

**GALLANT PRECISION MACHINING CO., LTD. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT
ACCOUNTANTS
FOR THE NINE-MONTH PERIODS ENDED
SEPTEMBER 30, 2018 AND 2017**

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

To Gallant Precision Machining Co., Ltd.

Introduction

We have reviewed the accompanying consolidated balance sheets of Gallant Precision Machining Co., Ltd. and its subsidiaries as of September 30, 2018 and 2017, and the related consolidated statements of comprehensive income for the three-month and nine-month periods ended September 30, 2018 and 2017, respectively, changes in equity and cash flows for the nine-month periods ended September 30, 2018 and 2017, and the notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting," as endorsed by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with Statement of Auditing Standards 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note 4(3) and 6(7), the consolidated financial statements included the financial statements of certain nonsignificant subsidiaries, which were not reviewed by independent accountants. These financial statements reflect total assets amounting to \$971,635 thousand and \$980,378 thousand, constituting 17% and 17% of consolidated total assets as of September 30, 2018 and 2017, respectively, total liabilities amounting to \$118,673 thousand and \$115,130 thousand, constituting 4% and 3% of consolidated total liabilities as of September 30, 2018 and 2017, respectively, and total comprehensive (loss) income amounting to (\$16,839) thousand, (\$37,536) thousand, \$1,229 thousand and (\$110,993) thousand, constituting (224%), (83%), 0% and (159%) of consolidated total comprehensive income (loss) for the three-month periods ended September 30, 2018 and 2017, and for the nine-month periods ended September 30, 2018 and 2017, respectively. The investments accounted for using equity method amounting to \$29,196 thousand and \$75,013 thousand as of September 30, 2018 and 2017, respectively, and related share of the profit or loss amounting to (\$37,565) thousand and (\$114,595) thousand, constituting (12%) and (164%) of total consolidated comprehensive income (loss) for the nine-months periods ended June 30, 2018 and 2017, respectively.

Qualified Conclusion

Based on our reviews except for the effects of the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent accountants, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Gallant Precision Machining Co., Ltd. and its subsidiaries as of September 30, 2018 and 2017, and of its consolidated financial performance and its consolidated cash flows for the nine-month periods ended September 30, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IASs 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission of the Republic of China.

PricewaterhouseCoopers, Taiwan
November 7, 2018

The accompanying consolidated financial statements are not intended to present the financial position and results of

operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of September 30, 2018 and 2017 are reviewed, not audited)

	Assets	Notes	September 30, 2018		December 31, 2017		September 30, 2017	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 942,706	16	\$ 1,071,799	17	\$ 862,420	15
1110	Financial assets at fair value through profit or loss - current	6(2)	33,513	1	32,676	1	32,692	-
1136	Financial assets at amortized cost - current	6(4) and 8	804,409	14	-	-	-	-
1147	Investments in debt instrument without active markets	12(4)	-	-	963,980	15	878,970	15
1150	Notes receivable, net	6(5)	31,468	1	38,138	1	30,402	-
1170	Accounts receivable, net	6(5)	1,827,239	32	1,546,436	25	1,409,431	24
1180	Accounts receivable - related parties	7	-	-	-	-	540	-
1200	Other receivables		21,994	-	8,076	-	32,926	1
130X	Inventories, net	6(6)	1,091,123	19	1,510,629	24	1,508,862	26
1410	Prepayments		70,226	1	55,068	1	63,248	1
1470	Other current assets	8	16,666	-	27,589	-	39,897	1
11XX	Current Assets		<u>4,839,344</u>	<u>84</u>	<u>5,254,391</u>	<u>84</u>	<u>4,859,388</u>	<u>83</u>
Non-current assets								
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)	124,211	2	-	-	-	-
1523	Available-for-sale financial assets - non-current	12(4)	-	-	12,908	-	13,365	-
1535	Financial assets at amortized cost - non-current	6(4) and 8	17,226	-	-	-	-	-
1543	Financial assets carried at cost - non-current	12(4)	-	-	66,419	1	66,419	1
1550	Investments accounted for using equity method	6(7)	29,196	1	66,761	1	75,013	1
1600	Property, plant and equipment, net	6(8) and 8	616,160	11	624,659	10	622,885	11
1780	Intangible assets, net		70,863	1	96,768	2	104,457	2
1840	Deferred income tax assets		80,860	1	78,425	1	76,391	1
1900	Other non-current assets	8	8,761	-	24,375	1	24,630	1
15XX	Non-current assets		<u>947,277</u>	<u>16</u>	<u>970,315</u>	<u>16</u>	<u>983,160</u>	<u>17</u>
1XXX	Total assets		<u>\$ 5,786,621</u>	<u>100</u>	<u>\$ 6,224,706</u>	<u>100</u>	<u>\$ 5,842,548</u>	<u>100</u>

(Continued)

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of September 30, 2018 and 2017 are reviewed, not audited)

Liabilities and Equity	Notes	September 30, 2018		December 31, 2017		September 30, 2017		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current liabilities								
2100	Short-term loans	6(9)	\$ 615,121	11	\$ 734,730	12	\$ 693,468	12
2130	Contract liabilities-current	6(18)	50,642	1	-	-	-	-
2170	Accounts payable	6(10)	1,276,689	22	1,633,421	26	1,432,802	24
2180	Accounts payables to related parties	7	8,003	-	4,416	-	-	-
2200	Other payables	6(11)	353,783	6	336,968	6	268,625	5
2230	Current income tax liabilities		19,049	-	60,667	1	35,585	1
2250	Provisions for liabilities - current		186,243	3	187,573	3	164,884	3
2300	Other current liabilities	6(12)	77,934	2	207,150	3	311,137	5
21XX	Current Liabilities		<u>2,587,464</u>	<u>45</u>	<u>3,164,925</u>	<u>51</u>	<u>2,906,501</u>	<u>50</u>
Non-current liabilities								
2527	Contract liabilities-non-current	6(18)	6,745	-	-	-	-	-
2540	Long-term loans	6(12)	346,977	6	391,641	6	406,820	7
2570	Deferred income tax liabilities		68,241	1	42,299	1	40,658	1
2600	Other non-current liabilities		78,562	1	85,134	1	83,820	1
25XX	Non-current liabilities		<u>500,525</u>	<u>8</u>	<u>519,074</u>	<u>8</u>	<u>531,298</u>	<u>9</u>
2XXX	Total Liabilities		<u>3,087,989</u>	<u>53</u>	<u>3,683,999</u>	<u>59</u>	<u>3,437,799</u>	<u>59</u>
Equity attributable to owners of parent company								
Share capital								
3110	Share capital - common stock	6(14)	1,651,361	29	1,651,361	27	1,651,361	29
Capital surplus								
3200	Capital surplus	6(15)	186,765	3	186,765	3	186,765	3
Retained earnings								
3310	Legal reserve	6(16)	86,711	1	66,921	1	66,921	1
3320	Special reserve		132,987	2	178,169	3	178,169	3
3350	Unappropriated retained earnings		337,128	6	197,905	3	73,064	1
Other equity interest								
3400	Other equity interest	6(17)	(40,372)	-	(63,079)	(1)	(67,759)	(1)
31XX	Equity attributable to owners of the parent company		<u>2,354,580</u>	<u>41</u>	<u>2,218,042</u>	<u>36</u>	<u>2,088,521</u>	<u>36</u>
36XX	Non-controlling interest		<u>344,052</u>	<u>6</u>	<u>322,665</u>	<u>5</u>	<u>316,228</u>	<u>5</u>
3XXX	Total equity		<u>2,698,632</u>	<u>47</u>	<u>2,540,707</u>	<u>41</u>	<u>2,404,749</u>	<u>41</u>
Significant contingent liabilities and unrecognised contract commitments								
3X2X	Total liabilities and equity		<u>\$ 5,786,621</u>	<u>100</u>	<u>\$ 6,224,706</u>	<u>100</u>	<u>\$ 5,842,548</u>	<u>100</u>

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

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)
(UNAUDITED)

Items	Notes	For the three-month periods ended September 30				For the nine-month periods ended September 30			
		2018		2017		2018		2017	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000									
4000									
5000									
5900									
6100									
6200									
6300									
6450									
6000									
6900									
7010									
7020									
7050									
7060									
7000									
7900									
7950									
8200									
8316									
8349									
8310									
8361									
8362									
8360									
8300									
8500									
8610									
8620									
8710									
8720									
9750									
9850									

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

Equity attributable to owners of the parent													
Notes	Retained Earnings					Other Equity Interest					Total	Non-controlling interest	Total equity
	Share capital-common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Cumulative translation differences of foreign operations	Unrealized gain(loss) on financial assets at fair value through other comprehensive income	Unrealized gain or loss on available-for-sale financial assets					
For the nine-month period ended September 30, 2017													
	\$ 1,651,361	\$ 242,949	\$ 40,850	\$ 132,987	\$ 305,550	(\$ 32,398)	\$ -	(\$ 12,784)	\$ 2,328,515	\$ 278,868	\$ 2,607,383		
	-	-	-	-	69,958	-	-	-	69,958	24,806	94,764		
Profit for the period	-	-	-	-	69,958	-	-	-	69,958	24,806	94,764		
Other comprehensive income for the period	6(17)	-	-	-	-	(16,224)	-	(6,353)	(22,577)	(2,270)	(24,847)		
Total comprehensive income for the period	-	-	-	-	69,958	(16,224)	-	(6,353)	47,381	22,536	69,917		
Distribution of 2016 earnings:													
Legal reserve	6(16)	-	26,071	-	(26,071)	-	-	-	-	-	-		
Special reserve	6(16)	-	-	45,182	(45,182)	-	-	-	-	-	-		
Cash dividends	6(16)	-	-	-	(231,191)	-	-	(231,191)	-	(231,191)	-		
Capital reserve-distribute cash	6(16)	(66,055)	-	-	-	-	-	(66,055)	-	(66,055)	-		
Difference between the price for acquisition of subsidiaries and carrying amount		9,871	-	-	-	-	-	9,871	27,332	37,203			
Changes in non-controlling interest		-	-	-	-	-	-	-	(12,508)	(12,508)			
Balance at September 30, 2017	\$ 1,651,361	\$ 186,765	\$ 66,921	\$ 178,169	\$ 73,064	(\$ 48,622)	\$ -	(\$ 19,137)	\$ 2,088,521	\$ 316,228	\$ 2,404,749		
For the nine-month period ended September 30, 2018													
	\$ 1,651,361	\$ 186,765	\$ 66,921	\$ 178,169	\$ 197,905	(\$ 45,187)	\$ -	(\$ 17,892)	\$ 2,218,042	\$ 322,665	\$ 2,540,707		
Effects of retrospective application	-	-	-	-	5,032	-	19,364	17,892	42,288	7,388	49,676		
Balance at January 1, 2018 after adjustments	1,651,361	186,765	66,921	178,169	202,937	(45,187)	19,364	-	2,260,330	330,053	2,590,383		
Profit for the period	-	-	-	-	324,155	-	-	-	324,155	27,266	351,421		
Other comprehensive income for the period	6(17)	-	-	-	-	(26,704)	(2,235)	(28,939)	(7,141)	(36,080)			
Total comprehensive income for the period	-	-	-	-	324,155	(26,704)	(2,235)	-	295,216	20,125	315,341		
Distribution of 2017 earnings:													
Legal reserve	6(16)	-	19,790	-	(19,790)	-	-	-	-	-	-		
Special reserve	6(16)	-	-	45,182	(45,182)	-	-	-	-	-	-		
Cash dividends	6(16)	-	-	-	(200,966)	-	-	(200,966)	-	(200,966)	-		
Disposal of investments in equity instruments at fair value through other comprehensive income		-	-	-	(14,390)	-	14,390	-	-	-	-		
Changes in non-controlling interest		-	-	-	-	-	-	-	(6,126)	(6,126)			
Balance at September 30, 2018	\$ 1,651,361	\$ 186,765	\$ 86,711	\$ 132,987	\$ 337,128	(\$ 71,891)	\$ 31,519	\$ -	\$ 2,354,580	\$ 344,052	\$ 2,698,632		

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

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of New Taiwan dollars)

(UNAUDITED)

		For the nine-month periods ended September 30	
	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 417,945	\$ 170,383
Adjustments			
Income and expenses having no effect on cash flow			
Depreciation	6(8)(22)	23,647	28,034
Amortization	6(22)	31,352	21,652
Expected credit loss (gain)	(	43,693)	72,508
Gain on financial assets or liabilities at fair value through profit , net	6(20)	(2,108)	(2,054)
Interest expense	6(21)	15,867	12,710
Interest income	6(19)	(12,099)	(10,588)
Dividend income	6(19)	(1,868)	-
Share of profit of associates and joint ventures accounted for using equity method		37,565	114,595
Loss on disposal of property, plant and equipment, net	6(20)	37	212
Gain on disposal of financial assets		-	(298)
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial assets at fair value through profit or loss - current		1,271	352,487
Notes receivable		5,878	23,785
Accounts receivable	(	242,514)	149,122
Accounts receivable - related parties		-	(2,682)
Other receivables	(	13,514)	(18,812)
Inventories		417,403	(321,979)
Prepayments	(	16,599)	(20,058)
Other current assets	(	3,298)	(7,983)
Other non-current assets		10	(10)
Net changes in liabilities relating to operating activities			
Contract liabilities	(	91,821)	-
Accounts payable	(	355,274)	(79,698)
Accounts payable - related parties		3,974	-
Other payables		20,701	(124,121)
Provisions for liabilities	(	1,033)	(30,320)
Unearned receipts		8,348	(232,931)
Other current liabilities		2,101	4,005
Accrued pension liabilities	(	4,151)	(3,729)
Cash generated from operations		198,127	94,230
Interest received		9,309	10,676
Dividend received		1,870	-
Interest paid	(	15,362)	(12,676)
Income tax paid	(	95,829)	(82,689)
Net cash provided by (used in) operating activities		98,115	9,541
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of bond investments without active markets		156,139	124,517
Proceeds from disposal of financial assets at fair value through other comprehensive income		13,955	-
Proceeds from disposal of available-for-sale financial assets		-	345
Acquisition of property, plant and equipment	6(28)	(22,039)	(163,097)
Proceeds from disposal of property, plant and equipment		2,749	529
Acquisition of intangible assets	6(28)	(5,036)	(4,781)
Refundable deposits paid	(	2,916)	(3,145)
Decrease in other financial assets		-	3,231
Net cash provided by (used in) investing activities		142,852	(42,401)
CASH FLOWS FROM FINANCING ACTIVITY			
Increase in short-term loans	6(29)	1,110,600	1,733,330
Decrease in short-term loans	6(29)	(1,230,209)	(1,582,015)
Proceeds from long-term loan	6(29)	220,000	129,000
Repayment of long-term loans	6(29)	(254,094)	(21,470)
Guarantee deposits refunded	6(29)	(1,668)	(23)
Proceeds from transaction with non-controlling interests	6(26)	-	(3,833)
Proceeds from transaction with non-controlling interests	6(28)	-	41,036
Increase in non-controlling interests		22,512	17,944
Cash dividends	(	229,603)	(297,246)
Decrease in non-controlling interests		-	(29,809)
Net cash used in financing activities		(362,462)	(13,086)
Effect of fluctuations in exchange rate		(7,598)	(1,825)
Net decrease in cash and cash equivalents		(129,093)	(47,771)
Cash and cash equivalents at beginning of period	6(1)	1,071,799	910,191
Cash and cash equivalents at end of period	6(1)	\$ 942,706	\$ 862,420

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

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND 2017

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

(UNAUDITED)

1. HISTORY AND ORGANIZATION

Gallant Precision Machining Co., Ltd. (the “Company”).

The Company was incorporated on December 22, 1978. The Company and its subsidiaries (collectively referred herein as the “Group”) are engaged in the design, manufacture and sale of molds and machinery, metal parts and mold parts, stamping parts and die-cast parts, and automated manufacturing systems and their unit equipment, as well as the management and investment in the relevant business.

The Company’s stock was listed on the Taipei Exchange (formerly named GreTai Securities Market), effective from February, 1998.

The Company merged with Syntran Co., Ltd (the “Syntran Company”) on August 3, 2007 (merger effective date). The Company was a surviving company and Syntran Company was a dissolved company. Syntran Company was incorporated in November 1994, mainly engaged in the research, development, manufacture and sale of DWDM automatic optical testing machines, DWDM module packaging machines, digital safety monitoring systems and nano functional powder and films.

The special shareholders' meeting of the Company resolved to spin-off its semiconductor business on December 15, 2010 and the GreTai Securities Market approved the spin-off and the Company’s stock listed on January 13, 2011. The Company transferred its semiconductor business and related investment to the Company's subsidiary – Gallant Micro. Machining Co., Ltd. on the spin-off effective day March 1, 2011. The equity interest in Gallant Micro. Machining Co., Ltd. held by the Company as of September 30, 2018 was 62.88%.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized for issuance by the Board of Directors on November 7, 2018.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Classification and measurement of share-based payment transactions (amendments to IFRS 2)	January 1, 2018
IFRS 4 'Insurance contracts' (amendments to IFRS 4)	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Clarifications to IFRS 15, 'Revenue from contracts with customers' (amendments to IFRS 15)	January 1, 2018
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017
Transfers of investment property (amendments to IAS 40)	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, 'First-time adoption of international financial reporting'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Except for the followings items, the above standards and interpretations have no significant impact to the Group's financial condition and operating result based on the Group's assessment.

A. IFRS 9, 'Financial instruments'

- (a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.
- (b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance).

- (c) The amended general hedge accounting requirements align hedge accounting more closely with an entity's risk management strategy. Risk components of non-financial items and a group of items can be designated as hedged items. The standard relaxes the requirements for hedge effectiveness, removing the 80-125% bright line, and introduces the concept of 'rebalancing'; while its risk management objective remains unchanged, an entity shall rebalance the hedged item or the hedging instrument for the purpose of maintaining the hedge ratio.
- (d) In adopting the new standards endorsed by the FSC effective from 2018, the Group applied the new rules under IFRS 9 retrospectively from January 1, 2018, with the practical expedients permitted under the statement. The significant effects of applying the standard as of January 1, 2018 refer to Note 12(4) 2 and 3.

B. IFRS 15, 'Revenue from contracts with customers'

- (a) IFRS 15, 'Revenue from contracts with customers' replaces IAS 11, 'Construction contracts', IAS 18, 'Revenue' and relevant interpretations. According to IFRS 15, revenue is recognised when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer.

Step 2: Identify separate performance obligations in the contract(s).

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price.

Step 5: Recognise revenue when the performance obligation is satisfied.

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

- (b) The Group has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 15. The Group has elected to apply simple retrospective approach whereby the cumulative impact of the adoption was recognized as retained earnings. The significant effects of applying the new standards as of January 1, 2018 as summarized below :

Consolidated balance sheet	Carrying amount under IAS 18 and related standards and Interpretations		Adjustments arising from initial application	Carrying amount under IFRS15	Remark
Affected items					
January 1, 2018					
Contract liabilities	\$	-	\$ 150,146	\$ 150,146	A
Other non-current liabilities		150,146	(150,146)	-	A
	\$	150,146	\$ -	\$ 150,146	

i . Presentation of contract assets and contract liabilities

In line with IFRS 15 requirements, the Group changed the presentation of certain accounts in the balance sheet as follows:

Under IFRS 15, liabilities in relation to contracts are recognised as contract liabilities, but were previously presented as advance sales receipts in the balance sheet. As of January 1, 2018, the balance amounted to \$150,146.

ii. Please refer to Note 12(5) for other disclosures in relation to the first application of IFRS 15.

C. Amendments to IAS 7, ‘Disclosure initiative’

This amendment requires that an entity shall provide more disclosures related to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group expects to provide additional disclosure to explain the changes in liabilities arising from financing activities.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRS 23, 'Uncertainty over Income Tax Treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the followings, the above standards and interpretations have no significant impact to the Company financial condition and operating result based on the Company assessment.

IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

The Group has reported to the Board of Directors in the first quarter of 2018 that the adoption of IFRS 16 has significant impact to the Group based on the preliminary assessment.

The Group will adopt the modified retrospective transitional provisions of IFRS 16 'Lease', and classify the effects on the lease contract of lessee to January 1, 2019 in accordance with IFRS 16.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs endorsed by the FSC effective as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date by International Accounting Standards Board</u>
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance Contracts'	January 1, 2021

Except for the followings, the above standards and interpretations have no significant impact to the Group's financial condition and operating result based on the Group's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2017, except for the compliance statement, basis of preparations, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

A. The consolidated financial statements of the Group have been prepared in accordance with the "Rules Governing the Preparation of Financial Statements by Securities Issuers" and IAS 34, "Interim Financial Reporting" as endorsed by the FSC.

B. Please refer to the Group's consolidated financial statements for the year ended December 31, 2017.

(2) Basis of preparation

- A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:
- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (b) Available-for-sale financial assets measured at fair value.
 - (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.
- C. In adopting IFRS 9 and IFRS 15 effective from January 1, 2018, the Group has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognised as retained earnings or other equity as of January 1, 2018 and the consolidated financial statements for the year ended December 31, 2017 and for the six-months ends June 30, 2017 was not restated. The financial statements for the six-months ended June 30, 2017 were prepared in compliance with International Accounting Standard 39 ('IAS 39'), International Accounting Standard 11 ('IAS 11'), International Accounting Standard 18 ('IAS 18') and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
The basis for preparation of consolidated financial statements are consistent with those of the year ended December 31, 2017.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of subsidiary	Main Business Activities	Percentage of Ownership		
			September 30, 2018	December 31, 2017	September 30, 2017
Gallant Precision Machining Co., Ltd.	Gallant Micro. Machining Co., Ltd.	Manufacturing and selling of semiconductor related equipment and parts	62.88	62.88	62.88
Gallant Precision Machining Co., Ltd.	Gallant-Rapid Corporation Ltd. (the "GRC")	Investing in Gallant Precision Industries (Suzhou) Co., Ltd.	100	100	100
Gallant Precision Machining Co., Ltd.	Gallant Precision Machinery (BVI)Ltd. (the "GPM(BVI)")	Investing in Gallant Precision Machinery (Xiamen) Co., Ltd.	100	100	100
Gallant Precision Machining Co., Ltd.	APEX-I International Co., Ltd.	Marketing and selling of process equipment of LCD and related parts.	100	100	100
Gallant Precision Machining Co., Ltd.	Chun-Zhun Enterprise Corporation Ltd. (the "CZE")	Investing in Gallant Technology (Shenzhen) Co., Ltd.	100	100	100
Gallant Micro. Machining Co., Ltd.	King Mechatronics Co., Ltd. (the "KMC")	Investing in Gallant Micro. Machining (Suzhou) Co., Ltd.	100	100	100
Gallant Micro. Machining Co., Ltd.	Gallant Micro Machining (Malaysia) Sdn. Bhd. (the "GMMM")	Engaged in the import and export and trading business of semiconductor machines and related parts	100	100	100
GRC	Gallant Precision Industries (Suzhou) Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	100	100	100
KMC	Investing in Gallant Micro. Machining (Suzhou) Co., Ltd.	Manufacturing and selling of precision mold and related parts	100	100	100
GPM(BVI)	Gallant Precision Machinery (Xiamen) Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	100	100	100
Gallant Precision Machinery (Xiamen) Co., Ltd.	Gallant Biotech (Suzhou) Co., Ltd.	Engaged in technology development, consulting, promotion and transfer in biotechnology industry, as well as the agency service of product and technology and import and export business.	51	-	-
CZE	Gallant Technology (Shenzhen) Co., Ltd.	Manufacturing of medical and mechanical related equipment	100	100	100
Gallant Precision Industries (Suzhou)Co., Ltd.	Gallant International Trading Co., Ltd.	Engaged in selling of mechatronics equipment	100	100	100
Gallant Precision Industries (Suzhou) Co., Ltd.	Gallant Precision Intelligence Technology Co.,Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	60	60	60
Gallant International Trading Co., Ltd.	Suzhou Jianmeifu Optical Co., Ltd.	Engaged in wholesale and retail of contact lenses and related care products	100	100	100

Note: The financial statements of the entity as of and for the nine months ended September 30, 2018 and 2017 were not reviewed by the independent auditors as the entity did not meet the definition of significant subsidiary.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group:

As of September 30, 2018, December 31, 2017 and September 30, 2017, the non-controlling interest amounted to \$344,052, \$322,665 and \$316,228, respectively. The information of non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest					
		September 30, 2018		December 31, 2017		September 30, 2017	
		Amount	Ownership(%)	Amount	Ownership(%)	Amount	Ownership(%)
Gallant Micro. Machining Co., Ltd.	Taiwan	\$ 290,950	37.12	\$ 296,647	37.12	\$ 291,383	37.12

Summarized financial information of the subsidiaries:

Balance sheets

	Gallant Micro. Machining Co., Ltd. and its subsidiaries		
	September 30, 2018	December 31, 2017	September 30, 2017
Current assets	\$ 1,304,585	\$ 1,209,735	\$ 1,150,031
Non-current assets	292,838	269,893	262,469
Current liabilities	(653,367)	(498,910)	(429,402)
Non-current liabilities	(160,246)	(181,561)	(198,122)
Total net assets	\$ 783,810	\$ 799,157	\$ 784,976

Statements of comprehensive income

	Gallant Micro. Machining Co., Ltd. and its subsidiaries	
	For the three-month period ended September 30, 2018	For the three-month period ended September 30, 2017
Revenue	\$ 270,373	\$ 241,772
Profit before income tax	\$ 35,756	\$ 15,968
Income tax expense	(10,063)	(4,580)
Profit for the period from continuing operations	25,693	11,388
Loss from discontinued operations	-	-
Profit for the period	25,693	11,388
Other comprehensive income, net of tax	(19,268)	8,433
Total comprehensive income for the period	\$ 6,425	\$ 19,821
Comprehensive income attributable to non-controlling interest	\$ 2,387	\$ 6,674
Dividends paid to non-controlling interest	\$ -	\$ -

	Gallant Micro. Machining Co., Ltd. and its subsidiaries	
	For the nine-month period ended September 30, 2018	For the nine-month period ended September 30, 2017
Revenue	\$ 698,238	\$ 756,830
Profit before income tax	\$ 87,988	\$ 71,665
Income tax expense	(27,708)	(19,043)
Profit for the period from continuing operations	60,280	52,622
Loss from discontinued operations	-	-
Profit for the period	60,280	52,622
Other comprehensive income, net of tax	(18,376)	(8,051)
Total comprehensive income for the period	\$ 41,904	\$ 44,571
Comprehensive income attributable to non-controlling interest	\$ 15,555	\$ 15,791
Dividends paid to non-controlling interest	\$ 28,637	\$ 29,809

Statements of cash flows

	Gallant Micro. Machining Co., Ltd. and its subsidiaries	
	For the nine-month period ended September 30, 2018	For the nine-month period ended September 30, 2017
Net cash provided by (used in) operating activities	\$ 32,136	\$ 116,983
Net cash provided by (used in) investing activities	(22,198)	(206,157)
Net cash provided by (used in) financing activities	(40,355)	148,989
Effect of exchange rates on cash and cash equivalents	(9,162)	(7,608)
Increase (decrease) in cash and cash equivalents	(39,579)	52,207
Cash and cash equivalents, beginning of period	495,524	348,077
Cash and cash equivalents, end of period	\$ 455,945	\$ 400,284

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

Effective from 2018

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income. Financial assets at amortised cost or fair value through other comprehensive income are designated as at fair value through profit or loss at initial recognition when they eliminate or significantly reduce a measurement or

recognition inconsistency.

- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
- C. The Group's related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss.

(5) Financial assets at fair value through other comprehensive income

Effective from 2018

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
 - (a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:
 - (a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.
 - (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(6) Financial assets at amortised cost

Effective from 2018

- A. Financial assets at amortised cost are those that meet all of the following criteria:
- (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.
- D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(7) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(8) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(9) Borrowings

- A. Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

(10) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(11) Derecognition of financial assets

A. financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(12) Employee benefits

Pensions

Defined benefit plans

Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. And, the related information is disclosed accordingly.

(13) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.
- G. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.
- H. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income or equity while the effect of the change on items recognised in profit or loss is recognised in profit or loss.

(14) Revenue recognition

A. Sales of goods

(a) The Group provides manufacturing and sales of Flat display manufacturing inspection equipment, Semiconductor packaging equipment, Intelligent automation equipment and parts products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(b) Sales are recognised based on the price specified in the contract.

(c) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Sales of services

The Group provides technical services. Revenue from providing services is recognised in the accounting period in which the services are rendered. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

There have been no significant change as of September 30, 2018. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2017.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Cash on hand and revolving funds	\$ 541	\$ 570	\$ 561
Checking accounts	26	26	26
Demand deposits	942,139	1,071,203	861,833
Total	<u>\$ 942,706</u>	<u>\$ 1,071,799</u>	<u>\$ 862,420</u>

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse

credit risk, so it expects that the probability of counterparty default is remote.

B. As of September 30, 2018, cash and cash equivalents pledged to Customs and others as collateral were classified as financial assets at amortised cost-current and financial assets at amortised cost-non-current. As of September 30, 2017 and December 31, 2017, the Group were classified as other financial assets-current and other non-current financial assets in note 8.

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

Effective from 2018

Items	September 30, 2018
Current items:	
Financial assets mandatorily at fair value through profit or loss	\$ 32,895
Beneficiary certificates	618
Valuation adjustment	<u>\$ 33,513</u>

A. The Group recognized net gain of \$321 and \$2,108 on financial assets and liabilities designated as at fair value through profit or loss for the three-month period end 2018 , and for the nine-month period ended September 30, 2018 .

B. The Group has no financial assets at fair value through profit or loss pledged to others.

C. Information relating to credit risk is provided in Note 12(2).

D. Information on December 31, 2017, and September 30, 2017 are provided in Note 12(4).

(3) Financial Assets at Fair Value Through Other Comprehensive Income

Effective from 2018

Items	September 30, 2018
Non-current items:	
Equity instruments	
Non-Listed stocks	\$ 68,875
Valuation adjustment	55,336
	<u>\$ 124,211</u>

A. The Group has elected to classify investments that are considered to be strategic investments in Shinyu Light Co., Ltd., PHOENIX & COPRORATION and POWER EVER ENTERPRISES LIMITED as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$124,211 as at September 30, 2018.

B. The Group sold \$13,955 of Unicon Optical Co., Ltd., investments at fair value and resulted in cumulative losses (\$14,390) on disposal for the nine-month period ended September 30, 2018.

C. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	<u>For the three-month period ended September 30, 2018.</u>
<u>Equity instruments at fair value through other comprehensive income:</u>	
Fair value change recognised in other comprehensive income	\$ -
Cumulative gains (losses) reclassified to retained earnings due to derecognition	\$ -
	<u>For the nine-month period ended September 30, 2018.</u>
<u>Equity instruments at fair value through other comprehensive income:</u>	
Fair value change recognised in other comprehensive income	\$ 2,020
Cumulative gains (losses) reclassified to retained earnings due to derecognition	\$ 14,390

D. As at September 30, 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group was \$124,211.

E. Information relating to credit risk is provided in Note 12(2).

F. Information on December 31, 2017, and September 30, 2017 are provided in Note 12(4).

(4) Financial assets at amortized cost

Effective from 2018

<u>Items</u>	<u>September 30, 2018</u>
Current items:	
Time deposits	\$ 804,409
Non-current items:	
Time deposits	17,226
	<u>\$ 821,635</u>

A. The Group transacts with financial institutions with high credit quality.

B. Details of the Group's financial assets at amortised cost pledged to others as collateral are provided in Note 8.

C. Information relating to credit risk is provided in Note 12(2).

D. Information on December 31, 2017, and September 30, 2017 are provided in Note 12(4).

(5) Notes and accounts receivable

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Notes receivable	\$ 31,468	\$ 38,138	\$ 30,402
Accounts receivable	\$ 1,977,329	\$ 1,740,994	\$ 1,633,680
Less: allowance for bad debts	(150,090)	(194,558)	(224,249)
	<u>\$ 1,827,239</u>	<u>\$ 1,546,436</u>	<u>\$ 1,409,431</u>

A. The ageing analysis of notes and accounts receivable is as follows::

	<u>September 30, 2018</u>		<u>December 31, 2017</u>		<u>September 30, 2017</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>
Without past due	\$ 1,622,138	\$ 31,468	\$ 1,336,681	\$ 38,138	\$ 1,098,942	\$ 30,402
Up to 30 days	64,234	-	47,699	-	81,275	-
31 to 90 days	51,614	-	47,311	-	103,354	-
91 to 180 days	72,101	-	106,656	-	122,854	-
Over 181 days	167,242	-	202,647	-	227,255	-
	<u>\$ 1,977,329</u>	<u>\$ 31,468</u>	<u>\$ 1,740,994</u>	<u>\$ 38,138</u>	<u>\$ 1,633,680</u>	<u>\$ 30,402</u>

The above ageing analysis was based on past due date.

B. The Group does not hold any collateral as security.

C. Information relating to credit risk is provided in Note 12(2).

(6) Inventories

	<u>September 30, 2018</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Raw materials	\$ 192,476	(\$ 13,905)	\$ 178,571
Work in process	841,758	(64,304)	777,454
Finished goods	147,147	(17,045)	130,102
Inventory in transit	4,996	-	4,996
Total	<u>\$ 1,186,377</u>	<u>(\$ 95,254)</u>	<u>\$ 1,091,123</u>

	<u>December 31, 2017</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Raw materials	\$ 83,871	(\$ 13,693)	\$ 70,178
Work in process	770,188	(49,221)	720,967
Finished goods	727,549	(20,163)	707,386
Inventory in transit	12,098	-	12,098
Total	<u>\$ 1,593,706</u>	<u>(\$ 83,077)</u>	<u>\$ 1,510,629</u>

September 30, 2017			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 166,227	(\$ 13,797)	\$ 152,430
Work in process	575,354	(44,379)	530,975
Finished goods	839,810	(18,449)	821,361
Inventory in transit	4,096	-	4,096
Total	\$ 1,585,487	(\$ 76,625)	\$ 1,508,862

The cost of inventories recognized as expense for the period:

	For the three-month period ended September 30, 2018	For the three-month period ended September 30, 2017
Cost of goods sold	\$ 813,101	\$ 833,722
Loss on (gain on reversal of) decline in market value	(4,683)	3,770
	<u>\$ 808,418</u>	<u>\$ 837,492</u>
	For the nine-month period ended September 30, 2018	For the nine-month period ended September 30, 2017
Cost of goods sold	\$ 2,619,425	\$ 2,574,380
Loss on (gain on reversal of) decline in market value	12,177	2,956
	<u>\$ 2,631,602</u>	<u>\$ 2,577,336</u>

The Group reversed from a previous inventory write-down and accounted for as reduction of cost of goods sold because of disposal and sold inventory.

(7) Investments accounted for using equity method

	September 30, 2018	December 31, 2017	September 30, 2017
Associates			
Sunengine Co., Ltd.	\$ 29,196	\$ 66,761	\$ 75,013

A. Associates

(a) The basic information of the associates that are material to the Group is as follows:

Company name	Principal place of business	Shareholding ratio			Nature of relationship	Methods of measurement
		September 30, 2018	December 31, 2017	September 30, 2017		
Sunengine Co., Ltd.	TAIWAN	37.84%	37.84%	37.84%	Business strategy	Equity method
Hitachi Zosen GPM Technology(Suzhou) Co., Ltd.	CHINA	30.00%	30.00%	30.00%	Business strategy	Equity method

- (b) The summarized financial information of the associates that are material to the Group is as below:

Balance sheet

	Sunengine Co., Ltd.		
	September 30, 2018	December 31, 2017	September 30, 2017
Current assets	\$ 45,252	\$ 162,599	\$ 98,552
Non-current assets	21,688	4,412	136,022
Current liabilities	(10,016)	(12,522)	(36,775)
Non-current liabilities	(1,746)	(38)	(21,543)
Total net assets	<u>\$ 55,178</u>	<u>\$ 154,451</u>	<u>\$ 176,256</u>
Share in associate's net assets	\$ 20,878	\$ 58,443	\$ 66,695
Goodwill	8,318	8,318	8,318
Carrying amount of the associate	<u>\$ 29,196</u>	<u>\$ 66,761</u>	<u>\$ 75,013</u>

Statement of comprehensive income

	Sunengine Co., Ltd.	
	For the three-month period ended	For the three-month period ended
	September 30, 2018	September 30, 2017
Revenue	\$ 3,168	\$ 50,512
Profit for the period from continuing operations	(\$ 94,353)	(\$ 105,932)
Profit or loss for the period from discontinued operations	-	-
Other comprehensive income, net of tax	-	-
Total comprehensive income	<u>(\$ 94,353)</u>	<u>(\$ 105,932)</u>
Dividends received from associates	<u>\$ -</u>	<u>\$ -</u>

Statement of comprehensive income

	Sunengine Co., Ltd.	
	For the nine-month period ended	For the nine-month period ended
	September 30, 2018	September 30, 2017
Revenue	\$ 55,712	\$ 320,227
Profit for the period from continuing operations	(\$ 99,273)	(\$ 302,842)
Profit or loss for the period from discontinued operations	-	-
Other comprehensive income, net of tax	-	-
Total comprehensive income	<u>(\$ 99,273)</u>	<u>(\$ 302,842)</u>
Dividends received from associates	<u>\$ -</u>	<u>\$ -</u>

- (c) The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results: None.

(8) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Office equipment	Leased assets	Others	Construction in progress and equipment under installation	Total
At January 1, 2018								
Cost	\$ 39,130	\$ 538,222	\$ 105,260	\$ 21,238	\$ 116,753	\$ 65,825	\$ 6,877	\$ 893,305
Accumulated depreciation and impairment	-	(113,468)	(80,865)	(10,838)	(25,590)	(37,885)	-	(268,646)
	<u>\$ 39,130</u>	<u>\$ 424,754</u>	<u>\$ 24,395</u>	<u>\$ 10,400</u>	<u>\$ 91,163</u>	<u>\$ 27,940</u>	<u>\$ 6,877</u>	<u>\$ 624,659</u>
2018								
Opening net book amount as at January 1	\$ 39,130	\$ 424,754	\$ 24,395	\$ 10,400	\$ 91,163	\$ 27,940	\$ 6,877	\$ 624,659
Additions	-	1,714	466	4,435	-	10,892	1,314	18,821
Disposals	-	-	(446)	(521)	-	(1,819)	-	(2,786)
Reclassifications	-	47,391	-	-	(38,983)	(217)	(8,191)	-
Depreciation charge	-	(9,176)	(2,961)	(2,416)	(1,209)	(7,885)	-	(23,647)
Net exchange differences	-	6	(551)	(167)	-	(175)	-	(887)
Closing net book amount as at September 30	<u>\$ 39,130</u>	<u>\$ 464,689</u>	<u>\$ 20,903</u>	<u>\$ 11,731</u>	<u>\$ 50,971</u>	<u>\$ 28,736</u>	<u>\$ -</u>	<u>\$ 616,160</u>
At September 30, 2018								
Cost	\$ 39,130	\$ 598,412	\$ 101,914	\$ 24,259	\$ 66,693	\$ 71,816	\$ -	\$ 902,224
Accumulated depreciation and impairment	-	(133,723)	(81,011)	(12,528)	(15,722)	(43,080)	-	(286,064)
	<u>\$ 39,130</u>	<u>\$ 464,689</u>	<u>\$ 20,903</u>	<u>\$ 11,731</u>	<u>\$ 50,971</u>	<u>\$ 28,736</u>	<u>\$ -</u>	<u>\$ 616,160</u>

	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Lease assets</u>	<u>Others</u>	<u>Construction in progress and equipment under installation</u>	<u>Total</u>
At January 1, 2017							
Cost	\$ 429,223	\$ 113,337	\$ 16,912	\$ 116,753	\$ 48,377	\$ -	\$ 724,602
Accumulated depreciation and impairment	(104,205)	(84,811)	(10,509)	(23,172)	(23,236)	-	(245,933)
	<u>\$ 325,018</u>	<u>\$ 28,526</u>	<u>\$ 6,403</u>	<u>\$ 93,581</u>	<u>\$ 25,141</u>	<u>\$ -</u>	<u>\$ 478,669</u>
<u>2017</u>							
Opening net book amount as at January 1	\$ 325,018	\$ 28,526	\$ 6,403	\$ 93,581	\$ 25,141	\$ -	\$ 478,669
Additions	-	322	5,354	-	6,332	150,241	162,249
Disposals	-	-	(459)	-	(282)	-	(741)
Reclassifications	-	-	-	-	11,261	-	11,261
Depreciation charge	(6,704)	(3,603)	(1,742)	(1,813)	(14,172)	-	(28,034)
Net exchange differences	(4)	(405)	(44)	-	(66)	-	(519)
Closing net book amount as at June 30	<u>\$ 318,310</u>	<u>\$ 24,840</u>	<u>\$ 9,512</u>	<u>\$ 91,768</u>	<u>\$ 28,214</u>	<u>\$ 150,241</u>	<u>\$ 622,885</u>
September 30, 2017							
Cost	\$ 429,219	\$ 106,034	\$ 21,540	\$ 116,753	\$ 62,339	\$ 150,241	\$ 886,126
Accumulated depreciation and impairment	(110,909)	(81,194)	(12,028)	(24,985)	(34,125)	-	(263,241)
	<u>\$ 318,310</u>	<u>\$ 24,840</u>	<u>\$ 9,512</u>	<u>\$ 91,768</u>	<u>\$ 28,214</u>	<u>\$ 150,241</u>	<u>\$ 622,885</u>

A. Amount of borrowing costs capitalized as part of property, plant and equipment were \$0 for the three-month periods ended September 30, 2018 and 2017 and for the nine-month periods ended September 30, 2018 and 2017, respectively.

B. The significant components of buildings include main plants improvement and structure, which are depreciated over 10 and 50 years.

C. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.

(9) Short-term borrowings

<u>Type of borrowings</u>	<u>September 30, 2018</u>	<u>Interest rate range</u>	<u>Collateral</u>
Unsecured Banking Loan	\$ <u>615,121</u>	1.2%~3.24%	None
<u>Type of borrowings</u>	<u>December 31, 2017</u>	<u>Interest rate range</u>	<u>Collateral</u>
Unsecured Banking Loan	\$ <u>734,730</u>	1.07%~2.91%	None
<u>Type of borrowings</u>	<u>September 30, 2017</u>	<u>Interest rate range</u>	<u>Collateral</u>
Unsecured Banking Loan	\$ <u>693,468</u>	1.06%~2.25%	None

(10) Accounts payable

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Accounts payable	\$ 1,102,575	\$ 1,416,533	\$ 1,157,455
Estimated accounts payable	174,114	216,888	275,347
	<u>\$ 1,276,689</u>	<u>\$ 1,633,421</u>	<u>\$ 1,432,802</u>

(11) Other payables

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Accrued salaries	\$ 187,426	\$ 192,151	\$ 144,481
Accrued employees' bonuses and directors' remuneration	77,651	55,921	40,254
Payables on equipment - Fixed assets	5,457	8,675	955
Payables on equipment - Intangible assets	461	-	5,891
Others	82,788	80,221	77,044
	<u>\$ 353,783</u>	<u>\$ 336,968</u>	<u>\$ 268,625</u>

(12) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>September 30, 2018</u>
Mortgage borrowings	Borrowing period is from July 31, 2008 to July 31, 2023; interest is repayable monthly and principal is repayable through August, 2010 to July, 2023.	1.22%	Note A	\$ 31,586
Unsecured borrowing	Borrowing period is from July 31, 2008 to July 31, 2023; interest is repayable monthly and principal is repayable through August, 2010 to July, 2023.	1.32%	None	8,429
Unsecured borrowing	Borrowing period is from January 25, 2017 to January 25, 2019; interest is repayable monthly and principal is repayable in January 2019.	1.90%	None	20,000
Mortgage borrowings	Borrowing period is from September 25, 2018 to September 24, 2020; interest is repayable monthly and principal is repayable in September, 2020.	1.40%	Note A Note B	220,000
Unsecured borrowings	Borrowing period is from August 14, 2017 to August 14, 2019; interest is repayable monthly and principal is repayable through July, 2018 to July, 2019.	1.60%	None	18,333
Mortgage borrowings	Borrowing period is from June 14, 2017 to June 14, 2032; interest is repayable monthly and principal is repayable monthly through June, 2018 to June, 2032.	1.45%	Note A	84,464
Mortgage borrowings	Borrowing period is from July 13, 2017 to July 13, 2022; The principal is repayable every 6 months in 8 installments.	1.20%	Note A	23,000
				<u>405,812</u>
Less: current portion				(58,835)
				<u>\$ 346,977</u>

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2017</u>
Mortgage borrowings	Borrowing period is from July 31, 2008 to July 31, 2023; interest is repayable monthly and principal is repayable through August, 2010 to July, 2023.	1.22%	Note A	\$ 36,240
Unsecured borrowing	Borrowing period is from July 31, 2008 to July 31, 2023; interest is repayable monthly and principal is repayable through August, 2010 to July, 2023.	1.32%	None	9,667
Unsecured borrowing	Borrowing period is from January 25, 2017 to January 25, 2019; interest is repayable monthly and principal is repayable in January 2019.	1.88%	None	20,000
Mortgage borrowings	Borrowing period is from September 15, 2014 to September 15, 2019; interest is repayable monthly and principal is repayable through December, 2014 to September, 2019.	1.39%	Note A 、 Note B	235,000
Unsecured borrowings	Borrowing period is from August 14, 2017 to August 14, 2019; interest is repayable monthly and principal is repayable through July, 2018 to July, 2019.	1.60%	None	20,000
Unsecured borrowings.	Borrowing period is from August 26, 2016 to August 26, 2018; interest is repayable monthly and principal is repayable in August 2018.	2.02%	None	10,000
Mortgage borrowings	Borrowing period is from June 14, 2017 to June 14, 2032; interest is repayable monthly and principal is repayable monthly through June, 2018 to June, 2032.	1.45%	Note A	86,000
Mortgage borrowings	Borrowing period is from July 13, 2017 to July 13, 2022; The principal is repayable every 6 months in 8 installments.	1.20%	Note A	<u>23,000</u>
				439,907
Less: current portion				(<u>48,266</u>)
				<u>\$ 391,641</u>

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>September 30, 2017</u>
Mortgage borrowings	Borrowing period is from July 31, 2008 to July 31, 2023; interest is repayable monthly and principal is repayable through August, 2010 to July, 2023.	1.22%	Note A	\$ 37,268
Unsecured borrowing	Borrowing period is from July 31, 2008 to July 31, 2023; interest is repayable monthly and principal is repayable through August, 2010 to July, 2023.	1.32%	None	9,940
Unsecured borrowing	Borrowing period is from January 25, 2017 to January 25, 2019; interest is repayable monthly and principal is repayable in January 2019.	1.90%	None	20,000
Mortgage borrowings	Borrowing period is from September 15, 2014 to September 15, 2019; interest is repayable monthly and principal is repayable through December, 2014 to September, 2019.	1.39%	Note A Note C	240,000
Unsecured borrowings	Borrowing period is from July 25, 2017 to July 25, 2019; interest is repayable monthly and principal is repayable through July, 2018 to July, 2019.	1.60%	None	20,000
Unsecured borrowings	Borrowing period is from August 26, 2016 to August 26, 2018; interest is repayable monthly and principal is repayable in August 2018.	2.02%	None	10,000
Mortgage borrowings	Borrowing period is from June 14, 2017 to June 14, 2032; interest is repayable monthly and principal is repayable monthly through June, 2018 to June, 2032.	1.45%	Note A	86,000
Mortgage borrowings	Borrowing period is from July 13, 2017 to July 13, 2022; The principal is repayable every 6 months in 8 installments.	1.20%	Note A	23,000
				<u>446,208</u>
Less: current portion				(39,388)
				<u>\$ 406,820</u>

Note A: Details of long-term borrowings pledged as collateral are provided in Note 8.

Note B:(a) In order to repay the existing financial liabilities and enrich the medium-term working capital, the Company entered into a comprehensive credit contract amounting to \$800 million with China Trust Commercial Bank on September 11, 2018. The Company also applied for a drawdown of \$220,000 from the credit line granted by China Trust Commercial Bank in September 2018.

(b) According to the notice of credit between the Company and China Trust Commercial Bank, the financial ratios in the Company's annual and semi-annual consolidated financial statements should be maintained as follows:

- i . Current ratio: the ratio of current assets divided by current liabilities shall be maintained above 120% (inclusive).
- ii . Financial gearing ratio: the total of short-term borrowings, corporate bonds due

within one year, mid and long-term borrowings due within one year and long-term borrowings, divided by the tangible net worth shall not exceed 60%.

- iii. Net tangible net worth: the shareholders' equity after deducting intangible assets shall not be less than NT\$2,200,000 (inclusive).

Note C:(a) In order to repay the existing financial liabilities and enrich the medium-term working capital, the Company entered into a comprehensive credit contract amounting to \$720 million with China Trust Commercial Bank on September 3, 2014. The Company also applied for a drawdown of \$300,000 from the credit line granted by China Trust Commercial Bank in September 2014. The borrowings has been repaid in September 2018

(b) According to the notice of credit between the Company and China Trust Commercial Bank, the financial ratios in the Company's annual and semi-annual consolidated financial statements should be maintained as follows:

- i . Current ratio: the ratio of current assets divided by current liabilities shall be maintained above 120% (inclusive).
- ii . Gearing ratio: the ratio of total liabilities divided by tangible net worth shall not be more than 120%.
- iii. Financial gearing ratio: the total of short-term borrowings, corporate bonds due within one year, mid and long-term borrowings due within one year and long-term borrowings, divided by the tangible net worth shall not exceed 60%.
- iv. Net tangible net worth: the shareholders' equity after deducting intangible assets shall not be less than NT\$2,200,000 (inclusive).

(13) Pensions

- A. (a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contributes monthly an amount equal to 2% and 7%, respectively of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned method, to the labors expected to be qualified for retirement next year, the Company and its domestic subsidiaries will make contribution for the deficit by next March.
- (b) For the aforementioned pension plan, the Group recognized pension costs of \$296, \$416, \$888 and \$1,248 for the three-month periods ended September 30, 2018 and 2017, and for the nine-month periods ended September 30, 2018 and 2017, respectively.
- (c) Expected contributions to the defined benefit pension plans of the Group for the year ended December 31, 2018 are \$8,031.

- B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries (APEX-I International Co., Ltd. and Gallant Micro Machining Co., Ltd.) have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) Gallant Precision Industries (Suzhou) Co., Ltd., Gallant Micro Machining (Suzhou) Co., Ltd., Gallant Precision Machinery (Xiamen)Co., Ltd., Gallant Technology (Shenzhen) Co., Ltd., Gallant Precision Intelligence Technology Co., Ltd. Gallant International Trading Co., Ltd. and Suzhou Jianmeifu Optical Co., Ltd., have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC.) are based on certain percentage of employees’ monthly salaries and wages. The contribution percentage was 10% to 20%. Other than the monthly contributions, the Group has no further obligations.
- C. Gallant-Rapid Corpration Ltd., Gallant Micro Machining (Malaysia) Sdn. Bhd., Ltd., King Mechatronics Co., Ltd., Chun-Zhun Enterprise Corpration Ltd., Gallant Precision Machinery (BVI) Ltd. did not have a pension plan.
- D. The pension costs under defined contribution pension plans of the Group for the three-month periods ended September 30, 2018 and 2017, and for the nine-month periods ended September 30, 2018 and 2017, were \$8,503, \$8,691, \$25,649 and \$26,262, respectively.

(14) Share capital

As of September 30, 2018, the Company’s authorized capital was \$2,500,000, consisting of 250,000 thousand shares of ordinary stock, and the paid-in capital was \$1,651,361 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company’s ordinary shares outstanding are as follows:

	Unit: shares in thousands	
	For the nine-month period ended September 30, 2018	For the nine-month period ended September 30, 2017
At January 1/ At September 30	165,136	165,136

(15) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

Details of Capital surplus:

	<u>Share premium</u>	<u>Treasury share transactions</u>	<u>Difference between consideration and carrying amount of subsidiaries acquired or disposed</u>	<u>Net change in equity of associates</u>	<u>Employee stock option</u>	<u>Total</u>
At January 1, 2018 and At September 30, 2018	\$ <u>127,167</u>	\$ <u>31,399</u>	\$ <u>11,750</u>	\$ <u>12,003</u>	\$ <u>4,446</u>	\$ <u>186,765</u>
At January 1, 2017	\$ <u>193,222</u>	\$ <u>31,399</u>	\$ <u>1,879</u>	\$ <u>12,003</u>	\$ <u>4,446</u>	\$ <u>242,949</u>
Capital reserve - distribute cash	(66,055)	-	-	-	-	(66,055)
Difference between the price for acquisition of subsidiaries and carrying amount	-	-	9,871	-	-	9,871
At September 30, 2017	\$ <u>127,167</u>	\$ <u>31,399</u>	\$ <u>11,750</u>	\$ <u>12,003</u>	\$ <u>4,446</u>	\$ <u>186,765</u>

(16) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve and set aside a special reserve in accordance with applicable legal and regulatory requirement. Distributing the remaining amount plus prior year's retained earnings in the following order, but the ratios of the distribution of the aforementioned retained earnings and the cash dividend distribution shall be proposed by the Board of Directors based on the actual profit and capital situation of the current year, and proposed to the shareholders' meeting for resolution:

The ratio of cash dividend shall not be less than 10% of the shareholders' dividend.

B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

C. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land. As of the date of transition, the Company recognized \$132,987 special reserve.

D. On June 22, 2018 and June 16, 2017, respectively, the shareholders resolved that total dividends for the distribution of earnings for the year of 2017 and 2016 were as following:

	2017		2016	
	Amount	Earnings per share(In dollars)	Amount	Earnings per share(In dollars)
Legal reserve	\$ 19,790	\$ -	\$ 26,071	\$ -
Special reserve	(45,182)	-	45,182	-
Cash dividends	200,966	1.217	231,391	1.4
Total	<u>\$ 175,574</u>	<u>\$ 1.217</u>	<u>\$ 302,644</u>	<u>\$ 1.4</u>

E. The shareholders resolved that capital surplus used to distribute cash for the distribution of 2016 earning was \$66,055(\$0.4 (in dollars) per share), on June 16, 2017.

F. For the information relating to employees' compensation (bonuses) and directors' and supervisors' remuneration please refer to Note 6(23).

(17) Other equity items

	<u>For the nine-month period ended September 30, 2018</u>		
	<u>Unrealised gains (losses) on valuation</u>	<u>Currency translation</u>	<u>Total</u>
At January 1	(\$ 17,892)	(\$ 45,187)	(\$ 63,079)
Effects of retrospective application			
Revaluation	42,288	-	42,288
Revaluation transferred to retained earnings	(5,032)	-	(5,032)
Revaluation	(2,235)	-	(2,235)
Disposal transferred to retained earnings	14,390	-	14,390
Currency translation differences:—group	-	(26,704)	(26,704)
At September 30	<u>\$ 31,519</u>	<u>(\$ 71,891)</u>	<u>(\$ 40,372)</u>
	<u>For the nine-month period ended September 30, 2017</u>		
	<u>Available-for-sale investment</u>	<u>Currency translation</u>	<u>Total</u>
At January 1	(\$ 12,784)	(\$ 32,398)	(\$ 45,182)
Revaluation	(6,353)	-	(6,353)
Currency translation differences: —group	-	(16,224)	(16,224)
At September 30	<u>(\$ 19,137)</u>	<u>(\$ 48,622)</u>	<u>(\$ 67,759)</u>

(18) Operating revenue

Revenue from Contracts with Customers	<u>For the three-month period ended September 30, 2018</u>
	<u>\$ 1,079,897</u>
Revenue from Contracts with Customers	<u>For the nine-month period ended September 30, 2018</u>
	<u>\$ 3,657,830</u>

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical regions:

	<u>For the three-month period ended September 30, 2018</u>			
	<u>Taiwan</u>	<u>China</u>	<u>Other</u>	<u>Total</u>
Total segment revenue	\$ 519,827	\$ 638,271	\$ 39,921	\$ 1,198,019
Inter-segment revenue	(97,797)	(20,325)	-	(118,122)
Revenue from external customer contracts	<u>\$ 422,030</u>	<u>\$ 617,946</u>	<u>\$ 39,921</u>	<u>\$ 1,079,897</u>
Timing of revenue recognition				
At a point in time	\$ 418,774	\$ 589,882	\$ 39,921	\$ 1,048,577
Over time	3,256	28,064	-	31,320
	<u>\$ 422,030</u>	<u>\$ 617,946</u>	<u>\$ 39,921</u>	<u>\$ 1,079,897</u>

For the nine-month period ended September 30, 2018	Taiwan	China	Other	Total
Total segment revenue	\$ 1,932,118	\$ 1,951,807	\$ 101,740	\$ 3,985,665
Inter-segment revenue	(264,703)	(63,132)	-	(327,835)
Revenue from external customer contracts	<u>\$ 1,667,415</u>	<u>\$ 1,888,675</u>	<u>\$ 101,740</u>	<u>\$ 3,657,830</u>
Timing of revenue recognition				
At a point in time	\$ 1,656,067	\$ 1,855,216	\$ 101,127	\$ 3,612,410
Over time	<u>11,348</u>	<u>33,459</u>	<u>613</u>	<u>45,420</u>
	<u>\$ 1,667,415</u>	<u>\$ 1,888,675</u>	<u>\$ 101,740</u>	<u>\$ 3,657,830</u>

B. Contract liabilities

The Group has recognised the following revenue-related contract assets and liabilities:

	<u>September 30, 2018</u>
Contract liabilities:	
Contract liabilities-Deposit	<u>\$ 57,387</u>

C. Revenue recognised that was included in the contract liability balance at the beginning of the period

	<u>For the three-month period ended September 30, 2018</u>
Revenue recognised that was included in the contract liability balance at the beginning of the period	
Deposit	<u>\$ 14,764</u>
Total	<u>\$ 14,764</u>
	<u>For the nine-month period ended September 30, 2018</u>
Revenue recognised that was included in the contract liability balance at the beginning of the period	
Deposit	<u>\$ 147,451</u>
Total	<u>\$ 147,451</u>

D. Related disclosures for the three-month period ended September 30, 2017 and the nine-month period ended September 30, 2017 operating revenue are provided in Note 12(5) B.

(19) Other income

	<u>For the three-month period ended September 30, 2018</u>	<u>For the three-month period ended September 30, 2017</u>
Interest income	\$ 3,838	\$ 3,363
Rental revenue	3,950	6,703
Government grants revenue	5,067	4,740
Others	<u>13,657</u>	<u>2,458</u>
Total	<u>\$ 26,512</u>	<u>\$ 17,264</u>

	<u>For the nine-month period ended September 30, 2018</u>	<u>For the nine-month period ended September 30, 2017</u>
Interest income	\$ 12,099	\$ 10,588
Rental revenue	12,663	19,054
Government grants revenue	14,862	19,123
Dividend income	1,868	-
Others	15,066	6,087
Total	<u>\$ 56,558</u>	<u>\$ 54,852</u>

(20) Other gains and losses

	<u>For the three-month period ended September 30, 2018</u>	<u>For the three-month period ended September 30, 2017</u>
Gains on disposal of property, plant and equipment	\$ 1	(\$ 186)
Gains on disposal of investments	-	-
Net currency exchange gains(losses)	3,035	(6,563)
Net gains (losses) on financial assets and liabilities at fair value through profit or loss	321	863
Others	(3)	(6)
Total	<u>\$ 3,354</u>	<u>(\$ 5,892)</u>

	<u>For the nine-month period ended September 30, 2018</u>	<u>For the nine-month period ended September 30, 2017</u>
Gains on disposal of property, plant and equipment	(\$ 37)	(\$ 212)
Gains on disposal of investments	-	298
Net currency exchange gains(losses)	28,039	(53,402)
Net gains (losses) on financial assets and liabilities at fair value through profit or loss	2,108	2,054
Others	(73)	(144)
Total	<u>\$ 30,037</u>	<u>(\$ 51,406)</u>

(21) Finance costs

	<u>For the three-month period ended September 30, 2018</u>	<u>For the three-month period ended September 30, 2017</u>
Interest expense	\$ 5,044	\$ 5,003
	<u>For the nine-month period ended September 30, 2018</u>	<u>For the nine-month period ended September 30, 2017</u>
Interest expense	<u>\$ 15,867</u>	<u>\$ 12,710</u>

(22) Expenses by nature

	<u>For the three-month period ended September 30, 2018</u>	<u>For the three-month period ended September 30, 2017</u>
Employee benefit expense	\$ 215,685	\$ 209,911
Depreciation charges on property, plant and equipment	\$ 7,990	\$ 9,343
Amortization charges on intangible assets	\$ 10,362	\$ 7,237
	<u>For the nine-month period ended June 30, 2018</u>	<u>For the nine-month period ended June 30, 2017</u>
Employee benefit expense	\$ 661,663	\$ 589,627
Depreciation charges on property, plant and equipment	\$ 23,647	\$ 28,034
Amortization charges on intangible assets	\$ 31,352	\$ 21,652

(23) Employee benefit expense

	<u>For the three-month period ended September 30, 2018</u>	<u>For the three-month period ended September 30, 2017</u>
Wages and salaries	\$ 185,172	\$ 180,978
Labour and health insurance fees	14,010	12,669
Pension costs	8,799	9,107
Other personnel expenses	7,704	7,157
	<u>\$ 215,685</u>	<u>\$ 209,911</u>
	<u>For the nine-month period ended June 30, 2018</u>	<u>For the nine-month period ended June 30, 2017</u>
Wages and salaries	\$ 568,360	\$ 499,462
Labour and health insurance fees	43,276	40,724
Pension costs	26,537	27,510
Other personnel expenses	23,490	21,931
	<u>\$ 661,663</u>	<u>\$ 589,627</u>

A. Under the Company's Articles of Incorporation, the Company shall distribute not less than 1% and not more than 12% of its annual profit as the employee compensation, and not more than 3% of its annual profit as the director remuneration. However, if the Company has an accumulated deficit, then it should be offset first.

Employee remuneration could be paid by cash or shares, and entitled to receive the cash or shares may include the employees of subsidiaries of the Company meeting certain specific requirements.

The term "profit" used in the first paragraph refers to the profit before tax before deducting the employee compensation and director remuneration. The distribution of employee compensation and director remuneration shall be in a board meeting that registers two-thirds of directors in attendance, and the resolution must receive support from half of participating members. The resolution should be reported to the shareholders at shareholders' meeting.

B. For the three-month periods ended September 30, 2018 and 2017 and for the nine-month periods ended September 30, 2018 and 2017, employees' remuneration was accrued at \$6,841, \$6,626, \$40,644 and \$14,795, respectively; directors' remuneration was accrued at \$1,368, \$1,325, \$8,129 and \$2,959, respectively. The aforementioned amounts were recognized in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 10% and 2% of profit of current year distributable for the period ended September 30, 2018.

The employees' compensation of \$24,301 and directors' and supervisors' of \$4,832 remuneration for June 22, 2018 as resolved by the meeting of Board of Directors were in agreement with those amounts recognized in the 2017 financial statements.

The employees' compensation of \$40,655 and directors' and supervisors' of \$8,133 remuneration for June 16, 2017 as resolved by the meeting of Board of Directors were in agreement with those amounts recognized in the 2016 financial statements.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors and resolved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(24) Income tax

A. Income tax expense

(a) Components of income tax expense:

	<u>For the three-month period ended September 30, 2018</u>	<u>For the three-month period ended September 30, 2017</u>
Current tax:		
Current tax on profits for the period	\$ 14,455	\$ 15,552
Tax on undistributed surplus earnings	-	-
Prior year income tax (over) underestimate	(4)	1,123
Total current tax	<u>14,451</u>	<u>16,675</u>
Deferred tax:		
Origination and reversal of temporary differences	11,201	19,792
Impact of changing in tax rate	-	-
Total deferred tax	<u>11,201</u>	<u>19,792</u>
Income tax expense	<u>\$ 25,652</u>	<u>\$ 36,467</u>

	<u>For the nine-month period ended September 30, 2018</u>	<u>For the nine-month period ended September 30, 2017</u>
Current tax:		
Current tax on profits for the period	\$ 66,169	\$ 81,426
Tax on undistributed surplus earnings	-	1,963
Prior year income tax (over) underestimate	(11,851)	2,443
Total current tax	<u>54,318</u>	<u>85,832</u>
Deferred tax:		
Origination and reversal of temporary differences	18,581 (	10,213)
Impact of changing in tax rate	(6,375)	-
Total deferred tax	<u>12,206 (</u>	<u>10,213)</u>
Income tax expense	<u>\$ 66,524</u>	<u>\$ 75,619</u>

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	<u>For the three-month period ended September 30, 2018</u>	<u>For the three-month period ended September 30, 2017</u>
Share of other comprehensive income of associates	<u>\$ 7,008</u>	<u>\$ -</u>
	<u>For the nine-month period ended June 30, 2018</u>	<u>For the nine-month period ended September 30, 2017</u>
Share of other comprehensive income of associates	<u>\$ 11,302</u>	<u>\$ -</u>

- B. The Company's income tax returns through 2015 have been assessed and approved by the Tax Authority.
- C. The amendments to the Income Tax Act were promulgated and became effective on February 7, 2018. Under the amendments, the corporate income tax rate will be raised from 17% to 20% retroactively effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(25) Earnings per share

	<u>For the three-month period ended September 30, 2018</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 45,768	165,136	\$ <u>0.28</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
- Employees' bonus	-	254	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 45,768	165,390	\$ <u>0.28</u>
	<u>For the three-month period ended September 30, 2017</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 20,645	165,136	\$ <u>0.13</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
- Employees' bonus	-	632	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 20,645	165,768	\$ <u>0.12</u>
	<u>For the nine-month period ended September 30, 2018</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 324,155	165,136	\$ <u>1.96</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
- Employees' bonus	-	1,887	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 324,155	167,023	\$ <u>1.94</u>

	<u>For the nine-month period ended September 30, 2017</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 69,958	165,136	<u>\$ 0.42</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
- Employees' bonus	-	<u>1,033</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 69,958</u>	<u>166,169</u>	<u>\$ 0.42</u>

(26) Transactions with non-controlling interest

A. Acquisition of additional equity interest in a subsidiary

On May 12, 2017, the Group acquired additional 5.88% shares of its subsidiary—APEX-I Internation Co., Ltd. at total cash consideration of \$3,833. The carrying amount of non-controlling interest in APEX-I Internation Co., Ltd. was \$3,035 at the acquisition date. This transaction resulted in a decrease in the non-controlling interest by \$3,035 and a decrease in the equity attributable to owners of the parent by (\$798). The effect of changes in interests in APEX-I Internation Co., Ltd. on the equity attributable to owners of the parent for the nine-month period ended September 30, 2017 is shown below:

	<u>For the nine-month period ended September 30, 2017</u>
Carrying amount of non-controlling interest acquired	\$ 3,035
Consideration paid to non-controlling interest	<u>(3,833)</u>
Capital surplus	
- difference between proceeds on actual acquisition of or disposal of equity interest in a subsidiary and its carrying amount	<u>(\$ 798)</u>

B. Disposal of equity interest in a subsidiary (that did not result in a loss of control)

On August 7, 2017, the Group disposed of 4% of shares of its subsidiary—Gallant Micro. Machining Co., Ltd. for a total cash consideration of \$41,036. The carrying amount of non-controlling interest in Gallant Micro. Machining Co., Ltd. was \$251,441 at the disposal date. This transaction resulted in an increase in the non-controlling interest by \$30,367 and an increase in the equity attributable to owners of the parent by \$10,669. The effect of changes in interests in Gallant Micro. Machining Co., Ltd. on the equity attributable to owners of the parent for the period ended September 30, 2017 is shown below:

	<u>For the nine-month period ended September 30, 2017</u>
Carrying amount of non-controlling interest disposed	\$ 30,367
Consideration received from non-controlling interest	<u>(41,036)</u>
Capital surplus	
- recognition of changes in ownership interest in subsidiaries	<u>(\$ 10,669)</u>

(27) Operating leases

- A. The Group leases Central Taiwan Science Park plant and Hsinchu Science Park office assets to others under non-cancellable operating lease agreements. The future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Not later than one year	\$ 14,961	\$ 15,336	\$ 15,561
Later than one year but not later than five years	23,689	49,871	48,624
Later than five years	-	-	4,987
	<u>\$ 38,650</u>	<u>\$ 65,207</u>	<u>\$ 69,172</u>

- B. The Group leases in plant assets under non-cancellable operating lease agreements. The lease terms are between 2013 and 2024 years. The Group recognized rental expenses of \$6,441, \$7,129, \$18,976 and \$19,159 for the three-month periods ended September 30, 2018 and 2017 and for the nine-month periods ended September 30, 2018 and 2017, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Not later than one year	\$ 17,731	\$ 17,451	\$ 16,766
Later than one year but not later than five years	47,124	47,855	52,256
Later than five years	13,852	40,729	33,320
	<u>\$ 78,707</u>	<u>\$ 106,035</u>	<u>\$ 102,342</u>

(28) Supplemental cash flow information

- A. Investing activities with partial cash payments:

	<u>For the nine-month period ended September 30, 2018</u>	<u>For the nine-month period ended September 30, 2017</u>
Purchase of property, plant and equipment	\$ 18,821	\$ 162,249
Add: opening balance of payable on equipment	8,675	1,803
Less: ending balance of payable on equipment	(5,457)	(955)
Cash paid during the period	<u>\$ 22,039</u>	<u>\$ 163,097</u>
	<u>For the nine-month period ended September 30, 2018</u>	<u>For the nine-month period ended September 30, 2017</u>
Acquisition of intangible assets	\$ 5,497	\$ 4,731
Add: opening balance of payable on equipment	-	50
Less: ending balance of payable on equipment	(461)	(-)
Cash paid during the period	<u>\$ 5,036</u>	<u>\$ 4,781</u>

(29) Changes in liabilities from financing activities

	<u>Short-term borrowings</u>	<u>Long-term borrowings</u>	<u>Guarantee deposits received</u>	<u>Liabilities from financing activities-gross</u>
At January 1, 2018	\$ 734,730	\$ 439,907	\$ 4,103	\$ 1,178,740
Changes in cash flow from financing activities	(119,609)	(34,095)	(1,668)	(155,372)
At September 30, 2018	<u>\$ 615,121</u>	<u>\$ 405,812</u>	<u>\$ 2,435</u>	<u>\$ 1,023,368</u>

7. RELATED-PARTY TRANSACTIONS

(1) Names and relationship of related parties

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Hitachi Zosen GPM Technology (Suzhou) Co.,Ltd.	Associates
Sunengine Co., Ltd.	Associates
Fujian Chengzhe Automation Technology Co.Ltd	Substantive related party

(2) Significant related party transactions

A. Operating revenue:

	<u>For the three-month period ended September 30, 2018</u>	<u>For the three-month period ended September 30, 2017</u>
Sales of goods:		
Associates	\$ -	\$ 587
	<u>For the nine-month period ended September 30, 2018</u>	<u>For the nine-month period ended September 30, 2017</u>
Sales of goods:		
Associates	\$ -	\$ 1,166

The transactions of the Company and its subsidiaries with related parties and non-related parties are subject to the terms and conditions agreed upon by both parties. The receivables to the related parties are due 90 days after the date of shipment, made on a monthly basis.

B. Purchases:

	<u>For the three-month period ended September 30, 2018</u>	<u>For the three-month period ended September 30, 2017</u>
Purchases of goods:		
Substantive related party	\$ 3,488	\$ -
	<u>For the nine-month period ended September 30, 2018</u>	<u>For the nine-month period ended September 30, 2017</u>
Purchases of goods:		
Substantive related party	\$ 20,496	\$ -

C. Receivables from related parties:

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Accounts receivable:			
Associates	\$ -	\$ -	\$ 540

D. Payables to related parties:

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Accounts payable:			
Substantive related party	\$ 8,003	\$ 4,416	\$ -

E. Other transactions:

	<u>For the three-month period ended September 30, 2018</u>	
	<u>Items</u>	<u>Amount</u>
Substantive related party	Research and development expenses	\$ 515
Associates	Rental expenses	\$ 15
	<u>For the nine-month period ended September 30, 2018</u>	
	<u>Items</u>	<u>Amount</u>
Substantive related party	Research and development expenses	\$ 2,789
Associates	Rental expenses	\$ 45

(3) Key management compensation

	<u>For the three-month period ended September 30, 2018</u>	<u>For the three-month period ended September 30, 2017</u>
Payroll and Salaries and other short-term employee benefits	\$ 9,756	\$ 11,059
Post-employment benefits	351	316
Total	<u>\$ 10,107</u>	<u>\$ 11,375</u>
	<u>For the nine-month period ended September 30, 2018</u>	<u>For the nine-month period ended September 30, 2017</u>
Payroll and Salaries and other short-term employee benefits	\$ 31,652	\$ 31,563
Post-employment benefits	875	834
Total	<u>\$ 32,527</u>	<u>\$ 32,397</u>

8. PLEGDED ASSETS

The Group's assets pledged as collateral are as follows:

<u>Pledged asset</u>	<u>Book value</u>			<u>Purpose</u>
	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>	
Time deposits (shown as "other current assets")	\$ -	\$ 13,987	\$ 22,787	Exercise guarantee for construction
Time deposits (shown as "other non-current assets")	-	18,388	16,107	Exercise guarantee for construction and customs deposit
Time deposits (shown as "financial assets at amortised cost-current")	10,968	-	-	- Exercise guarantee for construction
Time deposits (shown as "financial assets at amortised cost non-current")	17,226	-	-	- Exercise guarantee for construction and customs deposit
Property, plant and equipment	543,460	553,666	408,722	Long-term borrowings
Construction in progress and equipment under installation	-	6,877	150,241	Long-term borrowings
	<u>\$ 571,654</u>	<u>\$ 592,918</u>	<u>\$ 597,857</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingent liabilities

- A. As of September 30, 2018, December 31, 2017 and September 30, 2017, the bank open a guarantee letter for the Company due to business tender and guarantee for construction amounting to \$144,583, \$106,124 and \$72,267, respectively.
- B. The Group's customer, China Chongqing Chongmei Huashixin Electronic Manufacturing Co., Ltd., purchased equipment products from the Company. However the customer was unwilling to sign the confirmation of acceptance and pay the rest payment to the Company and its subsidiary due to operation issues. The case has been submitted to China Chongqing Arbitration Commission for judgment in November, 2017. In June 2018, the Arbitration Commission has rejected the claim for the payment. As the Group has recognized allowance for related bad debts from 2015 to 2017, there is no impact to the Group's operation and financial performance.

(2) Unrecognized contract commitments

- A. Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:
None.
- B. Operating lease commitments: please refer to note 6(27).

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

No significant change was made during the nine-month period ended September 30, 2018. For more information, please refer to the Group's consolidated financial statements for the year ended December 31, 2017.

(2) Financial instruments

A. Financial instruments by category

	September 30, 2018	December 31, 2017	September 30, 2017
<u>Financial assets</u>			
Financial assets measured at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	\$ 33,513	\$ -	\$ -
Financial assets held for trading	-	32,676	32,692
Financial assets at fair value through other comprehensive income			
Designation of equity instrument	124,211	-	-
Available-for-sale financial assets	-	12,908	13,365
Financial assets at cost	-	66,419	66,419
Financial assets at amortised cost/Loans and receivables			
Cash and cash equivalents	942,706	1,071,799	862,420
Financial assets at amortised cost	821,635	-	-
Investments in debt instruments without active markets	-	963,980	878,970
Notes receivables	31,468	38,138	30,402
Accounts receivables	1,827,239	1,546,436	1,409,971
Other accounts receivables	21,994	8,076	32,926
Guarantee deposits paid	8,828	6,041	8,579
Other financial assets	-	32,375	38,894
	<u>\$ 3,811,594</u>	<u>\$ 3,778,848</u>	<u>\$ 3,374,638</u>
<u>Financial liabilities</u>			
Financial liabilities at amortised cost			
Short-term borrowings	\$ 615,121	\$ 734,730	\$ 693,468
Accounts payable	1,284,692	1,637,837	1,432,802
Other accounts payable	353,783	336,968	268,625
Long-term borrowings (including current portion)	405,812	439,907	446,208
Guarantee deposits received	2,435	4,103	4,103
	<u>\$ 2,661,843</u>	<u>\$ 3,153,545</u>	<u>\$ 2,845,206</u>

B. Financial risk management policies

No significant change was made during the nine-month period ended September 30, 2018. For more information, please refer to note 12 in the Group's consolidated financial statements for the year ended December 31, 2017.

C. Significant financial risks and degrees of financial risks

There was no significant change in the reporting period. Please refer to Note 12 in the consolidated financial statements for the year ended December 31, 2017, except for the items explained below:

(a) Market risk

Foreign exchange risk

- i . The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB and MYR). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	September 30, 2018		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 32,522	30.53	\$ 992,745
JPY:NTD	703,213	0.2692	189,305
RMB:NTD	40,338	4.436	178,940
SGD:NTD	250	22.33	5,593
EUR:NTD	9	35.48	336
USD: RMB	5,777	6.8812	176,331
<u>Non-monetary items: None</u>			
<u>Financial liability</u>			
<u>Monetary items</u>			
USD:NTD	\$ 21,350	30.53	\$ 651,723
JPY:NTD	220,214	0.2692	59,282
RMB:NTD	5,541	4.436	24,581
EUR:NTD	283	35.48	10,037
USD: RMB	48	6.8812	1,472
<u>Non-monetary items: None</u>			

				December 31, 2017		
				Foreign currency amount		Book value
				(In thousands)	Exchange rate	(NTD)
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$	42,936		29.76	\$	1,277,786
JPY:NTD		712,360		0.2642		188,205
RMB:NTD		41,781		4.565		190,732
SGD:NTD		128		22.26		2,847
EUR:NTD		61		35.57		2,158
USD: RMB		9,973		6.5192		296,783
<u>Non-monetary items: None</u>						
<u>Financial liability</u>						
<u>Monetary items</u>						
USD:NTD	\$	18,351		29.76	\$	546,117
JPY:NTD		182,675		0.2642		48,263
RMB:NTD		963		4.565		4,398
EUR:NTD		156		35.57		5,537
USD: RMB		142		6.5192		4,235
<u>Non-monetary items: None</u>						
				September 30, 2017		
				Foreign currency amount		Book value
				(In thousands)	Exchange rate	(NTD)
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$	42,931		30.26	\$	1,299,095
JPY:NTD		149,284		0.2691		40,172
RMB:NTD		7,521		4.551		34,227
SGD:NTD		80		22.3		1,784
EUR:NTD		61		35.75		2,171
USD: RMB		9,550		6.6491		288,973
<u>Non-monetary items: None</u>						
<u>Financial liability</u>						
<u>Monetary items</u>						
USD:NTD	\$	43,635		30.26	\$	1,320,407
JPY:NTD		133,399		0.2691		35,898
RMB:NTD		2,397		4.551		10,907
EUR:NTD		1,145		35.75		40,944
USD: RMB		296		6.6491		8,951
<u>Non-monetary items: None</u>						

- ii . The unrealized exchange gain, including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the three-month periods ended September 30, 2018 and 2017 and for the nine-month periods ended September 30, 2018 and 2017, amounted \$3,035, (\$6,563), \$28,039 and (\$53,402), respectively.
- iii. Analysis of foreign currency market risk arising from significant foreign exchange variation:

		For the nine-month period ended September 30, 2018		
		Sensitivity analysis		
		Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$	9,927	\$ -
JPY:NTD	1%		1,893	-
RMB:NTD	1%		1,789	-
SGD:NTD	1%		56	-
EUR:NTD	1%		3	-
USD: RMB	1%		1,763	-
<u>Financial liability</u>				
<u>Monetary items</u>				
USD:NTD	1%	(\$	6,517)	\$ -
JPY:NTD	1%	(	593)	-
RMB:NTD	1%	(	246)	-
EUR:NTD	1%	(	100)	-
USD: RMB	1%	(	15)	-
		For the nine-month period ended September 30, 2017		
		Sensitivity analysis		
		Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$	12,991	\$ -
JPY:NTD	1%		402	-
RMB:NTD	1%		342	-
SGD:NTD	1%		18	-
EUR:NTD	1%		22	-
USD: RMB	1%		2,890	-
<u>Financial liability</u>				
<u>Monetary items</u>				
USD:NTD	1%	(\$	13,204)	\$ -
JPY:NTD	1%	(	359)	-
RMB:NTD	1%	(	109)	-
EUR:NTD	1%	(	409)	-
USD: RMB	1%	(	90)	-

Price risk

- A. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, and financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- B. The Group's investments in equity securities comprise domestic listed and unlisted stocks, shares and open-end funds issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased with all other variables held constant, post-tax profit for the periods ended September 30, 2018 and 2017 would have increased/decreased by \$335 and \$327, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$1,242 and \$134, respectively, as a result of gains/losses on equity securities other comprehensive income classified as available-for-sale equity investment and available-for-sale financial assets equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

The Group's interest rate risk arises from short-term and long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During the periods ended September 30, 2018 and 2017, the Group's borrowings at variable rate were denominated in the NTD, JPY, USD. If the interest rate had increased/decreased by 1%, the amount of cash flow out for the nine-month periods ended September 30, 2018 and 2017 would have increased/decreased by \$7,282 and \$8,552, respectively.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost, at fair value through profit or loss and at fair value through other comprehensive income.
- ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.
- iv. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

If the contract payments were past due over 30 days based on the terms, there has been a

significant increase in credit risk on that instrument since initial recognition.

- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
- (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vi. The Group classifies customer's accounts receivable, in accordance with credit rating of customer. The Group applies the simplified approach using provision matrix, loss rate methodology to estimate expected credit loss under the provision matrix basis.
- vii. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.
- viii. The Group used the forecastability of Panel industry research report to adjust historical and timely information to assess the default possibility of accounts receivable. On September 30, 2018, the provision matrix is as follows:

At September 30, 2018	Without past due	Up to 0 -90 days	Up to 91 -120 days	Up to 120 days	Total
Expected loss rate	0.01%-0.35%	0.01%-13.77%	0.13%-16.87%	0.46%-100%	
Total book value	\$ 1,622,138	\$ 115,847	\$ 34,671	\$ 204,673	\$ 1,977,329
Loss allowance	\$ 1,469	\$ 4,244	\$ 4,993	\$ 139,384	\$ 150,090

- ix. Movements in relation to the group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	For the nine-month period ended September 30, 2018
	<u>Accounts receivable</u>
At January 1_IAS 39	\$ 194,559
Adjustments under new standards	-
At January 1_IFRS 9	194,559
Provision for impairment	27,144
Reversal of impairment loss	(70,837)
Effect of foreign exchange	776
At September 30	<u>\$ 150,090</u>

The abovementioned provision amounts took positive overall economic factor and other credit enhancement into account, thus, the reversal of impairment of credit loss are \$43,693 for the nine-month period ended September 30, 2018.

- x. For investments in debt instruments at amortised cost and the credit rating levels are presented below:

	For the nine-month period ended September 30, 2018			
	12 months	Lifetime		Total
		Significant increase in credit risk	Impairment of credit	
Financial assets at amortised cost				
Group 1	\$ 793,440	\$ -	\$ -	\$ 793,440
Group 2	10,969	-	-	10,969
Group 3	17,226	-	-	17,226
	<u>\$ 821,635</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 821,635</u>
Group 3:Taiwai Bank				
Group 3:China Bank				
Group 3:Other regional Bank				

- xi. Credit risk information of 2017 is provided in Note 12(4)

(b) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts, beneficiary certificates and No active market of debt securities investment (Later than three month but not later than one years of deposit account) , choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As at September 30, 2018, December 31, 2017 and September 30, 2017, the Group held money market position of \$1,769,093, \$2,067,859 and \$1,773,495, respectively, that are expected to readily generate cash inflows for managing liquidity risk.
- iii. The Company has the following undrawn borrowing facilities:

	September 30, 2018	December 31, 2017	September 30, 2017
Floating rate:			
Expiring within one year	\$ 1,610,296	\$ 1,423,902	\$ 1,350,780
Expiring beyond one year	150,000	84,093	57,792
	<u>\$ 1,760,296</u>	<u>\$ 1,507,995</u>	<u>\$ 1,408,572</u>

The facilities expiring within one year are annual facilities subject to review at various dates during 2018. The other facilities have been arranged to help finance the proposed equipment manufacturing and research and development business activities of the Group. Please refer to note 12.

- iv. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

September 30, 2018	Less than 3 months	3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Short-term borrowings	\$ 465,243	\$ 149,878	\$ -	\$ -	\$ -
Accounts payable	764,054	330,465	-	182,170	-
Other payables	238,918	113,027	1,348	490	-
Long-term borrowings (including current portion)	10,686	53,459	244,598	56,611	57,192

Non-derivative financial liabilities:

December 31, 2017	Less than 3 months	3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Short-term borrowings	\$ 499,030	\$ 235,700	\$ -	\$ -	\$ -
Accounts payable	762,763	305,928	-	564,730	-
Other payables	272,923	62,272	1,773	-	-
Long-term borrowings (including current portion)	9,351	38,456	278,983	61,988	69,406

Non-derivative financial liabilities:

September 30, 2017	Less than 3 months	3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Short-term borrowings	\$ 466,518	\$ 226,950	\$ -	\$ -	\$ -
Accounts payable	543,029	436,155	-	453,618	-
Other payables	197,090	69,868	1,667	-	-
Long-term borrowings (including current portion)	8,547	57,060	264,579	64,464	71,158

Derivative financial liabilities:

September 30, 2018, December 31, 2017, September 30, 2017 : None.

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks, beneficiary certificates, is included in Level 1

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in most derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market and investment property is included in Level 3.

B. Financial instruments not measured at fair value

The Group's financial instruments not measured at fair value (the carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, guarantee deposits paid, deposit account(over 3 months), short-term borrowings, contract liabilities, accounts payable, other payables, lease payments (shown as other current assets and other non-current assets) and long-term borrowings (including current portion) are approximate to their fair values.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

(a) The related information of natures of the assets and liabilities is as follows:

September 30, 2018	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 33,513	\$ -	\$ -	\$ 33,513
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	124,211	124,211
Total	<u>\$ 33,513</u>	<u>\$ -</u>	<u>\$ 124,211</u>	<u>\$ 157,724</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss: none				
December 31, 2017	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 32,676	\$ -	\$ -	\$ 32,676
Available-for-sale financial assets				
Equity securities	-	11,627	1,281	12,908
Total	<u>\$ 32,676</u>	<u>\$ 11,627</u>	<u>\$ 1,281</u>	<u>\$ 45,584</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss : none				
September 30, 2017	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 32,692	\$ -	\$ -	\$ 32,692
Available-for-sale financial assets				
Equity securities	-	11,971	1,394	13,365
Total	<u>\$ 32,692</u>	<u>\$ 11,971</u>	<u>\$ 1,394</u>	<u>\$ 46,057</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss : none				

(b)The methods and assumptions the Group used to measure fair value are as follows:

- i . The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	<u>Listed shares</u>	<u>Closed-end fund</u>	<u>Open-end fund</u>
Market quoted price	Closing price	Closing price	Net asset value
i i. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).			
iii. When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.			
iv. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models.			
v . The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.			
vi. The Group takes into account adjustments for credit risks to measure the fair value of financial instruments to reflect credit risk of the counterparty and the Group's credit quality.			

D. For the September 30, 2018, December 31, 2017 and September 30, 2017, there was no transfer into or out from Level 3.

E. The following chart is the financial instruments movement of Level 3 for the nine-month periods ended September 30, 2018 and 2017:

	<u>For the nine-month period ended September 30, 2018</u>	<u>For the nine-month period ended September 30, 2017</u>
	<u>equity instrument</u>	<u>equity instrument</u>
At January 1	\$ 129,003	\$ 1,394
Gains and losses recognized in other comprehensive income	(4,792)	-
At September 30	<u>\$ 124,211</u>	<u>\$ 1,394</u>

F. For the nine month periods ended September 30, 2018 and 2017, there was no transfer into or out from Level 3.

G. Finance segment is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	<u>September 30, 2018</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Derivative equity instrument: Unlisted shares	\$ 62,912	Market comparable companies	Price to book ratio multiple	0.88~2.67	The higher the multiple , the higher the fair value
	<u>December 31, 2017</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Derivative equity instrument: Unlisted shares	\$ 1,281	Market comparable companies	Price to book ratio multiple	1.13~1.15	The higher the multiple , the higher the fair value
	<u>September 30, 2017</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Derivative equity instrument: Unlisted shares	\$ 1,394	Market comparable companies	Price to book ratio multiple	1.24~1.26	The higher the multiple , the higher the fair value

I. The Group has carefully assessed the valuation models and assumptions used to measure fair value; therefore, the fair value measurement is reasonable. However, use of different valuation models or assumptions may result in difference measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets categorized within Level 3 if the inputs used to valuation models have changed:

				September 30, 2018			
				Recognized in profit or loss		Recognized in other comprehensive income	
				Favourable change	Unfavourable change	Favourable change	Unfavourable change
		Input	Change				
Financial assets							
Equity instrument	Price to book ratio multiple	±1%	\$	-	-	621	(\$ 623)
				December 31, 2017			
				Recognized in profit or loss		Recognized in other comprehensive income	
				Favourable change	Unfavourable change	Favourable change	Unfavourable change
		Input	Change				
Financial assets							
Equity instrument	Price to book ratio multiple	±1%	\$	-	-	12	(\$ 13)
				September 30, 2017			
				Recognized in profit or loss		Recognized in other comprehensive income	
				Favourable change	Unfavourable change	Favourable change	Unfavourable change
		Input	Change				
Financial assets							
Equity instrument	Price to book ratio multiple	±1%	\$	-	-	18	(\$ 16)

(4) Effects on initial application of IFRS 9 and the information of application of IAS 39 in 2017.

- A. For information of available-for-sale financial assets, financial assets at cost, loan and receivables and impairment loss of financial assets, please refer to note 4 in the Group's consolidated financial statements for the year ended December 31, 2017.
- B. The reconciliations of carrying amount of financial assets transferred from December 31, 2017, IAS 39, to January 1, 2018, IFRS 9, were as follows:

	Measured at fair value through profit or loss	Available-for-sale-equity		Measured at cost	Measured at amortised cost	Debt instrument without active market	Total	Effects	
		Measured at fair value through other comprehensive income-equity						Retained earnings	Other equity
IAS 39	\$ 32,676	\$ 12,908	\$ 66,419	\$ -	\$ 963,980	\$ 1,075,983	\$ 197,905	(\$ 63,079)	
Transferred into and measured at fair value through other comprehensive income-equity	-	66,419	(66,419)	-	-	-	-	-	
Transferred into and measured at amortised cost	-	-	-	996,355	(963,980)	32,375	-	-	
Fair value adjustment	-	49,676	-	-	-	49,676	-	49,676	
Impairment loss adjustment	-	-	-	-	-	-	5,032	(5,032)	
IFRS 9	\$ 32,676	\$ 129,003	\$ -	\$ 996,355	\$ -	\$ 1,158,034	\$ 202,937	(\$ 18,435)	

- C. The reconciliation of allowance for impairment and provision from December 31, 2017, as these are impaired under IAS 39, to January 1, 2018, as these are expected to be impaired under IFRS9, are as follows:

	<u>Available-for-sale</u>	
	<u>Measured at fair value through profit or loss</u>	<u>Total</u>
IAS 39/IAS 37	\$ 5,032	\$ 5,032
Transfer into and measured at fair value through other comprehensive income	(5,032)	(5,032)
IFRS 9	<u>\$ -</u>	<u>\$ -</u>

D. The significant accounts as of December 31, 2017 and in the 3th quarter of 2017 are as follows:

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

<u>Items</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Current items:		
Financial assets held for trading		
Beneficiary certificates	\$ 29,850	\$ 30,351
Valuation adjustment	<u>2,826</u>	<u>2,341</u>
	<u>\$ 32,676</u>	<u>\$ 32,692</u>

The Group recognised net profit amounting to \$863 and \$2,054 on financial assets held for trading for the three-month period ended September 30, 2017 and for the nine-month period ended September 30, 2017, respectively.

(b) Available-for-sale financial assets

<u>Items</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Non-current items:		
Listed stocks	\$ 28,345	\$ -
Emerging stocks	-	30,046
Non-listed stocks	<u>7,487</u>	<u>7,487</u>
Subtotal	35,832	37,533
Valuation adjustment	(17,892)	(19,136)
Accumulated impairment	(5,032)	(5,032)
Total	<u>\$ 12,908</u>	<u>\$ 13,365</u>

The Group recognised (\$815) and (\$6,291) in other comprehensive income for fair value change and reclassified \$0 from equity to profit or loss for the three-month period ended September 30, 2017 and for the nine-month period ended September 30, 2017, respectively.

(c) Financial assets at cost

<u>Items</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Non-current items:		
PHOENIX & CORPORATION POWER EVER ENTERPRISES LIMITED	\$ 29,988	\$ 29,988
	<u>36,431</u>	<u>36,431</u>
Total	<u>\$ 66,419</u>	<u>\$ 66,419</u>

According to the Group's intention, its investment in foresaid mentioned Corporation stocks should be classified as 'available-for-sale financial assets'. However, as foresaid mentioned

Corporation stocks are not traded in active market, and no sufficient industry information of companies similar to foresaid mentioned Corporation or foresaid mentioned Corporation's financial information cannot be obtained, the fair value of the investment in foresaid mentioned Corporation stocks cannot be measured reliably. The Group classified those stocks as 'financial assets measured at cost'.

(d) Investments in debt instruments without active markets

Items	December 31, 2017	September 30, 2017
Current items:		
Time deposit	\$ 963,980	\$ 878,970

i. The Group listed time deposits for 3 to 9 months in this item.

ii. The Group transacts with financial institutions with high credit quality

iii. As of December 31, 2017 and September 30, 2017, the Group has no investments in debt instrument without active markets pledged to others.

E. Credit risk information as of December 31, 2017 and in the 3th quarter of 2017 are as follows:

(a) Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables. For banks and financial institutions, only transparency financial institutions are accepted.

(b) For the 3th quarter of 2017, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

(c) The credit quality of accounts receivable that were neither past due nor impaired was in the following categories based on the Group's Credit Quality Control Policy:

	December 31, 2017	September 30, 2017
Group 1	\$ 90,983	\$ 32,905
Group 2	912,859	630,292
Group 3	341,711	498,112
	<u>\$ 1,345,553</u>	<u>\$ 1,161,309</u>

Group 1: New customers (less than 6 months from the first transaction).

Group 2: Existing customers (more than 6 months from the first transaction) which were listed companies.

Group 3: Existing customers (more than 6 months from the first transaction) which were private companies.

(d) The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2017	September 30, 2017
Up to 30 days	\$ 43,462	\$ 73,524
31 to 90 days	34,578	77,264
91 to 180 days	93,564	57,210
Over 181 days	29,279	40,124
	<u>\$ 200,883</u>	<u>\$ 248,122</u>

The above ageing analysis was based on past due date.

(e) Movement analysis of financial assets that were impaired is as follows:

i. As of December 31, 2017 and September 30, 2017, the Group's accounts receivable that were impaired amounted to \$194,558 and \$224,249, respectively.

ii. Movements in the provision for impairment of accounts receivable are as follows:

	2017		
	Individual provision	Group provision	Total
At January 1	\$ 829	\$ 152,866	\$ 153,695
Provision(Reversal) for impairment	(160)	72,668	72,508
Write-offs during the period	-	(1,428)	(1,428)
Effect of foreign exchange	-	(526)	(526)
At September 30	<u>\$ 669</u>	<u>\$ 223,580</u>	<u>\$ 224,249</u>

(5) Effects of initial application of IFRS 15 and information of application of IAS 11 and IAS 18 in 2017

A. The significant accounting policies applied on revenue recognition for the nine month period ended September 30, 2017 are provided on note 4 of the consolidated financial statement for the year ended December 31, 2017.

B. The revenue recognised by using above accounting policies for the 3th quarter of 2017 are as follows:

	For the three-month period ended September 30, 2017
Sales of goods	\$ 1,104,983
Technical service revenue	58,662
Totle	<u>\$ 1,163,645</u>

	For the nine-month period ended September 30, 2017
Sales of goods	\$ 3,391,026
Technical service revenue	150,490
Totle	<u>\$ 3,541,516</u>

C. The effects and description of current balance sheets and comprehensive income statements if the Group continues adopting above accounting policies are as follows:

		<u>For the nine-month period ended September 30, 2018</u>		
<u>Balance sheet items</u>	<u>Description</u>	<u>Balance by using IFRS 15</u>	<u>Balance by using previous accounting policies</u>	<u>Effects from changes in accounting policy</u>
Contract liabilities	(a)	\$ 57,387	\$ -	\$ 57,387
Advance sales receipts	(a)	-	57,387	(57,387)

There is no material impact to current comprehensive income statements if the Group continues adopting above accounting policies.

(a) In accordance with IFRS 15, the Group recognizes contract liabilities related to selling products, but recognized receipts in advance.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: Please refer to table 1.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid in capital or more: Please refer to table 3.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 5.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 6.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 7.

14. SEGMENT INFORMATION

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

There is no material change in the Group's segment, classified basis and measurement of segment information.

(2) Information about segment

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

Nine month ended September 30, 2018

	<u>Gallant Precision Machining Co., Ltd</u>	<u>Gallant-Rapid Corporation Ltd.</u>	<u>Gallant Micro. Machining Co., Ltd.</u>	<u>Gallant Precision Machinery (BVI)Ltd.</u>	<u>Chun-Zhun Enterprise Corpration (BVI)Ltd.</u>	<u>APEX-I International Co., Ltd.</u>	<u>elimination</u>	<u>Amount</u>
Revenue from external customers	<u>\$ 2,869,086</u>	<u>\$ 75,831</u>	<u>\$ 698,238</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,675</u>	<u>\$ -</u>	<u>\$ 3,657,830</u>
Inter-segment revenue	<u>\$ 10,143</u>	<u>\$ 151,636</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 161,779)</u>	<u>\$ -</u>
Segment income	<u>\$ 283,107</u>	<u>(\$ 8,816)</u>	<u>\$ 161,040</u>	<u>(\$ 838)</u>	<u>(\$ 357)</u>	<u>(\$ 383)</u>	<u>(\$ 15,808)</u>	<u>\$ 417,945</u>
Total segment assets	<u>\$ 4,521,264</u>	<u>\$ 372,473</u>	<u>\$ 1,597,423</u>	<u>\$ 398,990</u>	<u>\$ 13,847</u>	<u>\$ 80,522</u>	<u>(\$ 1,197,898)</u>	<u>\$ 5,786,621</u>

Nine month ended September 30, 2017

	<u>Gallant Precision Machining Co., Ltd</u>	<u>Gallant-Rapid Corporation Ltd.</u>	<u>Gallant Micro. Machining Co., Ltd.</u>	<u>Gallant Precision Machinery (BVI)Ltd.</u>	<u>Chun-Zhun Enterprise Corpration (BVI)Ltd.</u>	<u>APEX-I International Co., Ltd.</u>	<u>elimination</u>	<u>Amount</u>
Revenue from external customers	<u>\$ 2,710,234</u>	<u>\$ 52,958</u>	<u>\$ 756,831</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,493</u>	<u>\$ -</u>	<u>\$ 3,541,516</u>
Inter-segment revenue	<u>\$ 28,098</u>	<u>\$ 161,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 189,298)</u>	<u>\$ -</u>
Segment income	<u>\$ 111,194</u>	<u>(\$ 62,204)</u>	<u>\$ 123,477</u>	<u>\$ 4,528</u>	<u>(\$ 398)</u>	<u>(\$ 266)</u>	<u>(\$ 5,948)</u>	<u>\$ 170,383</u>
Total segment assets	<u>\$ 4,800,388</u>	<u>\$ 421,218</u>	<u>\$ 1,412,500</u>	<u>\$ 383,451</u>	<u>\$ 14,259</u>	<u>\$ 73,022</u>	<u>(\$ 1,262,290)</u>	<u>\$ 5,842,548</u>

(3) Reconciliation for segment income

- A. Sales between segments are carried out at arm's length. The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income.

A reconciliation of reportable segment income or loss to the income/(loss) before tax from continuing operations for the nine-month periods ended September 30, 2018 and 2017 is provided as follows:

	<u>For the nine-month period ended September 30, 2018</u>	<u>For the nine-month period ended September 30, 2017</u>
Reportable segments income/(loss)	\$ 433,753	\$ 176,331
Other	(15,808)	(5,948)
Income/(loss) before tax from continuing operations	<u>\$ 417,945</u>	<u>\$ 170,383</u>

- A. The amounts provided to the chief operating decision-maker with respect to total assets are measured in a manner consistent with that of the financial statements.

A reconciliation of assets of reportable segment and total assets is as follow:

	<u>September 30, 2018</u>	<u>September 30, 2017</u>
Assets of reportable segments	\$ 6,984,519	\$ 7,104,838
Elimination of intersegment assets	(1,197,898)	(1,262,290)
Total assets	<u>\$ 5,786,621</u>	<u>\$ 5,842,548</u>

Table 1

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2018

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party(Note1)	Maximum Balance for the Period Party(Note2)	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Footnote
		Name	Nature of Relationship											
0	Gallant Precision Machining Co., Ltd.	APEX-I International Co., Ltd.	Subsidiary	\$ 470,916	\$ 258,974	\$ 180,000	\$ 6,000	\$ -	7.64	\$ 1,177,290	Y	N	N	

Note1: Total endorsement/ guarantee amount limits shall not exceed 50% of the net worth of the Company. The total endorsement/ guarantee amount to a company shall not exceed 20% of the net worth of the Company.

Note2: Limits on endorsement/ guarantee amount is based on the amount of the endorsement/ guarantee contract or notes were signed between guaranteed party and financial institutions.

Table 1

Table 2

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
MARKETABLE SECURITIES HELD(NOT INCLUDING SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)
SEPTEMBER 30, 2018

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Held Company Name	Marketable Securities Type and Name	Relationship with the company	Financial Statement Account	September 30, 2018				Footnote
				Shares/Units	Carrying Value	Percentage of Ownership	Fair Value	
Gallant Precision Machining Co., Ltd.	Power Fund-class A	-	Financial assets at fair value through profit-current	40,000	\$ 3,434	-	\$ 3,442	
Gallant Precision Machining Co., Ltd.	UPAMC James Bond Money Market Fund	-	Financial assets at fair value through profit-current	1,804,783	30,079	-	30,079	
Gallant-Rapid Corporation Ltd.	Phoenix & Corporation	-	Financial assets at fair value through other comprehensive income-current	669,375	61,299	1.02	61,299	
King Mechatronics Co., Ltd.	POWER EVER ENTFRPRISES LIMITED	-	Financial assets at fair value through other comprehensive income-current	624,726	61,630	10.15	61,630	
APEX-I International Co., Ltd.	Shinyu Light Co., Ltd.	-	Financial assets at fair value through other comprehensive income-current	286,891	1,282	2.73	1,282	

Table 2

Table 3

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2018

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No. (Note 1)	Company Name	Counter Party	Nature of Relationship (Note 2)	Intercompany Transactions		Percentage of Consolidated Net Revenue or Total Assets(Note 3)
				Financial Statements Item	Amount	
0	Gallant Precision Machining Co., Ltd	Gallant Precision Intelligence Technology Co., Ltd	1	Purchases	\$ 110,426	subject to the terms and conditions agreed upon by both parties 3.02
1	Gallant Micro. Machining Co., Ltd.	King Mechatronics Co., Ltd.	3	Sales	43,398	subject to the terms and conditions agreed upon by both parties 1.19
1	Gallant Micro. Machining Co., Ltd.	King Mechatronics Co., Ltd.	3	Accounts receivable	28,626	subject to the terms and conditions agreed upon by both parties 0.49
1	Gallant Micro. Machining Co., Ltd.	King Mechatronics Co., Ltd.	3	Purchases	40,164	subject to the terms and conditions agreed upon by both parties 1.10
1	Gallant Micro. Machining Co., Ltd.	King Mechatronics Co., Ltd.	3	Accounts payable	18,255	subject to the terms and conditions agreed upon by both parties 0.32
1	Gallant Micro. Machining Co., Ltd.	Gallant Micro. Machining (Suzhou) Co., Ltd.	3	Purchases	74,371	subject to the terms and conditions agreed upon by both parties 2.03
2	King Mechatronics Co., Ltd.	Gallant Micro. Machining (Suzhou) Co., Ltd.	3	Accounts payable	42,847	subject to the terms and conditions agreed upon by both parties 0.74

Note 1: The information of transactions between the Company and the consolidated subsidiaries should be noted in "Number" column.

(1) Number 0 represents the Company.

(2) The consolidated subsidiaries are numbered in order from number 1.

Note 2: The transaction relationships with the counterparties are as follows:

(1) The Company to the consolidated subsidiaries.

(2) The consolidated subsidiaries to the Company.

(3) The consolidated subsidiaries to another consolidated subsidiaries.

Note3: In calculating the ratio, the transaction amount is divided by consolidated total assets for balance sheet accounts and is divided by consolidated total revenues for income statement accounts.

Note4: The information only disclosing for the amount of transactions are more than \$10,000 and counter parties shall not disclose.

Table 3

Table 4

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES
SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2018

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of September 30, 2018			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Footnote
				September 30, 2018	December 31, 2017	Shares	Percentage of Ownership	Carrying Value			
Gallant Precision Machining Co., Ltd.	Gallant-Rapid Corporation Ltd.	British Virgin Islands	Investing in Gallant Precision Industries (Suzhou) Co., Ltd.	\$ 459,050	\$ 517,940	13,560,000	100.00	\$ 241,582	(\$ 23,457)	(\$ 23,457)	
Gallant Precision Machining Co., Ltd.	Gallant Precision Machinery (BVI)Ltd.	British Virgin Islands	Investment Gallant Precision Machinery (Xiamen) Co., Ltd.	660,506	660,506	20,289,000	100.00	374,797	2,101	2,101	
Gallant Precision Machining Co., Ltd.	APEX-I International Co., Ltd.	Taiwan	Marketing and selling of process equipment of LCD and related parts.	46,657	46,657	6,600,000	100.00	65,627	(383)	(383)	
Gallant Precision Machining Co., Ltd.	Chun-Zhun Enterprise Corporation Ltd.	British Virgin Islands	Investing in Gallant Technology (Shenzhen) Co., Ltd. and Chun-Zhun Precision Machining (Guang Zhou Nan Sha) Corporation	125,671	125,671	3,576,000	100.00	11,821	(357)	(357)	
Gallant Precision Machining Co., Ltd.	Sunengine Co., Ltd.	Taiwan	Manufacturing and selling of battery and energy technology services business	366,877	366,877	7,568,259	37.84	29,197	(99,273)	(37,565)	
Gallant Precision Machining Co., Ltd.	Gallant Micro. Machining Co., Ltd.	Taiwan	Manufacturing and selling of semiconductor related equipment and parts	379,182	379,182	16,171,750	62.88	492,860	60,280	37,904	
Gallant Micro. Machining Co., Ltd.	King Mechatronics Co., Ltd.	British Virgin Islands	Investment Gallant Micro. Machining (Suzhou) Co., Ltd.	393,508	393,508	2,780,645	100.00	687,703	35,864	-	
Gallant Micro. Machining Co., Ltd.	Gallant Micro Machining(Malaysia) Sdn. Bhd.	Malaysia	Engaged in the import and export and trading business of semiconductor substrate machines and related parts	3,992	3,992	500,000	100.00	2,863	17	-	

Note: Original investment amount has translated to New Taiwan Dollars at the closing exchange rate.

Table 4

Table 5

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2018

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2018	Net Income (Losses) of the Investee Company	Percentage of Ownership	Share of Profits/Losses	Carrying Amount as of September 30, 2018	Accumulated Inward Remittance of Earnings as of September 30, 2018	Footnote
					Outflow	Inflow							
Gallant Precision Industries (Suzhou) Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	\$ 192,918	2	\$ 251,557	\$ -	\$ 91,575	\$ 159,982	\$ 10,728	100.00	\$ 10,728	\$ 159,671	\$ -	Note2- 2.C
Gallant Precision Machinery (Xiamen) Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	583,028	2	583,028	-	-	583,028	2,145	100.00	2,145	375,961	-	Note2- 2.C
Gallant Technology (Shenzhen) Co., Ltd.	Manufacturing of medical and mechanical related equipment	63,675	2	63,675	-	-	63,675	(303)	100.00	(303)	11,654	-	Note2- 2.C
CHUN-ZHUN Precision Machining(Guang Zhou Nan Sha)Corporation	-	-	2	49,664	-	-	49,664	-	-	-	-	-	Note2- 2.C
Suzhou Top Creation Machines Co.,Ltd.	PCB / FPC Wet Process Equipments	167,888	3	36,782	-	-	36,783	-	10.15	-	61,630	-	Note2- 2.C
Gallant Micro. Machining (Suzhou) Co., Ltd.	Manufacturing and selling of precision mold and related parts	138,889	2	245,513	-	-	245,513	37,170	62.88	23,373	633,049	-	Note2- 2.B
Hitachi Zosen GPM Technology (Suzhou) Co., Ltd.	Manufacturing and selling of kinds of film forming system, filling and packaging system and related services.	168,568	3	-	-	-	-	(4,131)	30.00	-	-	-	Note2- 2.C
Gallant International Trading Co., Ltd.	Engaged in selling of mechanical equipment	31,052	3	-	-	-	-	(3,750)	100.00	(3,750)	7,962	-	Note2- 2.C
Suzhou Jianmeifu Optical Co., Ltd.	Engaged in wholesale and retail of contact lenses and related care products	17,744	3	-	-	-	-	(1,556)	100.00	(1,556)	3,088	-	Note2- 2.C
Gallant Precision Intelligence Technology Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	44,360	3	-	-	-	-	19,573	60.00	11,744	49,411	-	Note2- 2.C
Gallant Biotech (Suzhou) Co., Ltd.	Manufacturing, research, development and selling of medical equipment	45,940	3	-	-	-	-	(3,059)	51.00	(1,560)	22,624	-	Note2- 2.C

Table 5

<u>Investee Company</u>	<u>Accumulated Investment in Mainland China as of September 30, 2018</u>	<u>Investment Amounts Authorized by Investment Commission, MOEA</u>	<u>Upper Limit on Investment</u>
Gallant Precision Machining Co., Ltd.	\$ 856,349	\$ 1,020,695	\$ 1,412,748
Gallant Micro Machining Co., Ltd.	\$ 282,296	\$ 282,296	\$ 470,286

Note1: There are three methods of investment as follows

- (1) Directly invest in Mainland China.
- (2) Indirectly invest in Mainland China.
- (3) Others.

Note2: Share of Profits/Losses recognized for the year ended December, 2015:

- (1) No investment income (loss) recognition.
- (2) There are three basis for investment income (loss) recognition.
 - A. The basis for investment income (loss) recognition is from the financial statements which were based on the audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
 - B. The basis for investment income (loss) recognition is from the financial statements which were based on the audited and attested by R.O.C. parent company's CPA.
 - C. Others (The basis for investment income (loss) recognition is from the non-audited financial statements prepared by the investees.

Note3: The amounts of paid-in capital and accumulated beginning and ending balance have translated to New Taiwan Dollars at the closing exchange rate.

Table 5-1

Table 6

GALLANT PRECISION MACHINING CO., LTD AND SUBSIDIARIES
INFORMATION ON INVESTMENT IN MAINLAND CHINA(SIGNIFICANT TRANSACTIONS CONDUCTED WITH INVESTEES IN
MAINLAND CHINA DIRECTLY OR INDIRECTLY THROUGH OTHER COMPANIES IN THE THIRD AREAS)
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2018

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee Company	Sales		Purchases		Ending Balance	Provision of Endorsements/ Guarantees or Collaterals			Financing				
	Amount	%	Amount	%		Ending Balance	Purpose	Maximum balance	Ending Balance	Interest Rate	Interest expense	Other	
Gallant Precision Intelligence Technology Co., Ltd	\$ -	-	\$ 110,426	5.82	\$ -	-	-	-	-	-	-	-	-

Table 6