currencies, thus adopting disclose monetary items to display exchange gain or loss. Exchange gain or loss for the nine months ended September 30, 2016 and 2015, respectively, including unrealized and realized, were (\$26,071) and \$16,250.

#### (B) Interest risk

The interest risk exposure from financial assets and liabilities has been disclosed in this note of liquidity risk management

The following sensitivity analysis is based on the risk exposure to interest rates on the derivative and non-derivative financial instruments on the reporting date. For variable rate instruments, the sensitivity analysis assumes the variable rate liabilities are outstanding for the whole year on the reporting date. The Group's internal management reported the increases/decreases in the interest rates and the exposure to changes in interest rates of 1% is considered by management to be a reasonable change of interest rate.

If the interest rate increases or decreases by 1%, the Group's net income will decrease or increase by \$3,062 and \$714 for the nine months ended September 30, 2016 and 2015, respectively, assuming all other variable factors remain constant. This is mainly due to the Group's borrowing in variable rate.

(C) Other price risk

If the price of equity securities on reporting date changed (The analysis is performed on the same basis for both periods and assumed that the other factors are fixed), the effects of other comprehensive income items are as following:

Reporting date Security Price	2016 Q3		2015 Q3	
	Other comprehensive income After-tax amount	Post-tax Profit or loss	Other comprehensive income After-tax amount	Post-tax Profit or loss
Go up 3%	<u>\$ 6,385</u>	<u>-</u>	<u>6,780</u>	<u>-</u>
Go down 3%	<u>\$ 6,385</u>	<u>-</u>	<u>6,780</u>	<u>-</u>

D. Fair value of financial instruments

(A) The categories of the financial instruments and the fair value

The book value and the fair value of the financial asset and financial liability of the Group (including information of the fair value level, if the financial instruments which are not measured at fair value and the book value is a reasonable approximation of the fair value, and equity instrument investments which are no active market offerings and the fair value cannot be measured, according to the regulation there is no need to reveal the fair value information.) are as follows:.

	September 30, 2016				
	Book value	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets-current	\$ 207,608	207,608	-	-	207,608
Available-for-sale financial assets-noncurrent	5,225	5,225	-	-	5,225
Financial assets carried at cost	45	-	-	-	-
Loans and receivables:					
Cash and cash equivalents	2,353,667	-	-	-	-
Notes receivable	68,338	-	-	-	-
Accounts receivable	2,502,805	-	-	-	-
Other receivable	34,723	-	-	-	-
Financial liabilities at amortized cost:					
Short-term borrowings	306,203	-	-	-	-
Notes payable	250,087	-	-	-	-
Accounts payable	1,987,654	-	-	-	-
Accounts payable-related party	438	-	-	-	-
Provisions-current	229,340	-	-	-	-
Total	<u>\$ 7,946,133</u>	<u>212,833</u>	<u>-</u>	<u>-</u>	<u>212,833</u>

	<b>December 31 ,2015</b>				
	<b>Book value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Available-for-sale financial assets-current	\$ 211,765	211,765	-	-	211,765
Available-for-sale financial assets-noncurrent	15,221	15,221	-	-	15,221
Financial assets carried at cost	45	-	-	-	-
Loans and receivables:					
Cash and cash equivalents	1,495,223	-	-	-	-
Notes receivable	245,882	-	-	-	-
Accounts receivable	2,496,791	-	-	-	-
Other receivable	36,402	-	-	-	-
Financial liabilities at amortized cost:					
Short-term borrowings	183,857	-	-	-	-
Notes payable	268,998	-	-	-	-
Accounts payable	2,346,595	-	-	-	-
Accounts payable-related party	459	-	-	-	-
Provisions-current	192,982	-	-	-	-
<b>Total</b>	<b><u>\$7,494,220</u></b>	<b><u>226,986</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>226,986</u></b>

	<b>September 30 ,2015</b>				
	<b>Book value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Available-for-sale financial assets-current	\$ 215,145	215,145	-	-	215,145
Available-for-sale financial assets-noncurrent	10,859	10,859	-	-	10,859
Financial assets carried at cost	45	-	-	-	-
Loans and receivables:					
Cash and cash equivalents	1,192,581	-	-	-	-
Notes receivable	166,950	-	-	-	-
Accounts receivable	2,814,304	-	-	-	-
Other receivable	58,921	-	-	-	-
Financial liabilities at amortized cost:					
Short-term borrowings	71,421	-	-	-	-
Notes payable	238,679	-	-	-	-
Accounts payable	2,347,609	-	-	-	-
Accounts payable-related party	217	-	-	-	-
Provisions-current	228,174	-	-	-	-
<b>Total</b>	<b><u>\$ 7,344,905</u></b>	<b><u>226,004</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>226,004</u></b>

(B) The evaluation technique of the fair value of the financial instruments measured with fair value

If there are public offerings for financial instruments in the active market, then the public offerings in the active market are utilized as the fair value. The public announced price of the major stock exchange and the determined popular central government bonds exchange over-the-counter, are regarded as listed equity instruments and the foundation of the debt instrument's fair value that have public offerings in active market.

If it is possible to acquire the public offerings of the financial instruments timely and regularly from the stock exchange, the brokers, the underwriters, the industrial union, the list price service organization and the administration, and the price of the public offerings represents a real and common fair market dealer, then the financial instruments obtain the public offerings of the active market. If the conditions above are not achieved, the market is regarded as not active. In general, the price gap between buying and selling is huge, the price gap between buying and selling significantly increases and the trading volume is fairly low are indications of inactive market.

If the Group obtains the financial instruments that belong to the active market, the fair value

of the financial instruments is categorized and attributed as follows: beneficiary certifications, - open-end fund and emerging stock, and the fair value of the financial instruments is referred to the market offerings.

All of the fair value level did not have any transfer for nine months ended September 30, 2016 and 2015.

(21) Financial risk management

There are no significant changes on the Group financial risk management objectives and policies disclosure, please refer to Note 6(22) of the Group financial statements for the year ended December 31, 2015.

(22) Capital management

Disclosure of the Company's capital management objectives, policies and procedures consists with the consolidated financial statements of 2015; There are no significant changes to summary quantitative data for capital management disclosed of the consolidated financial statements of 2015. Please refer to Note 6(23) of the Group financial statements for the year ended December 31, 2015.

7. **Related party transactions**

(1) Key management personnel compensation

	For the three months ended September 30		For the nine months ended September 30	
	2016	2015	2016	2015
Short-term employee benefits	\$ 12,234	9,277	33,745	28,497
Post-employment benefits	55	42	179	128
Share-based payment	3,858	1,767	10,836	4,715
	<u>\$ 16,147</u>	<u>11,086</u>	<u>44,760</u>	<u>33,340</u>

Relative information refers to share-based payment of the financial statements, Note 6(15).

(2) Other related party transactions

A. Construction cost, and related assets and liabilities:

The amounts of significant purchase transactions and outstanding payables for goods and equipments between the Group and related parties were as follows:

	Purchases				Payables to Related Parties		
	For the three months ended September 30		For the nine months ended September 30		September 30, 2016	December 31, 2015	September 30, 2015
	2016	2015	2016	2015			
Entity under the key management's control	\$ 406	208	1,304	500	438	459	217

The purchase price and terms of the payments present no significant difference from those with third-party vendors.

8. **Pledged assets**

The Group's pledged assets were as follows:

<u>Asset</u>	<u>Purpose of pledge</u>	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Other financial assets—current:				
Savings deposit / time deposit	Construction contract fulfillment and warranty guarantee	<u>\$ 64,552</u>	<u>71,847</u>	<u>94,916</u>

9. **Significant commitments and contingencies**

Significant commitments and contingencies for the Group as of September 30, 2016, and December 31, September 30, 2015 were as follows:

- (1) Fulfillment and warranty guarantee (excluding related parties) for engaging in construction contracts amounted to \$588,166 and \$443,880 as well as \$476,189, respectively.
- (2) Bank pledges for engaging in construction contracts amounted to \$520,551, \$528,542 and \$582,520, respectively.
- (3) Contract fulfillment guarantee and warranty guarantee (excluding related parties) for other companies in the same industry amounted to \$555,596, \$730,813 and \$733,053, respectively.
- (4) Outstanding letters of credit were \$0, \$2,811 and \$0, respectively.
- (5) For already-signed but not-yet-finished significant construction contracts, please refer to Note 6 (4).
- (6) The Company has signed a construction contract with Walsin Technology Corporation (Walsin) in December, 2010. Walsin claimed that the Company did not perform the construction according to the contract, and therefore claimed a compensation amounting to \$42,189 at the Taipei District Court. The civil judgment of the first instance during December, 2015 has been pronounced by the Taipei District Court, requiring the Company pay \$14,666 to Walsin, which has been fully recognized as loss by the Company. The Company has appealed to Taiwan High Court. As of September 30, 2016, the compensation remained \$8,376 payable, and has been recognized as other current liabilities and accrued expenses.
- (7) The Company's subsidiary, Nova Tech, signed a gas plant expansion and new plant construction contracts with Jing He Science Co., Ltd. (Jing He). About the process equipment and process pipeline installation, Nova Tech is responsible with the pipeline installation according to the design chart and the process equipment under the assets purchase list. Jing He revised the design chart, added contents of the constructions and rejected to pay the additional price. Due to Jing He's unilateral construction suspension, Nova Tech has appointed an attorney to file a lawsuit against Jing He. About the new plant, the court had put on trial and the district court applied the Architectural Institute and Professional Electrical Engineers Association for the appraisal reports. Nova Tech and Jing He are preparing the additional comments for the appraisal reports. Nova Tech has to district court for speed up the process of trial and the district court appraises the material inventories in the field for additional appraisal on October 28, 2016. About the plant expansion, the court applied Taiwan Construction Research Institution for the appraisal report and Nova Tech is preparing the required documents. Nova Tech cannot predict the court's decision and evaluate the damage and has recognized the proper evaluation allowance according to the relative accounting principles.

10. **Losses due to major disasters: None.**

11. **Subsequent events: None**

12. **Other**

A. The employee benefits, depreciation and amortization expenses categorized by function were as follows:

<u>By item</u>	<u>For the three months ended September 30</u>					
	<u>2016</u>			<u>2015</u>		
	<u>Operating costs</u>	<u>Operating expense</u>	<u>Total</u>	<u>Operating costs</u>	<u>Operating expense</u>	<u>Total</u>
Employee benefit						
Salary	\$ 154,718	85,316	240,034	139,763	82,452	222,215
Labor, health and social insurance	12,188	9,559	21,747	13,050	8,927	21,977
Pension	4,119	1,645	5,764	4,321	1,725	6,046
Other	4,520	4,622	9,142	4,370	4,747	9,117
Depreciation	521	4,439	4,960	805	5,088	5,893
Amortization	29	1,329	1,358	-	2,100	2,100

<u>By item</u>	<u>For the nine months ended September 30</u>					
	<u>2016</u>			<u>2015</u>		
	<u>Operating costs</u>	<u>Operating expense</u>	<u>Total</u>	<u>Operating costs</u>	<u>Operating expense</u>	<u>Total</u>
Employee benefit						
Salary	\$ 409,324	231,447	640,771	376,183	216,329	592,512
Labor, health and social insurance	40,902	22,851	63,753	40,943	23,519	64,462
Pension	12,408	5,247	17,655	12,339	5,270	17,609
Other	12,424	13,468	25,892	11,614	13,178	24,792
Depreciation	1,454	14,730	16,184	2,490	15,856	18,346
Amortization	51	5,436	5,487	-	6,192	6,192

Note: Depreciation for investment property for the nine months ended September 30, 2016 and 2015 both were \$248, and were recorded in non-operating expense.

B. Operation of seasonal:

The group did not be influenced by seasonal or periodicity.



### 13. Segment information

#### (1) Segment information

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

<b>For the three months ended September 30</b>		<b>Mainland China</b>	<b>Other Asian</b>	<b>Adjustments and eliminations</b>	<b>Total</b>
<b>2016</b>	<b>Taiwan</b>				
Revenue:					
Revenue from external customers	\$ 1,253,409	1,244,865	151,879	-	2,650,153
Intersegment revenues	767	11,772	-	(12,539)	-
Total revenue	<u>\$ 1,254,176</u>	<u>1,256,637</u>	<u>151,879</u>	<u>(12,539)</u>	<u>2,650,153</u>
<b>Reportable segment profit or loss</b>	<b><u>\$ 47,098</u></b>	<b><u>79,306</u></b>	<b><u>15,605</u></b>	<b><u>-</u></b>	<b><u>142,009</u></b>
<b>For the three months ended September 30</b>		<b>Mainland China</b>	<b>Other Asian</b>	<b>Adjustments and eliminations</b>	<b>Total</b>
<b>2015</b>	<b>Taiwan</b>				
Revenue:					
Revenue from external customers	\$ 1,676,891	629,642	70,083	-	2,376,616
Intersegment revenues	18,821	80,071	-	(98,892)	-
Total revenue	<u>\$ 1,695,712</u>	<u>709,713</u>	<u>70,083</u>	<u>(98,892)</u>	<u>2,376,616</u>
<b>Reportable segment profit or loss</b>	<b><u>\$ 76,742</u></b>	<b><u>6,787</u></b>	<b><u>13,430</u></b>	<b><u>-</u></b>	<b><u>96,959</u></b>
<b>For the nine months ended September 30</b>		<b>Mainland China</b>	<b>Other Asian</b>	<b>Adjustments and eliminations</b>	<b>Total</b>
<b>2016</b>	<b>Taiwan</b>				
Revenue:					
Revenue from external customers	\$ 4,149,861	2,149,596	335,345	-	6,634,802
Intersegment revenues	45,992	15,699	-	(61,691)	-
Total revenue	<u>\$ 4,195,853</u>	<u>2,165,295</u>	<u>335,345</u>	<u>(61,691)</u>	<u>6,634,802</u>
<b>Reportable segment profit or loss</b>	<b><u>\$ 232,447</u></b>	<b><u>87,433</u></b>	<b><u>14,315</u></b>	<b><u>-</u></b>	<b><u>334,195</u></b>
<b>For the nine months ended September 30</b>		<b>Mainland China</b>	<b>Other Asian</b>	<b>Adjustments and eliminations</b>	<b>Total</b>
<b>2015</b>	<b>Taiwan</b>				
Revenue:					
Revenue from external customers	\$ 3,939,591	1,657,021	264,386	-	5,860,998
Intersegment revenues	80,509	98,720	-	(179,229)	-
Total revenue	<u>\$ 4,020,100</u>	<u>1,755,741</u>	<u>264,386</u>	<u>(179,229)</u>	<u>5,860,998</u>
<b>Reportable segment profit or loss</b>	<b><u>\$ 248,655</u></b>	<b><u>25,303</u></b>	<b><u>32,294</u></b>	<b><u>-</u></b>	<b><u>306,252</u></b>
<b>Reportable segment Assets</b>	<b>Taiwan</b>	<b>Mainland China</b>	<b>Other Asian</b>	<b>Adjustments and eliminations</b>	<b>Total</b>
September 30, 2016	<u>\$ 4,140,803</u>	<u>3,906,282</u>	<u>1,438,033</u>	<u>(1,125,226)</u>	<u>8,359,892</u>
December 31, 2015	<u>\$ 6,546,157</u>	<u>3,719,410</u>	<u>1,643,494</u>	<u>(3,722,854)</u>	<u>8,186,207</u>
September 30, 2015	<u>\$ 6,370,507</u>	<u>3,952,565</u>	<u>1,625,687</u>	<u>(3,629,692)</u>	<u>8,319,067</u>
<b>Reportable segment liabilities</b>					
September 30, 2016	<u>\$ 2,780,751</u>	<u>2,656,326</u>	<u>266,627</u>	<u>(459,499)</u>	<u>5,244,205</u>
December 31, 2015	<u>\$ 2,656,255</u>	<u>2,401,081</u>	<u>316,658</u>	<u>(251,604)</u>	<u>5,122,390</u>
September 30, 2015	<u>\$ 2,728,734</u>	<u>2,569,080</u>	<u>350,545</u>	<u>(260,416)</u>	<u>5,387,943</u>