**GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS AND REVIEW REPORT OF INDEPENDENT ACCOUNTANTS**

**FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2017 AND 2016**

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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.

We have reviewed the accompanying consolidated balance sheets of Gallant Precision Machining Co., Ltd. and its subsidiaries as of March 31, 2017 and 2016, and the related consolidated statements of comprehensive income, changes in equity and of cash flows for the three month periods ended March, 31, 2017 and 2016. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

Except for the matters described in the next paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 36 "Engagements to Review Financial Statements" in the Republic of China. A review consists primarily of inquiries of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

As discussed in Note 4(3) and 6(8), the accompanying consolidated financial statements included certain non-significant subsidiaries and investments accounted for using the equity method whose amounts and information disclosed in note 13 were based on unreviewed financial statements for the same period as that of the Company. These subsidiaries' total assets amounting to $843,398 thousand and $814,597 thousand, constituting 15% and 16% of total consolidated assets as of March 31, 2017 and 2016, respectively, total liabilities amounting to $68,097 thousand and $123,578 thousand, constituting 2% and 5% of total consolidated liabilities as of March 31, 2017 and 2016, respectively, and total comprehensive income (loss) amounting to ($69,881) thousand and ($21,906) thousand, constituting 332% and (47%) of consolidated comprehensive income (loss) for the three month periods ended March 31, 2017 and 2016, respectively. The investments accounted for using equity method amounting to $165,932 thousand and $271,268 thousand as of March 31, 2017 and 2016, respectively, and related share of profit or loss amounting to ($23,677) thousand and ($2,977) thousand, constituting 112% and (6%) of total consolidated comprehensive income (loss) for the three month periods end March 31, 2017 and 2016, respectively.

Based on our review, except for the effect on the financial statements and related disclosures of such adjustments, if any, as might have been determined to be necessary had the financial statements of these non-significant consolidated subsidiaries and investments accounted for using equity method been reviewed by independent auditors as explained in the preceding paragraph, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above in order for them to be in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and IAS 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission.

PricewaterhouseCoopers, Taiwan
May 5, 2017

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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 March 31, 2017 and 2016 are reviewed, not audited)

| | Assets | Notes | March 31, 2017 AMOUNT | % | December 31, 2016 AMOUNT | % | March 31, 2016 AMOUNT | % |
|---|---|---|---|---|---|---|---|---|
| | **Current assets** | | | | | | | |
| 1100 | Cash and cash equivalents | 6(1) | $ 733,195 | 13 | $ 910,191 | 15 | $ 634,611 | 13 |
| 1110 | Financial assets at fair value through profit or loss - current | 6(2) | 191,431 | 3 | 383,125 | 6 | 54,029 | 1 |
| 1147 | Investments in debt instrument without active markets | 6(3) | 821,884 | 14 | 1,013,293 | 16 | 836,300 | 17 |
| 1150 | Notes receivable, net | | 26,974 | 1 | 54,554 | 1 | 23,098 | - |
| 1170 | Accounts receivable, net | 6(4) | 1,621,168 | 28 | 1,633,982 | 26 | 1,409,338 | 28 |
| 1180 | Accounts receivable - related parties | 7 | 355 | - | 293 | - | 589 | - |
| 1200 | Other receivables | | 9,913 | - | 14,262 | - | 12,700 | - |
| 1210 | Other receivables - related parties | 7 | - | - | - | - | 29,082 | 1 |
| 130X | Inventories, net | 6(5) | 1,319,745 | 23 | 1,187,872 | 19 | 880,359 | 18 |
| 1410 | Prepayments | | 72,990 | 1 | 43,084 | 1 | 40,060 | 1 |
| 1470 | Other current assets | 8 | 43,090 | 1 | 32,109 | - | 68,933 | 1 |
| 11XX | **Current Assets** | | 4,840,745 | 84 | 5,272,765 | 84 | 3,989,099 | 80 |
| | **Non-current assets** | | | | | | | |
| 1523 | Available-for-sale financial assets - non-current | 6(6) | 19,091 | - | 19,702 | - | 16,712 | - |
| 1543 | Financial assets carried at cost - non-current | 6(7) | 66,419 | 1 | 66,419 | 1 | 66,419 | 1 |
| 1550 | Investments accounted for using equity method | 6(8) | 165,932 | 3 | 189,608 | 3 | 271,268 | 6 |
| 1600 | Property, plant and equipment, net | 6(9) and 8 | 475,195 | 8 | 478,669 | 8 | 492,956 | 10 |
| 1780 | Intangible assets, net | | 115,715 | 2 | 122,286 | 2 | 38,910 | 1 |
| 1840 | Deferred income tax assets | 6(26) | 80,714 | 1 | 64,503 | 1 | 64,997 | 1 |
| 1900 | Other non-current assets | 8 | 32,979 | 1 | 36,262 | 1 | 47,106 | 1 |
| 15XX | **Non-current assets** | | 956,045 | 16 | 977,449 | 16 | 998,368 | 20 |
| 1XXX | **Total assets** | | $ 5,796,790 | 100 | $ 6,250,214 | 100 | $ 4,987,467 | 100 |

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GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)
(The consolidated balance sheets as of March 31, 2017 and 2016 are reviewed, not audited)

| | | | March 31, 2017 | | December 31, 2016 | | March 31, 2016 | |
|---|---|---|---|---|---|---|---|---|
| | Liabilities and Equity | Notes | AMOUNT | % | AMOUNT | % | AMOUNT | % |
| | **Current liabilities** | | | | | | | |
| 2100 | Short-term loans | 6(10) | $ 439,785 | 8 | $ 542,153 | 9 | $ 406,322 | 8 |
| 2120 | Financial liabilities at fair value through profit or loss-current | 6(2) | - | - | - | - | 1,106 | - |
| 2150 | Notes payable | | 18,450 | - | - | - | - | - |
| 2170 | Accounts payable | 6(11) | 1,538,022 | 26 | 1,514,273 | 24 | 972,922 | 20 |
| 2200 | Other payables | 6(12) | 286,124 | 5 | 394,050 | 6 | 214,563 | 4 |
| 2230 | Current income tax liabilities | 6(26) | 55,963 | 1 | 33,343 | 1 | 56,588 | 1 |
| 2250 | Provisions for liabilities-current | | 199,260 | 3 | 195,510 | 3 | 192,828 | 4 |
| 2300 | Other current liabilities | 6(13) | 226,326 | 4 | 528,962 | 8 | 100,689 | 2 |
| 21XX | **Current Liabilities** | | 2,763,930 | 47 | 3,208,291 | 51 | 1,945,018 | 39 |
| | **Non-current liabilities** | | | | | | | |
| 2540 | Long-term loans | 6(13) | 323,294 | 6 | 310,256 | 5 | 301,121 | 6 |
| 2570 | Deferred income tax liabilities | 6(26) | 37,780 | 1 | 36,326 | 1 | 35,703 | 1 |
| 2600 | Other non-current liabilities | 6(14) | 85,481 | 1 | 87,958 | 1 | 91,606 | 2 |
| 25XX | **Non-current liabilities** | | 446,555 | 8 | 434,540 | 7 | 428,430 | 9 |
| 2XXX | **Total Liabilities** | | 3,210,485 | 55 | 3,642,831 | 58 | 2,373,448 | 48 |
| | **Equity attributable to owners of parent company** | | | | | | | |
| | **Share capital** | 6(16) | | | | | | |
| 3110 | Share capital-common stock | | 1,651,361 | 28 | 1,651,361 | 26 | 1,651,361 | 33 |
| | **Capital surplus** | 6(17) | | | | | | |
| 3200 | Capital surplus | | 242,949 | 4 | 242,949 | 4 | 275,976 | 5 |
| | **Retained earnings** | 6(18)(26) | | | | | | |
| 3310 | Legal reserve | | 40,850 | 1 | 40,850 | 1 | 20,859 | - |
| 3320 | Special reserve | | 132,987 | 2 | 132,987 | 2 | 132,987 | 3 |
| 3350 | Unappropriated retained earnings | | 336,488 | 6 | 305,550 | 5 | 235,275 | 5 |
| | **Other equity interest** | 6(19) | | | | | | |
| 3400 | Other equity interest | | ( 94,679) | ( 1) | ( 45,182) | ( 1) | 35,432 | 1 |
| 31XX | **Equity attributable to owners of the parent company** | | 2,309,956 | 40 | 2,328,515 | 37 | 2,351,890 | 47 |
| 36XX | **Non-controlling interest** | | 276,349 | 5 | 278,868 | 5 | 262,129 | 5 |
| 3XXX | **Total equity** | | 2,586,305 | 45 | 2,607,383 | 42 | 2,614,019 | 52 |
| | **Contingent liabilities and unrecognized contract commitments** | 9 | | | | | | |
| 3X2X | **Total liabilities and equity** | | $ 5,796,790 | 100 | $ 6,250,214 | 100 | $ 4,987,467 | 100 |

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated May 5, 2017

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)

| | | | Three-month periods ended March 31 | | | |
|---|---|---|---|---|---|---|
| | | | 2017 | | 2016 | |
| | Items | Notes | AMOUNT | % | AMOUNT | % |
| 4000 | **Operating revenue** | 6(20) | $ 1,239,278 | 100 | $ 607,029 | 100 |
| 5000 | **Operating costs** | 6(5)(24)(25) | ( 943,166) | ( 76) | ( 410,959) | ( 68) |
| 5900 | **Net operating margin** | | 296,112 | 24 | 196,070 | 32 |
| | **Operating expenses** | 6(24)(25) | | | | |
| 6100 | Selling expenses | | ( 60,156) | ( 5) | ( 49,780) | ( 8) |
| 6200 | General and administrative expenses | | ( 68,619) | ( 5) | ( 54,755) | ( 9) |
| 6300 | Research and development expenses | | ( 72,697) | ( 6) | ( 47,324) | ( 8) |
| 6000 | **Total operating expenses** | | ( 201,472) | ( 16) | ( 151,859) | ( 25) |
| 6900 | **Operating profit** | | 94,640 | 8 | 44,211 | 7 |
| | **Non-operating income and expenses** | | | | | |
| 7010 | Other income | 6(21) and 7 | 20,662 | 2 | 13,269 | 2 |
| 7020 | Other gains and losses | 6(22) | ( 41,915) | ( 4) | ( 4,649) | ( 1) |
| 7050 | Finance costs | 6(23) | ( 3,490) | - | ( 2,692) | - |
| 7060 | Share of profit of associates and joint ventures accounted for under equity method | | ( 23,677) | ( 2) | ( 2,977) | - |
| 7000 | **Total non-operating income and expenses** | | ( 48,420) | ( 4) | 2,951 | 1 |
| 7900 | **Profit before tax** | | 46,220 | 4 | 47,162 | 8 |
| 7950 | Income tax expense | 6(26) | ( 8,899) | ( 1) | ( 5,904) | ( 1) |
| 8200 | **Profit for the period** | | $ 37,321 | 3 | $ 41,258 | 7 |
| | **Other comprehensive income for the period** | | | | | |
| | **Components of other comprehensive income that will be reclassified to profit or loss** | | | | | |
| 8361 | Cumulative translation differences of foreign operations | | ($ 57,788) | ( 5) | $ 7,353 | 1 |
| 8362 | Unrealized (loss) gain on valuation of available-for-sale financial assets | | ( 611) | - | ( 2,315) | - |
| 8360 | **Summary of Components of other comprehensive income that will be reclassified to profit or loss** | | ( 58,399) | ( 5) | 5,038 | 1 |
| 8300 | **Other comprehensive income (loss) for the period** | | ( $ 58,399) | ( 5) | $ 5,038 | 1 |
| 8500 | **Total comprehensive income for the period** | | ( $ 21,078) | ( 2) | $ 46,296 | 8 |
| | **Profit attributable to:** | | | | | |
| 8610 | Equity holders of the parent company | | $ 30,938 | 2 | $ 34,455 | 6 |
| 8620 | Non-controlling interest | | 6,383 | 1 | 6,803 | 1 |
| | **Profit for the period** | | $ 37,321 | 3 | $ 41,258 | 7 |
| | **Total comprehensive income attributable to:** | | | | | |
| 8710 | Equity holders of the parent company | | ( $ 18,559) | ( 2) | $ 36,426 | 6 |
| 8720 | Non-controlling interest | | ( 2,519) | - | 9,870 | 2 |
| | **Total comprehensive income for the period** | | ( $ 21,078) | ( 2) | $ 46,296 | 8 |
| | **Earnings per share (In dollars)** | | | | | |
| 9750 | **Basic earnings per share** | 6(27) | $ | 0.19 | $ | 0.21 |
| 9850 | **Diluted earnings per share** | 6(27) | $ | 0.19 | $ | 0.21 |

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated May 5, 2017

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

| | | Equity attributable to owners of the parent | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Retained Earnings | | | Other Equity Interest | | | | |
| | Notes | Share capital-common stock | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings | Cumulative translation differences of foreign operations | Unrealized gain or loss on available-for-sale financial assets | Total | Non-controlling interest | Total equity |
| For the three-month period ended March 31, 2016 | | | | | | | | | | | |
| Balance at January 1, 2016 | | $ 1,651,361 | $ 275,976 | $ 20,859 | $ 132,987 | $ 200,820 | $ 46,982 | ($ 13,521 ) | $ 2,315,464 | $ 252,259 | $ 2,567,723 |
| Profit for the period | | - | - | - | - | 34,455 | - | - | 34,455 | 6,803 | 41,258 |
| Other comprehensive income for the period | 6(19) | - | - | - | - | - | 4,286 | ( 2,315 ) | 1,971 | 3,067 | 5,038 |
| Balance at March 31, 2016 | | $ 1,651,361 | $ 275,976 | $ 20,859 | $ 132,987 | $ 235,275 | $ 51,268 | ($ 15,836 ) | $ 2,351,890 | $ 262,129 | $ 2,614,019 |
| For the three-month period ended March 31, 2017 | | | | | | | | | | | |
| Balance at January 1, 2017 | | $ 1,651,361 | $ 242,949 | $ 40,850 | $ 132,987 | $ 305,550 | ($ 32,398) | ($ 12,784 ) | $ 2,328,515 | $ 278,868 | $ 2,607,383 |
| Profit for the period | | - | - | - | - | 30,938 | - | - | 30,938 | 6,383 | 37,321 |
| Other comprehensive income for the period | 6(19) | - | - | - | - | - | ( 48,886) | ( 611 ) | ( 49,497) | ( 8,902) | ( 58,399) |
| Balance at March 31, 2017 | | $ 1,651,361 | $ 242,949 | $ 40,850 | $ 132,987 | $ 336,488 | ($ 81,284) | ($ 13,395 ) | $ 2,309,956 | $ 276,349 | $ 2,586,305 |

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated May 5, 2017

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

| | Notes | For the three-month periods ended March 31 2017 | 2016 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | $ 46,220 | $ 47,162 |
| Adjustments | | | |
| Income and expenses having no effect on cash flow | | | |
| Gain on financial assets or liabilities at fair value through profit or loss, net | 6(21) | ( 511 ) | ( 2,724 ) |
| Provision for doubtful accounts | 6(4) | 25,509 | 22,729 |
| Depreciation | 6(9)(23) | 6,605 | 7,746 |
| Amortization | 6(23) | 7,274 | 2,488 |
| Interest income | 6(20) | ( 3,371 ) | ( 3,950 ) |
| Interest expense | 6(22) | 3,490 | 2,692 |
| Loss on disposal of property, plant and equipment, net | 6(21) | 21 | - |
| Share of profit of associates and joint ventures accounted for using equity method | | 23,677 | 2,977 |
| 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 | | 192,205 | 638 |
| Notes receivable | | 26,474 | 6,428 |
| Accounts receivable | | ( 18,447 ) | 195,545 |
| Accounts receivable - related parties | | ( 4,257 ) | 12 |
| Other receivables | | 578 | ( 5,420 ) |
| Other receivables - related parties | | - | 22,205 |
| Inventories | | ( 136,362 ) | ( 290,647 ) |
| Prepayments | | ( 30,326 ) | ( 9,055 ) |
| Other current assets | | ( 11,669 ) | 1,777 |
| Other non-current assets | | 2,827 | ( 1,133 ) |
| Net changes in liabilities relating to operating activities | | | |
| Notes payable | | 18,450 | - |
| Accounts payable | | 28,721 | 111,354 |
| Other payables | | ( 109,229 ) | ( 81,884 ) |
| Provisions for liabilities | | 4,492 | ( 7,676 ) |
| Unearned receipts | | ( 304,380 ) | ( 17,957 ) |
| Other current liabilities | | 2,893 | ( 1,617 ) |
| Accrued pension liabilities | | ( 1,251 ) | ( 1,349 ) |
| Other non-current liabilities | | - | ( 134 ) |
| Cash generated from operations | | ( 230,367 ) | 207 |
| Interest received | | 7,142 | 11,325 |
| Interest paid | | ( 3,547 ) | ( 2,670 ) |
| Income tax paid | | ( 39 ) | ( 1,216 ) |
| Net cash (used in) provided by operating activities | | ( 226,811 ) | 7,646 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Proceeds from disposal of bond investments without active markets | | 159,846 | 16,413 |
| Acquisition of property, plant and equipment | 6(30) | ( 4,346 ) | ( 3,662 ) |
| Proceeds from disposal of property, plant and equipment | | 262 | - |
| Acquisition of intangible assets | | ( 183 ) | ( 2,613 ) |
| Refundable deposits (paid) and refunded | | ( 162 ) | ( 812 ) |
| Decrease in other financial assets | 8 | 103 | 12,301 |
| Net cash provided by investing activities | | 155,520 | 21,627 |
| CASH FLOWS FROM FINANCING ACTIVITY | | | |
| Proceeds from short-term loans | | 381,035 | 372,598 |
| Repayment of short-term loans | | ( 483,403 ) | ( 321,764 ) |
| Proceeds from long-term loans | | 20,000 | - |
| Repayment of long-term loans | | ( 7,581 ) | ( 6,897 ) |
| Guarantee deposits refunded | | - | 99 |
| Net cash (used in) provided by financing activities | | ( 89,949 ) | 44,036 |
| Effect of fluctuations in exchange rate | | ( 15,756 ) | 6,590 |
| Net increase in cash and cash equivalents | | ( 176,996 ) | 79,899 |
| Cash and cash equivalents at beginning of period | 6(1) | 910,191 | 554,712 |
| Cash and cash equivalents at end of period | 6(1) | $ 733,195 | $ 634,611 |

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated May 5, 2017

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2017 AND 2016

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

## 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 March 31, 2017 was 66.88%.

## 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 May 5, 2017.

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 2017 are as follows:

| New Standards, Interpretations and Amendments | Effective Date by International Accounting Standards Board |
|---|---|
| Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28) | January 1, 2016 |
| Accounting for acquisition of interests in joint operations (amendments to IFRS 11) | January 1, 2016 |
| IFRS 14,‘Regulatory deferral accounts’ | January 1, 2016 |
| Disclosure initiative (amendments to IAS 1) | January 1, 2016 |
| Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38) | January 1, 2016 |
| Agriculture: bearer plants (amendments to IAS 16 and IAS 41) | January 1, 2016 |
| Defined benefit plans: employee contributions (amendments to IAS19R) | July 1, 2014 |
| Equity method in separate financial statements (amendments to IAS 27) | January 1, 2016 |
| Recoverable amount disclosures for non-financial assets (amendments to IAS 36) | January 1, 2014 |
| Novation of derivatives and continuation of hedge accounting (amendments to IAS 39) | January 1, 2014 |
| IFRIC 21, ‘Levies’ | January 1, 2014 |
| Improvements to IFRSs 2010-2012 | July 1, 2014 |
| Improvements to IFRSs 2011-2013 | July 1, 2014 |
| Improvements to IFRSs 2012-2014 | January 1, 2016 |

The above standards and interpretations have no significant impact to the Group’s financial condition and operating result based on the Group’s assessment.

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

None.

(3) <u>IFRSs issued by IASB but not yet endorsed by the FSC</u>

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs endorsed by the FSC effective from 2017 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 |
| Applying IFRS 9 ‘Financial instruments’with IFRS 4‘Insurance contracts’ (amendments to IFRS 4) | January 1, 2018 |
| IFRS 9, ‘Financial instruments’ | January 1, 2018 |
| 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 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 |
| IFRS 16, ‘Leases’ | January 1, 2019 |
| 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, the above standards and interpretations have no significant impact to the Group’s financial condition and operating result based on the Group’s assessment. The quantitative impact will be disclosed when the assessment is complete.

A. Amendments to IFRS 4, ‘Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts’

To address the concerns about the different effective dates of IFRS 9, ‘Financial instruments’, and the forthcoming new standard IFRS 4, ‘Insurance contract’, which may result in different bases for measuring assets and liabilities, this amendment allows insurers who meet specific requirements as set out in IFRS 4, ‘Insurance contract’ to adopt temporary exemption from IFRS 9, ‘Financial instruments’, or to use overlay approach under IFRS 9, ‘Financial instruments’ alternatively.

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

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:

Step1: 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.

D. Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from Contracts with Customers'

The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.

E. 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.

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, 2016, 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, 2016.

(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.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) The basis for preparation of consolidated financial statements are consistent with those of the year ended December 31, 2016.

B. Subsidiaries included in the consolidated financial statements:

| | | | Percentage of Ownership | | | |
|---|---|---|---|---|---|---|
| Name of Investor | Name of subsidiary | Main Business Activities | March 31, 2017 | December 31, 2016 | March 31, 2016 | Note |
| Gallant Precision Machining Co., Ltd. | Gallant Micro. Machining Co., Ltd. | Manufacturing and selling of semiconductor related equipment and parts | 66.88 | 66.88 | 69.45 | |
| Gallant Precision Machining Co., Ltd. | Gallant-Rapid Corporation Ltd. (the “GRC”) | Investing in Gallant Precision Industries (Suzhou) Co., Ltd. | 100 | 100 | 100 | note |
| Gallant Precision Machining Co., Ltd. | Gallant Precision Machinery (BVI)Ltd. (the “GPM(BVI)”) | Investing in Gallant Precision Machinery (Xiamen) Co., Ltd. | 100 | 100 | 100 | note |
| Gallant Precision Machining Co., Ltd. | APEX-I International Co., Ltd. | Marketing and selling of process equipment of LCD and related parts. | 94.12 | 94.12 | 94.12 | note |
| Gallant Precision Machining Co., Ltd. | Chun-Zhun Enterprise Corporation Ltd. (the “CZE”) | Investing in Gallant Technology (Shenzhen) Co., Ltd. | 100 | 100 | 100 | note |
| 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 | note |
| GRC | Gallant Precision Industries (Suzhou) Co., Ltd. | Manufacturing of optoelectronic products equipment, mechanical equipment and related parts | 100 | 100 | 100 | note |
| 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 | note |

| | | | Percentage of Ownership | | | |
|---|---|---|---|---|---|---|
| Name of Investor | Name of subsidiary | Main Business Activities | March 31, 2017 | December 31, 2016 | March 31, 2016 | Note |
| CZE | Gallant Technology (Shenzhen) Co., Ltd. | Manufacturing of medical and mechanical related equipment | 100 | 100 | 100 | note |
| Gallant Precision Industries (Suzhou) Co., Ltd. | Gallant International Trading Co., Ltd. | Engaged in selling of mechatronics equipment | 100 | 100 | 100 | note |
| Gallant Precision Industries (Suzhou) Co., Ltd. | Gallant Precision Intelligence Technology Co.,Ltd. | Manufacturing of optoelectronic products equipment, mechanical equipment and related parts | 60 | 0 | 0 | note |
| 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 |

Note: The financial statements of the entity as of March 31, 2017 and 2016 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 March 31, 2017, December 31, 2016 and March 31, 2016, the non-controlling interest amounted to $276,349, $278,868 and $262,129, respectively. The information of non-controlling interest and respective subsidiaries is as follows:

| | | Non-controlling interest | | | | | |
|---|---|---|---|---|---|---|---|
| | | March 31, 2017 | | December 31, 2016 | | March 31, 2016 | |
| Name of subsidiary | Principal place of business | Amount | Ownership(%) | Amount | Ownership(%) | Amount | Ownership(%) |
| Gallant Micro. Machining Co., Ltd. | Taiwan | $ 272,458 | 33.12 | $ 275,034 | 33.12 | $ 258,610 | 30.55 |

Summarized financial information of the subsidiaries:

Balance sheets

| | Gallant Micro. Machining Co., Ltd. and its subsidiaries | | |
|---|---|---|---|
| | March 31, 2017 | December 31, 2016 | March 31, 2016 |
| Current assets | $ 1,166,540 | $ 1,120,513 | $ 1,168,574 |
| Non-current assets | 110,083 | 112,029 | 119,891 |
| Current liabilities | ( 366,205) | ( 335,800) | ( 406,257) |
| Non-current liabilities | ( 87,780) | ( 66,326) | ( 35,703) |
| Total net assets | $ 822,638 | $ 830,416 | $ 846,505 |

Statements of comprehensive income

| | Gallant Micro. Machining Co., Ltd. and its subsidiaries | |
|---|---|---|
| | For the three-month period ended March 31, 2017 | For the three-month period ended March 31, 2016 |
| Revenue | $ 257,126 | $ 215,043 |
| Profit before income tax | $ 27,077 | $ 31,351 |
| Income tax expense | ( 7,976) | ( 8,151) |
| Profit for the period from continuing operations | 19,101 | 23,200 |
| Loss from discontinued operations | - | - |
| Profit for the period | 19,101 | 23,200 |
| Other comprehensive income, net of tax | ( 26,880) | 10,040 |
| Total comprehensive income for the period | ($ 7,779) | $ 33,240 |
| Comprehensive income attributable to non-controlling interest | ($ 2,576) | $ 10,155 |
| Dividends paid to non-controlling interest | $ - | $ - |

Statements of cash flows

| | Gallant Micro. Machining Co., Ltd. and its subsidiaries | |
|---|---|---|
| | For the three-month period ended March 31, 2017 | For the three-month period ended March 31, 2016 |
| Net cash provided by (used in) operating activities | $ 54,164 | ($ 16,782) |
| Net cash provided by (used in) investing activities | 13,594 | ( 2,202) |
| Net cash provided by (used in) financing activities | - | 50,000 |
| Effect of exchange rates on cash and cash equivalents | ( 26,880) | 10,040 |
| Increase (decrease) in cash and cash equivalents | 40,878 | 41,056 |
| Cash and cash equivalents, beginning of period | 348,077 | 273,934 |
| Cash and cash equivalents, end of period | $ 388,955 | $ 314,990 |

(4) Employee benefits

Pensions

Defined contribution 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.

(5) Income tax

The interim period income tax expense is recognized 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.

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

There have been no significant change as of March 31, 2017. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2016.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

| | March 31, 2017 | December 31, 2016 | March 31, 2016 |
|---|---|---|---|
| Cash on hand and revolving funds | $ 554 | $ 578 | $ 713 |
| Checking accounts | 26 | 26 | 26 |
| Demand deposits | 732,615 | 894,637 | 630,010 |
| Time deposits | - | 14,950 | 3,862 |
| Total | $ 733,195 | $ 910,191 | $ 634,611 |

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. Cash and cash equivalents pledged to Customs and others as collateral, and were classified as other financial assets in Note 8.

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

| Items | March 31, 2017 | December 31, 2016 | March 31, 2016 |
|---|---|---|---|
| Current items: | | | |
| Financial assets held for trading | | | |
| Beneficiary certificates | $ 190,421 | $ 382,347 | $ 49,287 |
| Valuation adjustment of financial assets held for trading | 1,010 | 778 | 4,742 |
| | $ 191,431 | $ 383,125 | $ 54,029 |
| Current items: | | | |
| Financial liabilities held for trading | | | |
| Non-hedging derivative instruments-forward foreign exchange contracts | $ - | $ - | ($ 1,288) |
| Valuation adjustment of financial liabilities held for trading | - | - | 182 |
| | $ - | $ - | ($ 1,106) |

A. The Group recognized net gain of $511 and $2,724 on financial assets and liabilities designated as at fair value through profit or loss for the three-month periods ended March 31, 2017 and 2016, respectively.

B. The non-hedging derivative instruments transaction and contract information are as follows:

| | March 31, 2017 | | March 31, 2016 | |
|---|---|---|---|---|
| Derivative instruments | Contract amount (notional principal) (in thousands) | Contract period | Contract amount (notional principal) (in thousands) | Contract period |
| Current items: | | | | |
| forward foreign exchange contracts | - | - | USD $1,000 | 2015.11.6-2016.5.6 |
| forward foreign exchange contracts | - | - | USD $1,000 | 2015.11.6-2016.7.7 |
| forward foreign exchange contracts | - | - | USD $1,000 | 2015.11.6-2016.9.8 |
| forward foreign exchange contracts | - | - | USD $1,000 | 2015.11.6-2016.11.8 |

The Group entered into forward foreign exchange contracts to hedge exchange rate risk of operating activities. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

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

(3) Investments in debt instrument without active markets

| Items | March 31, 2017 | December 31, 2016 | March 31, 2016 |
|---|---|---|---|
| Current items: | | | |
| Time deposits | $ 821,884 | $ 1,013,293 | $ 836,300 |

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

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

C. As of March 31, 2017, December 31, 2016 and March 31, 2016, the Group has no investments in debt instrument without active markets pledged to others.

(4) Accounts receivable

| | March 31, 2017 | December 31, 2016 | March 31, 2016 |
|---|---|---|---|
| Accounts receivable | $ 1,798,244 | $ 1,787,677 | $ 1,544,168 |
| Less: allowance for bad debts | ( 177,076) | ( 153,695) | ( 134,830) |
| | $ 1,621,168 | $ 1,633,982 | $ 1,409,338 |

A. 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:

| | March 31, 2017 | December 31, 2016 | March 31, 2016 |
|---|---|---|---|
| Group 1 | $ 222 | $ 20,610 | $ 54,060 |
| Group 2 | 981,167 | 995,760 | 801,063 |
| Group 3 | 331,942 | 291,924 | 279,140 |
| | $ 1,313,331 | $ 1,308,294 | $ 1,134,263 |

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.

B. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

| | March 31, 2017 | December 31, 2016 | March 31, 2016 |
|---|---|---|---|
| Up to 30 days | $ 105,125 | $ 76,380 | $ 69,168 |
| 31 to 90 days | 62,300 | 92,757 | 108,488 |
| 91 to 180 days | 76,468 | 96,247 | 56,599 |
| Over 181 days | 63,944 | 60,304 | 40,820 |
| | $ 307,837 | $ 325,688 | $ 275,075 |

The above ageing analysis was based on past due date.

C. Movement analysis of financial assets that were impaired is as follows:

(a) As of March 31, 2017, December 31, 2016 and March 31, 2016, the Group's accounts receivable that were impaired amounted to $177,076, $153,695 and $134,830, respectively.

(b) 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 for impairment | 220 | 28,675 | 28,895 |
| Reversal for impairment | ( 174) | ( 3,212) | ( 3,386) |
| Effect of foreign exchange | - | ( 2,128) | ( 2,128) |
| At March 31 | $ 875 | $ 176,201 | $ 177,076 |

| | 2016 | | |
|---|---|---|---|
| | Individual provision | Group provision | Total |
| At January 1 | $ 2,434 | $ 109,908 | $ 112,342 |
| Provision for impairment | - | 24,356 | 24,356 |
| Reversal for impairment | ( 1,627) | - | ( 1,627) |
| Effect of foreign exchange | - | ( 241) | ( 241) |
| At March 31 | $ 807 | $ 134,023 | $ 134,830 |

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

(5) Inventories

| | March 31, 2017 | | |
|---|---|---|---|
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | $ 116,252 | ($ 14,981) | $ 101,271 |
| Work in process | 806,719 | ( 35,581) | 771,138 |
| Finished goods | 468,031 | ( 26,098) | 441,933 |
| Inventory in transit | 5,403 | - | 5,403 |
| Total | $ 1,396,405 | ($ 76,660) | $ 1,319,745 |

| | December 31, 2016 | | |
|---|---|---|---|
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | $ 59,393 | ($ 15,393) | $ 44,000 |
| Work in process | 479,574 | ( 32,989) | 446,585 |
| Finished goods | 713,198 | ( 25,397) | 687,801 |
| Inventory in transit | 9,486 | - | 9,486 |
| Total | $ 1,261,651 | ($ 73,779) | $ 1,187,872 |

| | March 31, 2016 | | |
|---|---|---|---|
| | Cost | Allowance for valuation loss | Book value |
| Merchandise | $ 3,397 | $ - | $ 3,397 |
| Raw materials | 79,078 | ( 22,203) | 56,875 |
| Work in process | 521,252 | ( 46,491) | 474,761 |
| Finished goods | 365,593 | ( 26,482) | 339,111 |
| Inventory in transit | 6,215 | - | 6,215 |
| Total | $ 975,535 | ($ 95,176) | $ 880,359 |

The cost of inventories recognized as expense for the period:

| | For the three-month period ended March 31, 2017 | For the three-month period ended March 31, 2016 |
|---|---|---|
| Cost of goods sold | $ 939,813 | $ 402,561 |
| Loss on decline in market value | 3,353 | 8,398 |
| | $ 943,166 | $ 410,959 |

(6) Available-for-sale financial assets

| Items | March 31, 2017 | December 31, 2016 | March 31, 2016 |
|---|---|---|---|
| Non-current items: | | | |
| Listed stocks | $ 123 | $ 123 | $ 123 |
| Emerging stocks | 30,046 | 30,046 | 30,046 |
| Non-listed and emerging stocks | 7,487 | 7,487 | 7,487 |
| Subtotal | 37,656 | 37,656 | 37,656 |
| Valuation adjustment | ( 13,457) | ( 12,846) | ( 15,836) |
| Accumulated impairment | ( 5,108) | ( 5,108) | ( 5,108) |
| Total | $ 19,091 | $ 19,702 | $ 16,712 |

A. The Group recognized ($611) and ($2,315) in other comprehensive income for fair value change and reclassified $0 and $0 from equity to profit or loss for the three-month periods ended March 31, 2017 and 2016, respectively.

(7) Financial assets measured at cost

| Items | March 31, 2017 | December 31, 2016 | March 31, 2016 |
|---|---|---|---|
| Non-current items: | | | |
| Phoenix Pioneer Technology Co., Ltd. (note) | $ 29,988 | $ 29,988 | $ 29,988 |
| Power Ever Enterprises Limited | 36,431 | 36,431 | 36,431 |
| Solar CIGS Group Holdings Co., Ltd. | - | - | 847 |
| Subtotal | 66,419 | 66,419 | 67,266 |
| Accumulated impairment | - | - | ( 847) |
| Total | $ 66,419 | $ 66,419 | $ 66,419 |

NOTE: Phoenix Pioneer Technology Co., Ltd. has conducted equity restructuring in 2016. The shares of Phoenix Pioneer Technology Co. Ltd. owned by the Company were exchanged for the shares of Phoenix & Corporation.

According to the Group’s intention, its investment in above corporation stocks should be classified as ‘available-for-sale financial assets’. However, as the above corporation stocks are not traded in active market, and no sufficient industry information of companies similar to the above companies or no financial information of the above companies can be obtained, the fair value of the investment in above corporation stocks cannot be measured reliably. The Group classified those stocks as ‘financial assets measured at cost’.

(8) Investments accounted for using equity method

| | March 31, 2017 | December 31, 2016 | March 31, 2016 |
|---|---|---|---|
| Associates | | | |
| Sunengine Co., Ltd. | $ 165,932 | $ 189,608 | $ 235,950 |
| Hitachi Zosen GPM Technology （Suzhou）Co.,Ltd. | - | - | 16,958 |
| Shaoxing PushKang Biotechnology Co., Ltd. | - | - | 18,360 |
| | $ 165,932 | $ 189,608 | $ 271,268 |

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 March 31, 2017 | Shareholding ratio December 31, 2016 | Shareholding ratio March 31, 2016 | Nature of relationship | Methods of measurement |
|---|---|---|---|---|---|---|
| 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 |
| Shaoxing PushKang Biotechnology Co., Ltd. | CHINA | - | - | 30.02% | 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. March 31, 2017 | Sunengine Co., Ltd. December 31, 2016 | Sunengine Co., Ltd. March 31, 2016 |
|---|---|---|---|
| Current assets | $ 158,957 | $ 221,961 | $ 362,953 |
| Non-current assets | 359,385 | 431,602 | 543,005 |
| Current liabilities | ( 77,003) | ( 103,312) | ( 240,081) |
| Non-current liabilities | ( 24,810) | ( 71,153) | ( 64,312) |
| Total net assets | $ 416,529 | $ 479,098 | $ 601,565 |
| Share in associate's net assets | $ 157,614 | $ 181,290 | $ 227,632 |
| Goodwill | 8,318 | 8,318 | 8,318 |
| Carrying amount of the associate | $ 165,932 | $ 189,608 | $ 235,950 |

| | Hitachi Zosen GPM Technology（Suzhou）Co., Ltd. March 31, 2017 | December 31, 2016 | March 31, 2016 |
|---|---|---|---|
| Current assets | $ 35,225 | $ 48,434 | $ 147,141 |
| Non-current assets | 411 | 547 | 3,235 |
| Current liabilities | ( 2,218) | ( 10,180) | ( 93,451) |
| Non-current liabilities | - | - | - |
| Total net assets | $ 33,418 | $ 38,801 | $ 56,925 |
| Share in associate's net assets | $ 10,025 | $ 11,640 | $ 16,958 |
| Goodwill | - | - | - |
| Carrying amount of the associate | $ 10,025 | $ 11,640 | $ 16,958 |

| | Shaoxing PushKang Biotechnology Co., Ltd. | | |
|---|---|---|---|
| | March 31, 2017 | December 31, 2016 | March 31, 2016 |
| Current assets | $ - | $ - | $ 4,933 |
| Non-current assets | - | - | 31,747 |
| Current liabilities | - | - | ( 3,672) |
| Non-current liabilities | - | - | ( 11,390) |
| Total net assets | $ - | $ - | $ 21,618 |
| | | | |
| Share in associate's net assets | $ - | $ - | $ 6,490 |
| Goodwill | - | - | 11,870 |
| Carrying amount of the associate | $ - | $ - | $ 18,360 |

Statement of comprehensive income

| | Sunengine Co., Ltd. | |
|---|---|---|
| | For the three-month period ended March 31, 2017 | For the three-month period ended March 31, 2016 |
| Revenue | $ 137,672 | $ 278,984 |
| Profit for the period from continuing operations | ($ 63,032) | $ 3,377 |
| Profit or loss for the period from discontinued operations | - | - |
| Other comprehensive income, net of tax | - | - |
| Total comprehensive income | ($ 63,032) | $ 3,377 |
| Dividends received from associates | $ - | $ - |

| | Hitachi Zosen GPM Technology（Suzhou）Co., Ltd. | |
|---|---|---|
| | For the three-month period ended March 31, 2017 | For the three-month period ended March 31, 2016 |
| Revenue | $ - | $ 252 |
| Profit for the period from continuing operations | ($ 3,719) | ($ 6,190) |
| Profit or loss for the period from discontinued operations | - | - |
| Other comprehensive income, net of tax | - | - |
| Total comprehensive income | ($ 3,719) | ($ 6,190) |
| Dividends received from associates | $ - | $ - |

| | Shaoxing Pushkang Biotechnology Co., Ltd. | |
|---|---|---|
| | For the three-month period ended March 31, 2017 | For the three-month period ended March 31, 2016 |
| Revenue | $ - | $ - |
| Profit for the period from continuing operations | $ - | ($ 9,459) |
| Profit or loss for the period from discontinued operations | - | - |
| Other comprehensive income, net of tax | - | - |
| Total comprehensive income | $ - | ($ 9,459) |
| Dividends received from associates | $ - | $ - |

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

B. The Group disposed of the investment on Shaoxing Pushkang Biotechnology Co., Ltd. for the year ended December 31, 2016.

## (9) Property, plant and equipment

| | Buildings | Machinery and equipment | Office equipment | Lease assets | Others | Total |
|---|---|---|---|---|---|---|
| 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) |
| | $ 325,018 | $ 28,526 | $ 6,403 | $ 93,581 | $ 25,141 | $ 478,669 |
| 2017 | | | | | | |
| Opening net book amount as at January 1 | $ 325,018 | $ 28,526 | $ 6,403 | $ 93,581 | $ 25,141 | $ 478,669 |
| Additions | - | 240 | 816 | - | 4,120 | 5,176 |
| Disposals | - | - | ( 43) | - | ( 240) | ( 283) |
| Depreciation charge | ( 2,234) | ( 1,360) | ( 510) | ( 605) | ( 1,896) | ( 6,605) |
| Net exchange differences | ( 67) | ( 1,167) | ( 159) | - | ( 369) | ( 1,762) |
| Closing net book amount as at March 31 | $ 322,717 | $ 26,239 | $ 6,507 | $ 92,976 | $ 26,756 | $ 475,195 |
| March 31, 2017 | | | | | | |
| Cost | $ 429,137 | $ 108,271 | $ 17,122 | $ 116,753 | $ 50,899 | $ 722,182 |
| Accumulated depreciation and impairment | ( 106,420) | ( 82,032) | ( 10,615) | ( 23,777) | ( 24,143) | ( 246,987) |
| | $ 322,717 | $ 26,239 | $ 6,507 | $ 92,976 | $ 26,756 | $ 475,195 |

| | Buildings | Machinery and equipment | Office equipment | Lease assets | Others | Total |
|---|---|---|---|---|---|---|
| At January 1, 2016 | | | | | | |
| Cost | $ 430,424 | $ 123,855 | $ 26,556 | $ 116,753 | $ 73,071 | $ 770,659 |
| Accumulated depreciation and impairment | ( 96,368) | ( 86,490) | ( 20,077) | ( 20,755) | ( 48,822) | ( 272,512) |
| | $ 334,056 | $ 37,365 | $ 6,479 | $ 95,998 | $ 24,249 | $ 498,147 |
| 2016 | | | | | | |
| Opening net book amount as at January 1 | $ 334,056 | $ 37,365 | $ 6,479 | $ 95,998 | $ 24,249 | $ 498,147 |
| Additions | - | - | 780 | - | 1,836 | 2,616 |
| Depreciation charge | ( 2,244) | ( 1,842) | ( 693) | ( 604) | ( 2,363) | ( 7,746) |
| Net exchange differences | 113 | ( 132) | ( 15) | - | ( 27) | ( 61) |
| Closing net book amount as at March 31 | $ 331,925 | $ 35,391 | $ 6,551 | $ 95,394 | $ 23,695 | $ 492,956 |
| March 31, 2016 | | | | | | |
| Cost | $ 429,480 | $ 123,370 | $ 26,746 | $ 116,753 | $ 73,943 | $ 770,292 |
| Accumulated depreciation and impairment | ( 97,555) | ( 87,979) | ( 20,195) | ( 21,359) | ( 50,248) | ( 277,336) |
| | $ 331,925 | $ 35,391 | $ 6,551 | $ 95,394 | $ 23,695 | $ 492,956 |

A. Amount of borrowing costs capitalized as part of property, plant and equipment were $0 and $0 for the three month periods ended March 31, 2017 and 2016, 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.

(10) Short-term borrowings

| Type of borrowings | March 31, 2017 | Interest rate range | Collateral |
|---|---|---|---|
| Unsecured Banking Loan | $ 439,785 | 1.74%~2.15% | None |

| Type of borrowings | December 31, 2016 | Interest rate range | Collateral |
|---|---|---|---|
| Unsecured Banking Loan | $ 542,153 | 1.12%~2.35% | None |

| Type of borrowings | March 31, 2016 | Interest rate range | Collateral |
|---|---|---|---|
| Unsecured Banking Loan | $ 406,322 | 0.98%~1.92% | None |

(11) Accounts payable

| | March 31, 2017 | December 31, 2016 | March 31, 2016 |
|---|---|---|---|
| Accounts payable | $ 1,302,810 | $ 1,089,138 | $ 705,134 |
| Estimated accounts payable | 235,212 | 425,135 | 267,788 |
| | $ 1,538,022 | $ 1,514,273 | $ 972,922 |

(12) Others accounts payable

| | March 31, 2017 | December 31, 2016 | March 31, 2016 |
|---|---|---|---|
| Accrued salaries | $ 114,381 | $ 216,308 | $ 84,908 |
| Accrued employees' bonuses and directors' remuneration | 88,139 | 77,721 | 43,112 |
| Payables on equipment | 2,633 | 1,803 | 1,647 |
| Others | 80,971 | 98,218 | 84,896 |
| | $ 286,124 | $ 394,050 | $ 214,563 |

(13) Long-term borrowings

| Type of borrowings | Borrowing period and repayment term | Interest rate range | Collateral | March 31,2017 |
|---|---|---|---|---|
| Mortgage borrowings - Cathay United Commercial Bank Co., Ltd. | 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 | $ 40,340 |
| Unsecured borrowing - Cathay United Commercial Bank Co., Ltd. | 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 | 10,758 |
| Unsecured borrowing - Cathay United Commercial Bank Co., Ltd. | 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 - CTBC Bank Co., Ltd. | 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 | 20,000 |

| Type of borrowings | Borrowing period and repayment term | Interest rate range | Collateral | March 31,2017 |
|---|---|---|---|---|
| Unsecured borrowings - E.SUN Bank | Borrowing period is from July 25, 2016 to July 25, 2018; interest is repayable monthly and principal is repayable in July, 2018. | 1.60% | None | 20,000 |
| Unsecured borrowings - Taishin International Bank. | 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 |
| | | | | 351,098 |
| Less: current portion | | | | ( 27,804) |
| | | | | $ 323,294 |

| Type of borrowings | Borrowing period and repayment term | Interest rate range | Collateral | December 31, 2016 |
|---|---|---|---|---|
| Mortgage borrowings - Cathay United Commercial Bank Co., Ltd. | 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 | $ 42,379 |
| Unsecured borrowings - Cathay United Commercial Bank Co., Ltd. | 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 | 11,299 |
| Mortgage borrowings - CTBC Bank Co., Ltd. | 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. | 1.40% | Note A 、Note B | 255,000 |
| Unsecured borrowings - E.SUN Bank | Borrowing period is from July 25, 2016 to July 25, 2018; interest is repayable monthly and principal is repayable in July, 2018. | 1.55% | None | 20,000 |
| Unsecured borrowings - Taishin International Bank. | 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 |
| | | | | 338,678 |
| Less: current portion | | | | ( 28,422) |
| | | | | $ 310,256 |

| Type of borrowings | Borrowing period and repayment term | Interest rate range | Collateral | March 31,2016 |
|---|---|---|---|---|
| Mortgage borrowings - Cathay United Commercial Bank Co., Ltd. | 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. | 1.38% | Note A | $ 46,415 |
| Unsecured borrowings - Cathay United Commercial Bank Co., Ltd. | 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. | 1.48% | None | 12,371 |
| Mortgage borrowings - CTBC Bank Co., Ltd. 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. | 1.37% | Note A 、Note B | 270,000 |
| | | | | 328,786 |
| Less: current portion | | | | ( 27,665) |
| | | | | $ 301,121 |

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 $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.

(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).

B. The Group has the following undrawn borrowing facilities:

| | March 31, 2017 | December 31, 2016 | March 31, 2016 |
|---|---|---|---|
| Floating rate: | | | |
| Expiring within one year | $ 1,406,972 | $ 1,236,924 | $ 1,223,993 |
| Expiring beyond one year | 63,902 | 56,321 | 206,213 |
| | $ 1,470,874 | $ 1,293,245 | $ 1,430,206 |

The facilities expiring within one year are annual facilities subject to review at various dates during 2017. The other facilities have been arranged to help finance the proposed machine manufacturing and R&D business activities of the Group. The information about the Group's liquidity risk is provided in Note 12.

(14) 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% 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 $416 and $404 for the three month periods ended March 31, 2017 and 2016, respectively.

(c) Expected contributions to the defined benefit pension plans of the Group for the year ended December 31, 2017 are $8,070.

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 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 Corporation Ltd., Gallant Micro Machining (Malaysia) Sdn. Bhd., Ltd., Quality Products and Services (Thailand) Co., Ltd., King Mechatronics Co., Ltd., Chun-Zhun Enterprise Corporation 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 March 31, 2017 and 2016 were $8,520 and $10,852, respectively.

(15) Share-based payment

A. For the years ended December 31, 2017 and 2016 the Group's share-based payment arrangements were as follows (The employee stock options plan was issued by Gallant Micro. Machining Co., Ltd.):

| Type of arrangement | Grant date | Quantity granted | Contract period | Vesting conditions |
|---|---|---|---|---|
| Employee stock options plan for the year ended December 31, 2016 | 105.03.22 | 950 | 1 year | NOTE |

NOTE: 100% of the stock options rights were vested since grant date. The right will be expired if the stock options were not exercised after contract period.

The above share-based payment arrangements are settled by equity.

B. Details of the share-based payment arrangements are as follows: (Gallant Micro. Machining Co., Ltd. shall issue the stock for the share-based payment)

For the period ended March 31, 2017: none.

| | 2016 | |
|---|---|---|
| | No. of options (shares in thousands) | Weighted-average exercise price (in dollars) |
| Options outstanding opening balance at January 1 | - | - |
| Options granted | 950 | 32.5 |
| Options exercised | - | - |
| Options outstanding at March 31 | 950 | 32.5 |
| Options exercisable at March 31 | - | - |

C. The expiry date and exercise price of stock options outstanding at balance sheet date are as follows: none

D. The fair value of stock options granted on grant date is measured using the Binomial option-pricing model. Relevant information is as follows:

| Type of arrangement | Grant date | Stock price | Exercise price | Expected price volatility | Expected option life | Expected dividends | Risk-free interest rate | Fair value per unit |
|---|---|---|---|---|---|---|---|---|
| Employee stock options plan for the year ended December 31, 2016 | 105.3.22 | 25.10 (in dollars) | 32.5 (in dollars) | 39.92% (NOTE) | 0.172 (years) | 50% | 0.67% | 0.12 (in dollars) |

(16) Share capital

A. As of March 31, 2017, 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 three-month period ended March 31, 2017 | For the three-month period ended March 31, 2016 |
|---|---|---|
| At January 1/ At March 31 | 165,136 | 165,136 |

(17) 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:

| | Share premium | Treasury share transactions | Difference between consideration and carrying amount of subsidiaries acquired or disposed | Net change in equity of associates | Employee stock option | Total |
|---|---|---|---|---|---|---|
| At January 1, 2017 and March 31, 2017 | $ 193,222 | $ 31,399 | $ 1,879 | $ 12,003 | $ 4,446 | $ 242,949 |

| | Share premium | Treasury share transactions | Difference between consideration and carrying amount of subsidiaries acquired or disposed | Net change in equity of associates | Employee stock option | Total |
|---|---|---|---|---|---|---|
| At January 1, 2016 and March 31, 2016 | $ 226,249 | $ 31,399 | $ 1,879 | $ 12,003 | $ 4,446 | $ 275,976 |

(18) 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. When such legal reserve amounts to the total authorized capital, the Company shall not be subject to this requirement. The Company may then appropriate or reverse a certain amount as special reserve according to the demand for the business or relevant regulations. After the distribution of earnings, the remaining earnings and prior years' undistributed earnings may be appropriated according to a resolution of the Board of Directors adopted in the shareholders' meeting. 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. The Company recognized dividends distributed to owners amounting to $132,109 ($0.8 (in dollars) per share) and $57,797 ($0.35 (in dollars) per share) for the years ended December 31, 2016 and 2015, respectively. On May 5, 2017, the Board of Directors proposed that total dividends for the distribution of earning for the year of 2016 was $231,191 with $1.4 (in dollars) per share and appropriated $45,182 thousands as special reserve. Information about the distribution of earning of the Company resolved by the meeting of Board of Directors and resolved by the shareholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

E. The Board of Directors, and the shareholders resolved that capital surplus used to distribute cash for the distribution of 2016 earning was $66,054($0.4 (in dollars) per share) and $33,027 ($0.2 (in dollars) per share), on May 5, 2017 and June 27, 2016, respectively.

F. For the information relating to employees' compensation (bonuses) and directors' and supervisors' remuneration, please refer to Note 6(25).

(19) Other equity items

| | For the three-month period ended March 31, 2017 | | |
|---|---|---|---|
| | Available-for-sale investment | Currency translation | Total |
| At January 1 | ($ 12,784) | ($ 32,398) | ($ 45,182) |
| Revaluation – gross | ( 611) | - | ( 611) |
| Currency translation differences:–group | - | ( 48,886) | ( 48,886) |
| At March 31 | ($ 13,395) | ($ 81,284) | ($ 94,679) |

| | For the three-month period ended March 31, 2016 | | |
|---|---|---|---|
| | Available-for-sale investment | Currency translation | Total |
| At January 1 | ($ 13,521) | 46,982 | 33,461 |
| Revaluation – gross | ( 2,315) | - | ( 2,315) |
| Currency translation differences: –group | - | 4,286 | 4,286 |
| At March 31 | ($ 15,836) | $ 51,268 | $ 35,432 |

(20) Operating revenue

| | For the three-month period ended March 31, 2017 | For the three-month period ended March 31, 2016 |
|---|---|---|
| Sales revenue | $ 1,211,218 | $ 565,167 |
| Technology service revenue | 28,060 | 41,862 |
| Total | $ 1,239,278 | $ 607,029 |

(21) Other income

| | For the three-month period ended March 31, 2017 | For the three-month period ended March 31, 2016 |
|---|---|---|
| Interest income | $ 3,371 | $ 3,950 |
| Rental revenue | 6,015 | 6,092 |
| Government subsidy income | 8,964 | 3,227 |
| Others | 2,312 | - |
| Total | $ 20,662 | $ 13,269 |

(22) Other gains and losses

| | For the three-month period ended March 31, 2017 | For the three-month period ended March 31, 2016 |
|---|---|---|
| Net gains (losses) on financial assets and liabilities at fair value through profit or loss | $ 511 | $ 2,724 |
| Net currency exchange (losses) gains | ( 42,388) | ( 6,714) |
| Losses on disposal of property, plant and equipment | ( 21) | - |
| Others | ( 17) | ( 659) |
| Total | ($ 41,915) | ($ 4,649) |

(23) Finance costs

| | For the three-month period ended March 31, 2017 | For the three-month period ended March 31, 2016 |
|---|---|---|
| Interest expense | $ 3,490 | $ 2,692 |

(24) Expenses by nature

| | For the three-month period ended March 31, 2017 | For the three-month period ended March 31, 2016 |
|---|---|---|
| Employee benefit expense | $ 189,065 | $ 160,644 |
| Depreciation charges on property, plant and equipment | 6,605 | 7,746 |
| Amortization charges on intangible assets | 7,274 | 2,488 |
| | $ 202,944 | $ 170,878 |

(25) Employee benefit expense

| | For the three-month period ended March 31, 2017 | For the three-month period ended March 31, 2016 |
|---|---|---|
| Wages and salaries | $ 157,727 | $ 131,986 |
| Labour and health insurance fees | 15,071 | 11,256 |
| Pension costs | 8,936 | 11,256 |
| Other personnel expenses | 7,331 | 6,146 |
| | $ 189,065 | $ 160,644 |

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 years ended March 31, 2017 and 2016, employees’ compensation was accrued at $4,226 and $3,645, respectively; directors’ and supervisors’ remuneration was accrued at $845 and $1,094, 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 3% of profit of current year distributable for the year ended March 31, 2016.

On March 17, 2017, the amount of the employees’ compensation and directors’ and supervisors’ remuneration resolved by the Board of Directors were $40,665 and $8,133, respectively.

Employees’ compensation and directors’ and supervisors’ remuneration of 2015 as resolved by the meeting of Board of Directors were in agreement with those amounts recognized in the 2015 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.

(26) Income tax

A. Income tax expense

(a) Components of income tax expense:

| | For the three-month period ended March 31, 2017 | For the three-month period ended March 31, 2016 |
|---|---|---|
| Current tax: | | |
| Current tax on profits for the period | $ 26,312 | $ 8,189 |
| Prior year income tax (over) underestimate | 1 | 1,489 |
| Total current tax | 26,313 | 9,678 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | ( 17,414 ) | ( 3,774 ) |
| Total deferred tax | ( 17,414 ) | ( 3,774 ) |
| Income tax expense | $ 8,899 | $ 5,904 |

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows: None.

B. The Company's income tax returns through 2014 have been assessed and approved by the Tax Authority.

C. Unappropriated retained earnings:

| | March 31, 2017 | December 31, 2016 | March 31, 2016 |
|---|---|---|---|
| Earnings generated in and after 1998 | $ 336,488 | $ 305,550 | $ 235,275 |

D. As of March 31, 2017, December 31, 2016 and March 31, 2016, the balance of the imputation tax credit account was $30,462, $30,462 and $669, respectively. The creditable tax rate was 11.47% for 2015 and was estimated to be 9.97% for 2016.

(27) Earnings per share

| | For the three-month period ended March 31, 2017 | | |
|---|---|---|---|
| | Amount after tax | Weighted average number of ordinary shares outstanding (share in thousands) | Earnings per share (in dollars) |
| Basic earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 30,938 | 165,136 | $ 0.19 |
| Assumed conversion of all dilutive potential ordinary shares-Employees' bonus | - | 1,372 | |
| Diluted earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | $ 30,938 | 166,508 | $ 0.19 |

| | For the three-month period ended March 31, 2016 | | |
|---|---|---|---|
| | Amount after tax | Weighted average number of ordinary shares outstanding (share in thousands) | Earnings per share (in dollars) |
| Basic earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 34,455 | 165,136 | $ 0.21 |
| Assumed conversion of all dilutive potential ordinary shares-Employees' bonus | - | 1,671 | |
| Diluted earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | $ 34,455 | 166,807 | $ 0.21 |

(28) Transactions with non-controlling interest

A. The Group did not acquire share increase raised by a subsidiary proportionally to its interest to the subsidiary

Subsidiary Gallant Micro. Machining Co., Ltd. of the Group increased capital by issuing new shares on May 20, 2016. The Group did not acquire shares proportionally to its interest.As a result, the Group decreased 2.57% interest of shares. The transaction increased non-controlling interest by $32,372 and decreased the equity attributable to owners of parent by $1,383. The effect of changes in interests in Gallant Micro. Machining Co., Ltd. on the equity attributable to owners of the parent for the year ended December 31, 2016 is shown below:

| | Year ended December 31, 2016 |
|---|---|
| Cash | $ 30,875 |
| Increase in the carrying amount of non-controlling interest | ( 32,372) |
| Capital surplus (compensation cost of employees stock options) | 114 |
| Capital surplus- recognition of changes in ownership interest in subsidiaries (unappropriated retained earnings) | ( $ 1,383 ) |

(29) 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:

| | March 31, 2017 | December 31, 2016 | March 31, 2016 |
|---|---|---|---|
| Not later than one year | $ 5,719 | $ 11,616 | $ 23,590 |
| Later than one year but not later than five years | - | - | 6,552 |
| | $ 5,719 | $ 11,616 | $ 30,142 |

B. The Group leases in plant assets under non-cancellable operating lease agreements. The lease terms are between 2013 and 2036 years. The Group recognized rental expenses of $5,286 and $5,597 for the three-month periods ended March 31, 2017 and 2016, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

| | March 31, 2017 | December 31, 2016 | March 31, 2016 |
|---|---|---|---|
| Not later than one year | $ 17,633 | $ 20,030 | $ 19,654 |
| Later than one year but not later than five years | 50,721 | 42,627 | 49,525 |
| Later than five years | 30,371 | 44,509 | 22,362 |
| | $ 98,725 | $ 107,166 | $ 91,541 |

(30) Supplemental cash flow information

Investing activities with partial cash payments

| | For the three-month period ended March 31, 2017 | For the three-month period ended March 31, 2016 |
|---|---|---|
| Purchase of property, plant and equipment | $ 5,176 | $ 2,616 |
| Add: opening balance of payable on equipment | 1,803 | 2,693 |
| Less: ending balance of payable on equipment | ( 2,633) | ( 1,647) |
| Cash paid during the period | $ 4,346 | $ 3,662 |

7. RELATED-PARTY TRANSACTIONS

(1) Names and relationship of related parties

| Names of related parties | Relationship with the Company |
|---|---|
| Gallant Micro. Machining Co., Ltd. | Investment accounted for using equity method |
| APEX-I International Co., Ltd. | Investment accounted for using equity method |
| Hitachi Zosen GPM Technology（Suzhou）Co.,Ltd. | Investment accounted for using equity method |
| Gallant Precision Industries (Suzhou) Co., Ltd. | Investment accounted for using equity method |
| Sunengine Co., Ltd. | Investment accounted for using equity method |

(2) Significant related party transactions

A. Operating revenue:

| | For the three-month period ended March 31, 2017 | For the three-month period ended March 31, 2016 |
|---|---|---|
| Sales of goods: | | |
| Associates | $ 292 | $ 224 |

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. Receivables from related parties:

| | March 31, 2017 | December 31, 2016 | March 31, 2016 |
|---|---|---|---|
| Accounts receivable: | | | |
| Associates | $ 355 | $ 293 | $ 589 |

C. Loans to /from related parties:

(a) Loans to related parties:

i. Outstanding balance:

| | March 31, 2017 | December 31, 2016 | March 31, 2016 |
|---|---|---|---|
| Associates | $ - | $ - | $ 29,082 |

ii. Interest income

| | For the three-month period ended March 31, 2017 | For the three-month period ended March 31, 2016 |
|---|---|---|
| Associates | $ - | $ 220 |

The loans to associates are repayable monthly over 1 years and carry interest at 2% and 2% per annum for the years ended December 31, 2017 and 2016, respectively.

(3) Key management compensation

| | For the three-month period ended March 31, 2017 | For the three-month period ended March 31, 2016 |
|---|---|---|
| Payroll and Salaries and other short-term employee benefits | $ 15,492 | $ 12,832 |
| Post-employment benefits | 255 | 360 |
| Total | $ 15,747 | $ 13,192 |

8. PLEDGED ASSETS

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

| | Book value | | | |
|---|---|---|---|---|
| Pledged asset | March 31, 2017 | December 31, 2016 | March 31, 2016 | Purpose |
| Time deposits (shown as "other current assets") | $ 28,455 | $ 17,519 | $ 60,296 | Exercise guarantee for construction |
| Time deposits (shown as "other non-current assets") | 19,235 | 19,338 | 36,649 | Exercise guarantee for construction and customs deposit |
| Property, plant and equipment | 414,384 | 417,214 | 425,707 | Long-term borrowings |
| | $ 462,074 | $ 454,071 | $ 522,652 | |

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingent liabilities

As of March 31, 2017 and December 31, 2016 and March 31, 2016, the bank open a guarantee letter for the Company due to business tender and guarantee for construction amounting to $74,233, $113,174 and $48,914, respectively.

(2) Unrecognized contract commitments

A. Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

| | March 31, 2017 | December 31, 2016 | March 31, 2016 |
|---|---|---|---|
| Property, plant and equipment | $ 104,550 | $ - | $ - |

B. Operating lease commitments: please refer to note 6(29).

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 three-month period ended March 31, 2017. For more information, please refer to note 12 in the Group's consolidated financial statements for the year ended December 31, 2016.

(2) Financial instruments

A. Fair value information of financial instruments

No significant change was made during the three-month period ended March 31, 2017. For more information, please refer to note 12 in the Group's consolidated financial statements for the year ended December 31, 2016.

B. Financial risk management policies

No significant change was made during the three-month period ended March 31, 2017. For more information, please refer to note 12 in the Group's consolidated financial statements for the year ended December 31, 2016.

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, 2016, 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:

| | March 31, 2017 | | |
|---|---|---|---|
| | Foreign currency amount (In thousands) | Exchange rate | Book value (NTD) |
| (Foreign currency: functional currency) | | | |
| Financial assets | | | |
| Monetary items | | | |
| USD:NTD | $ 46,752 | 30.33 | $ 1,417,999 |
| JPY:NTD | 37,653 | 0.2713 | 10,215 |
| RMB:NTD | 38,827 | 4.407 | 171,109 |
| SGD:NTD | 1,136 | 21.71 | 24,662 |
| EUR:NTD | 47 | 32.43 | 1,520 |
| USD: RMB | 6,477 | 6.8822 | 196,443 |
| Non-monetary items: None | | | |
| Financial liability | | | |
| Monetary items | | | |
| USD:NTD | $ 19,558 | 30.33 | $ 593,204 |
| JPY:NTD | 157,254 | 0.2713 | 42,663 |
| RMB:NTD | 233 | 4.407 | 1,029 |
| EUR:NTD | 89 | 32.43 | 2,897 |
| USD: RMB | 503 | 6.8822 | 15,254 |
| Non-monetary items :None | | | |

| | December 31, 2016 | | |
|---|---|---|---|
| | Foreign currency amount (In thousands) | Exchange rate | Book value (NTD) |
| (Foreign currency: functional currency) | | | |
| Financial assets | | | |
| Monetary items | | | |
| USD:NTD | $ 37,731 | 32.25 | $ 1,216,837 |
| JPY:NTD | 119,798 | 0.2756 | 33,016 |
| RMB:NTD | 36,665 | 4.617 | 169,283 |
| SGD:NTD | 1,120 | 22.29 | 24,965 |
| EUR:NTD | 32 | 33.9 | 1,069 |
| USD: RMB | 6,137 | 6.9851 | 197,907 |
| Investments accounted for using equity method | | | |
| RMB:NTD | 2,538 | 4.617 | 11,718 |
| Non-monetary items :None | | | |
| Financial liability | | | |
| Monetary items | | | |
| USD:NTD | $ 20,479 | 32.25 | $ 660,442 |
| JPY:NTD | 170,666 | 0.2756 | 47,036 |
| RMB:NTD | 1,076 | 4.617 | 4,969 |
| EUR:NTD | 39 | 33.9 | 1,321 |
| USD: RMB | 515 | 6.9851 | 16,615 |
| Non-monetary items :None | | | |

| | March 31, 2016 | | |
|---|---|---|---|
| | Foreign currency amount (In thousands) | Exchange rate | Book value (NTD) |
| (Foreign currency: functional currency) | | | |
| Financial assets | | | |
| Monetary items | | | |
| USD:NTD | $ 25,257 | 32.185 | $ 812,911 |
| JPY:NTD | 159,211 | 0.2863 | 45,582 |
| RMB:NTD | 4,817 | 4.972 | 23,949 |
| SGD:NTD | 484 | 23.85 | 11,553 |
| USD: RMB | 5,336 | 6.4733 | 171,740 |
| Investments accounted for using equity method | | | |
| RMB:NTD | 7,103 | 4.972 | 35,316 |
| Non-monetary items :None | | | |

| | March 31, 2016 | | |
|---|---|---|---|
| | Foreign currency amount (In thousands) | Exchange rate | Book value (NTD) |
| Financial liability | | | |
| Monetary items | | | |
| USD:NTD | $ 35,725 | 32.185 | $ 1,149,812 |
| JPY:NTD | 179,440 | 0.2863 | 51,374 |
| RMB:NTD | 740 | 4.972 | 3,677 |
| EUR:NTD | 17 | 36.51 | 630 |
| USD: RMB | 308 | 6.4733 | 9,919 |
| Non-monetary items :None | | | |

ii . The unrealized exchange loss, including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the three-month periods ended March 31, 2017 and 2016, amounted ($42,388) and( $6,714), respectively.

iii. Analysis of foreign currency market risk arising from significant foreign exchange variation:

| | For the three-month period ended March 31, 2017 | | |
|---|---|---|---|
| | Sensitivity analysis | | |
| | Degree of variation | Effect on profit or loss | Effect on other comprehensive income |
| (Foreign currency: functional currency) | | | |
| Financial assets | | | |
| Monetary items | | | |
| USD:NTD | 1% | $ 14,180 | $ - |
| JPY:NTD | 1% | 102 | - |
| RMB:NTD | 1% | 1,711 | - |
| SGD:NTD | 1% | 247 | - |
| EUR:NTD | 1% | 15 | |
| USD: RMB | 1% | 1,964 | - |
| Financial liability | | | |
| Monetary items | | | |
| USD:NTD | 1% | ($ 5,932) | $ - |
| JPY:NTD | 1% | ( 427) | - |
| RMB:NTD | 1% | ( 10) | - |
| EUR:NTD | 1% | ( 29) | - |
| USD: RMB | 1% | ( 153) | - |

| | For the three-month period ended March 31, 2016 | | |
|---|---|---|---|
| | Sensitivity analysis | | |
| | Degree of variation | Effect on profit or loss | Effect on other comprehensive income |
| (Foreign currency: functional currency) | | | |
| Financial assets | | | |
| Monetary items | | | |
| USD:NTD | 1% | $ 8,129 | $ - |
| JPY:NTD | 1% | 456 | - |
| RMB:NTD | 1% | 239 | - |
| SGD:NTD | 1% | 116 | - |
| USD: RMB | 1% | 1,717 | - |
| Investments accounted for using equity method | | | |
| RMB:NTD | 1% | - | 353 |
| Financial liability | | | |
| Monetary items | | | |
| USD:NTD | 1% | ($ 11,498) | $ - |
| JPY:NTD | 1% | ( 514) | - |
| RMB:NTD | 1% | ( 37) | - |
| EUR:NTD | 1% | ( 6) | - |
| USD: RMB | 1% | ( 99) | - |

Price risk

A. The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. 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 financial assets at fair value through profit or loss mainly were beneficiary certificates. The prices of financial instruments would change due to the change of the future value of investment companies. If the prices of these financial instruments had increased/decreased by 1% with all other variables held constant, post-tax profit for the three-month periods ended March 31, 2017 and 2016 would have increased/decreased by $1,914 and $540, respectively.

C. The Group’s investments in equity securities comprise domestic listed and unlisted stocks. 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 by 1% with all other variables held constant, other components of equity for the three-month periods ended March 31, 2017 and 2016 would have increased/decreased by $191 and $167, respectively, as a result of gains/losses on equity securities classified as available-for-sale.

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 March 31, 2017 and 2016, the Group's borrowings at variable rate were denominated in the NTD, USD. If the interest rate had increased/decreased by 1%, the amount of cash flow out for the three-month periods ended March 31, 2017 and 2016 would have increased/decreased by $4,994 and $5,643, respectively.

(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 mouth 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 March 31, 2017, December 31, 2016 and March 31, 2016, the Group held money market position of $1,745,930 and $2,291,055 and $1,520,339, respectively, that are expected to readily generate cash inflows for managing liquidity risk.

iii. 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:

| March 31, 2017 | Less than 3 months | 3 months and 1year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|---|---|---|---|---|---|
| Short-term borrowings | $ 216,860 | $ 222,925 | $ - | $ - | $ - |
| Notes payable | 18,450 | - | - | - | - |
| Accounts payable | 602,171 | 459,653 | - | 476,198 | - |
| Other payables | 173,895 | 112,229 | - | - | - |
| Long-term borrowings (including current portion) | 7,965 | 23,800 | 82,354 | 236,510 | 11,192 |

Non-derivative financial liabilities:

| December 31, 2016 | Less than 3 months | 3 months and 1year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|---|---|---|---|---|---|
| Short-term borrowings | $ 416,378 | $ 125,775 | $ - | $ - | $ - |
| Accounts payable | 531,408 | 562,701 | - | 420,164 | - |
| Other payables | 300,591 | 93,459 | - | - | - |
| Long-term borrowings (including current portion) | 8,987 | 23,879 | 62,389 | 242,262 | 13,290 |

Non-derivative financial liabilities:

| March 31, 2016 | Less than 3 months | 3 months and 1year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|---|---|---|---|---|---|
| Short-term borrowings | $ 272,817 | $ 133,505 | $ - | $ - | $ - |
| Accounts payable | 456,837 | 394,465 | - | 121,620 | - |
| Other payables | 126,781 | 87,682 | 100 | - | - |
| Long-term borrowings (including current portion) | 8,032 | 24,004 | 31,763 | 259,679 | 19,694 |

Derivative financial liabilities:

| March 31, 2017 | Less than 3 months | 3 months and 1year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|---|---|---|---|---|---|
| Financial liabilities at fair value through profit or loss | $ - | $ - | $ - | $ - | $ - |

Derivative financial liabilities:

| December 31, 2016 | Less than 3 months | 3 months and 1year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|---|---|---|---|---|---|
| Financial liabilities at fair value through profit or loss | $ - | $ - | $ - | $ - | $ - |

Derivative financial liabilities:

| March 31, 2016 | Less than 3 months | 3 months and 1year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|---|---|---|---|---|---|
| Financial liabilities at fair value through profit or loss | $ 56 | $ 1,050 | $ - | $ - | $ - |

(3) Fair value information

A. Details of the fair value of the Group’s financial assets and financial liabilities not measured at fair value are provided in Note 12(2) A.

B. 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.

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 at March 31, 2017, December 31, 2016 and March 31, 2016 is as follows:

| March 31, 2017 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets | | | | |
| Recurring fair value measurements | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Beneficiary certificates | $ 191,431 | $ - | $ - | $ 191,431 |
| Available-for-sale financial assets | | | | |
| Equity securities | 47 | 17,650 | 1,394 | 19,091 |
| Total | $ 191,478 | $ 17,650 | $ 1,394 | $ 210,522 |
| Liabilities | | | | |
| Recurring fair value measurements | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| Options | $ - | $ - | $ - | $ - |

| December 31, 2016 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets | | | | |
| Recurring fair value measurements | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Beneficiary certificates | $ 383,125 | $ - | $ - | $ 383,125 |
| Available-for-sale financial assets | | | | |
| Equity securities | 47 | 18,261 | 1,394 | 19,702 |
| Total | $ 383,172 | $ 18,261 | $ 1,394 | $ 402,827 |
| Liabilities | | | | |
| Recurring fair value measurements | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| Options | $ - | $ - | $ - | $ - |

| March 31, 2016 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets | | | | |
| Recurring fair value measurements | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Beneficiary certificates | $ 54,029 | $ - | $ - | $ 54,029 |
| Available-for-sale financial assets | | | | |
| Equity securities | 47 | 14,210 | 2,455 | 16,712 |
| Total | $ 54,076 | $ 14,210 | $ 2,455 | $ 70,741 |
| Liabilities | | | | |
| Recurring fair value measurements | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| Options | $ - | $ 1,106 | $ - | $ 1,106 |

D. The methods and assumptions the Group used to measure fair value are as follows:

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

| | Listed shares | Closed-end fund | Open-end fund |
|---|---|---|---|
| Market quoted price | Closing price | Closing price | Net asset value |

(b) 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).

(c) 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.

(d) 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.

(e) 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.

(f) 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.

E. For the March 31, 2017 and March 31, 2016, there was no transfer into or out from Level 3.

F. The following chart is the financial instruments movement of Level 3 for the three-month periods ended March 31, 2017 and 2016:

| | For the three-month period ended March 31, 2017 | For the three-month period ended March 31, 2016 |
|---|---|---|
| | equity instrument | equity instrument |
| At January 1 | $ 1,394 | $ 2,455 |
| Sold in the period | - | - |
| Gains and losses recognized in profit or loss | - | - |
| Gains and losses recognized in other comprehensive income | - | - |
| At March 31 | $ 1,394 | $ 2,455 |

G. For the three-month periods ended March 31, 2017 and 2016, there was no transfer into or out from Level 3.

H. 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.

I. 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:

| | March 31, 2017 | Valuation technique | Significant unobservable input | Range (weighted average) | Relationship of inputs to fair value |
|---|---|---|---|---|---|
| Derivative equity instrument: | | | | | |
| Unlisted shares | $ 1,188 | Market comparable companies | Price to book ratio multiple | 1.21~1.23 | The higher the multiple, the higher the fair value |

| | December 31, 2016 | Valuation technique | Significant unobservable input | Range (weighted average) | Relationship of inputs to fair value |
|---|---|---|---|---|---|
| Derivative equity instrument: | | | | | |
| Unlisted shares | $ 1,394 | Market comparable companies | Price to book ratio multiple | 1.17~1.19 | The higher the multiple , the higher the fair value |

| | March 31, 2016 | Valuation technique | Significant unobservable input | Range(weighted average) | Relationship of inputs to fair value |
|---|---|---|---|---|---|
| Derivative equity instrument: | | | | | |
| Unlisted shares | $ 2,519 | Market comparable companies | Price to book ratio multiple | 1.15~1.17 | The higher the multiple , the higher the fair value |

J. 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:

| | | | March 31, 2017 | | | |
|---|---|---|---|---|---|---|
| | | | Recognized in profit or loss | | Recognized in other comprehensive income | |
| | Input | Change | Favourable change | Unfavourable change | Favourable change | Unfavourable change |
| Financial assets | | | | | | |
| Equity instrument | Price to book ratio multiple | ±1% | $ - | $ - | $ 11 | ($ 13) |

| | Input | Change | December 31, 2016 | | | |
|---|---|---|---|---|---|---|
| | | | Recognized in profit or loss | | Recognized in other comprehensive income | |
| | | | Favourable change | Unfavourable change | Favourable change | Unfavourable change |
| Financial assets | | | | | | |
| Equity instrument | Price to book ratio multiple | ±1% | $ - | $ - | $ 14 | ($ 13) |

| | Input | Change | March 31, 2016 | | | |
|---|---|---|---|---|---|---|
| | | | Recognized in profit or loss | | Recognized in other comprehensive income | |
| | | | Favourable change | Unfavourable change | Favourable change | Unfavourable change |
| Financial assets | | | | | | |
| Equity instrument | Price to book ratio multiple | ±1% | $ - | $ - | $ 26 | ($ 25) |

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 paidin capital or more: None.

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: Please refer to Notes 6(2).

J. Significant inter-company transactions during the reporting periods: Please refer to table 3.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China)：Please refer to table 4.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 5.

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

## 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:

For the three-month period ended March 31, 2017

| | Gallant Precision Machining Co., Ltd | Gallant-Rapid Corporation Ltd. | Gallant Micro. Machining Co., Ltd. | Gallant Precision Machinery (BVI)Ltd. | Chun-Zhun Enterprise Corpration (BVI)Ltd. | APEX-I International Co., Ltd. | elimination | Amount |
|---|---|---|---|---|---|---|---|---|
| Revenue from external customers | $ 958,344 | $ 12,783 | $ 257,126 | $ - | $ - | $ 11,025 | $ - | $ 1,239,278 |
| Inter-segment revenue | $ 13,391 | $ 28,588 | $ - | $ - | $ - | $ - | ($ 41,979) | $ - |
| Segment income | $ 31,861 | ($ 38,929) | $ 27,077 | $ 1,399 | ($ 137) | $ 971 | $ 23,978 | $ 46,220 |
| Total segment assets | $ 5,059,094 | $ 406,659 | $ 1,276,622 | $ 368,250 | $ 13,878 | $ 73,068 | ($ 1,400,781) | $ 5,796,790 |

For the three-month period ended March 31, 2016

| | Gallant Precision Machining Co., Ltd | Gallant-Rapid Corporation Ltd. | Gallant Micro. Machining Co., Ltd. | Gallant Precision Machinery (BVI)Ltd. | Chun-Zhun Enterprise Corpration (BVI)Ltd. | APEX-I International Co., Ltd. | elimination | Amount |
|---|---|---|---|---|---|---|---|---|
| Revenue from external customers | $ 370,700 | $ 8,594 | $ 215,043 | $ - | $ - | $ 12,692 | $ - | $ 607,029 |
| Inter-segment revenue | $ 4,601 | $ 30,636 | $ - | $ - | $ - | $ - | ($ 35,237) | $ - |
| Segment income | $ 32,208 | ($ 23,857) | $ 31,351 | $ 1,707 | ($ 119) | ($ 4,834) | $ 10,706 | $ 47,162 |
| Total segment assets | $ 4,185,162 | $ 339,291 | $ 1,288,465 | $ 409,113 | $ 15,698 | $ 100,927 | ($ 1,351,189) | $ 4,987,467 |

(3) Reconciliation for segment income (loss)

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 three-month periods ended March 31, 2017 and 2016 is provided as follows:

| | For the three-month period ended March 31, 2017 | For the three-month period ended March 31, 2016 |
|---|---|---|
| Reportable segments income/(loss) | $ 22,242 | $ 36,456 |
| Other | 23,978 | 10,706 |
| Income/(loss) before tax from continuing operations | $ 46,220 | $ 47,162 |

B. 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:

| | March 31, 2017 | March 31, 2016 |
|---|---|---|
| Assets of reportable segments | $ 7,197,571 | $ 6,338,656 |
| Elimination of intersegment assets | ( 1,400,781) | ( 1,351,189) |
| Total assets | $ 5,796,790 | $ 4,987,467 |

# GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES

## ENDORSEMENTS/GUARANTEES PROVIDED

## FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2017

(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(Note1) | 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(Note1) | 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 | 461,991 | 247,018 | 245,495 | - | - | 10.63 | 1,154,978 | 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 2

# GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD (NOT INCLUDING SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)

## MARCH 31, 2017

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

| | | | | March 31, 2016 | | | | |
|---|---|---|---|---|---|---|---|---|
| Held Company Name | Marketable Securities Type and Name | Relationship with the company | Financial Statement Account | Shares/Units | Carrying Value | Percentage of Ownership | Fair Value | Footnote |
| Gallant Precision Machining Co., Ltd. | Power Fund-class A | - | Financial assets at fair value through profit or loss-current | 422,903 | $ 31,334 | - | $ 31,357 | |
| Gallant Precision Machining Co., Ltd. | Mega Diamond Money Market | - | Financial assets at fair value through profit or loss-current | 6,443,922 | 80,086 | - | 80,086 | |
| Gallant Precision Machining Co., Ltd. | Jihsun Monetary Market Fund | - | Financial assets at fair value through profit or loss-current | 2,724,703 | 40,006 | - | 40,006 | |
| Gallant Precision Machining Co., Ltd. | Union Money Market | | Financial assets at fair value through profit or loss-current | 3,055,394 | 40,005 | - | 40,005 | |
| Gallant Precision Machining Co., Ltd. | E&R Engineering corp. | - | Available-for-sale financial assets | 10,000 | 47 | 0.02 | 290 | |
| Gallant Precision Machining Co., Ltd. | Unicon Optical Co., Ltd. | - | Available-for-sale financial assets | 1,071,657 | 17,650 | 0.98 | 17,650 | |
| Gallant-Rapid Corpration Ltd. | Phoenix Pioneer Technology Co., Ltd. | - | Financial assets carried at cost – noncurrent | 669,375 | 29,988 | 1.34 | - | |
| King Mechatronics Co., Ltd. | POWER EVER ENTFRPRISES LIMITED | - | Financial assets carried at cost - noncurrent | 624,726 | 36,431 | 10.00 | - | |
| APEX-I International Co., Ltd. | Shinyu Light Co., Ltd. | - | Available-for-sale financial assets | 286,891 | 1,394 | 3.82 | 1,394 | |

# GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES

## INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS

## FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2017

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

| No. (Note 1) | Company Name | Counter Party | Nature of Relationship (Note 2) | Intercompany Transactions | | | |
|---|---|---|---|---|---|---|---|
| | | | | Financial Statements Item | Amount | Terms | Percentage of Consolidated Net Revenue or Total Assets(Note 3) |
| | Gallant Precision Machining Co., Ltd | Gallant Precision Industries (Suzhou) Co., Ltd. | 1 | Purchases | $ 28,688 | subject to the terms and conditions agreed upon by both parties | 2.31 |
| | Gallant Precision Machining Co., Ltd | Gallant Precision Industries (Suzhou) Co., Ltd. | 1 | Accounts payable | 60,781 | subject to the terms and conditions agreed upon by both parties | 1.05 |
| 1 | Gallant Micro. Machining Co., Ltd. | King Mechatronics Co., Ltd. | 3 | Accounts payable | 13,761 | subject to the terms and conditions agreed upon by both parties | 0.24 |
| 1 | Gallant Micro. Machining Co., Ltd. | King Mechatronics Co., Ltd. | 3 | Purchases | 15,291 | subject to the terms and conditions agreed upon by both parties | 1.23 |
| 2 | King Mechatronics Co., Ltd. | Gallant Micro. Machining (Suzhou) Co., Ltd. | 3 | Accounts payable | 55,402 | subject to the terms and conditions agreed upon by both parties | 0.96 |
| 2 | King Mechatronics Co., Ltd. | Gallant Micro. Machining (Suzhou) Co., Ltd. | 3 | Purchases | 19,844 | subject to the terms and conditions agreed upon by both parties | 1.60 |

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 4

# GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES

## NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)

## FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2017

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

| | | | | Original Investment Amount | | Balance as of March 31, 2016 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Investor Company | Investee Company | Location | Main Businesses and Products | March 31, 2017 | December 31,2016 | Shares | Percentage of Ownership | Carrying Value | Net Income (Losses) of the Investee | Share of Profits/ Losses of Investee | Footnote |
| Gallant Precision Machining Co., Ltd. | Gallant-Rapid Corporation Ltd. | British Virgin Islands | Investing in Gallant Precision Industries (Suzhou) Co., Ltd. | $ 487,570 | $ 487,570 | 14,560,000 | 100.00 | $ 315,937 | ( $ 38,929 ) | ( $ 38,929 ) | |
| 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 | 365,619 | 1,399 | 1,399 | |
| Gallant Precision Machining Co., Ltd. | APEX-I International Co., Ltd. | Taiwan | Marketing and selling of process equipment of LCD and related parts. | 42,824 | 42,824 | 6,212,000 | 94.12 | 63,192 | 971 | 914 | |
| Gallant Precision Machining Co., Ltd. | Chun-Zhun Enterprise Corpration 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 | 12,448 | ( 137 ) | ( 137 ) | |
| Gallant Precision Machining Co., Ltd. | Sunengine Co., Ltd. | Taiwan | Manufacturing and selling of battery and energy technology services business | 366,877 | 366,877 | 22,748,958 | 37.84 | 165,932 | ( 62,570 ) | ( 23,677 ) | |
| Gallant Precision Machining Co., Ltd. | Gallant Micro. Machining Co., Ltd. | Taiwan | Manufacturing and selling of semiconductor related equipment and parts | 420,218 | 420,218 | 17,200,750 | 66.88 | 550,180 | 19,101 | 12,775 | |
| 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 | 598,171 | 8,566 | - | |
| 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 | 2,741 | ( 15 ) | - | |

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

Table 5

# GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
## INFORMATION ON INVESTMENT IN MAINLAND CHINA
## FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2017

(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, 2017 | Investment Flows: Outflow | Investment Flows: Inflow | Accumulated Outflow of Investment from Taiwan as of March 31, 2017 | Net Income (Losses) of the Investee Company | Percentage of Ownership | Share of Profits/Losses | Carrying Amount as of March 31, 2017 | Accumulated Inward Remittance of Earnings as of March 31, 2017 | Footnote |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Gallant Precision Industries (Suzhou) Co., Ltd. | Manufacturing of optoelectronic products equipment, mechanical equipment and related parts | $ 282,676 | 2 | $ 249,950 | $ - | $ - | $ 249,950 | ($ 27,873) | 100.00 | ($ 27,873) | $ 258,994 | - $ | Note3- 2.C |
| Gallant Precision Machinery（Xiamen）Co., Ltd. | Manufacturing of optoelectronic products equipment, mechanical equipment and related parts | 579,303 | 2 | 579,303 | - | - | 579,303 | 1,427 | 100.00 | 1,427 | 366,675 | - | Note3- 2.C |
| Gallant Technology (Shenzhen) Co., Ltd. | Manufacturing of medical and mechanical related equipment | 63,268 | 2 | 63,268 | - | - | 63,268 | ( 119) | 100.00 | ( 119) | 12,161 | - | Note3- 2.C |
| CHUN-ZHUN Precision Machining(Guang Zhou Nan Sha)Corporation | - | - | 2 | 49,347 | - | - | 49,347 | - | - | - | - | - | Note3- 2.C |
| Gallant Micro. Machining (Suzhou) Co., Ltd. | Manufacturing and selling of precision mold and related parts | 138,002 | 2 | 57,627 | - | - | 57,627 | 10,217 | 66.88 | 6,833 | 565,327 | - | Note3- 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. | 167,466 | 3 | - | - | - | - | ( 3,978) | 30.00 | - | - | - | Note3- 2.C |
| Gallant International Trading Co., Ltd. | Engaged in selling of mechanical equipment | 13,221 | 3 | - | - | - | - | ( 2,922) | 100.00 | ( 2,922) | 12,878 | - | Note3- 2.C |
| Suzhou Jianmeifu Optical Co., Ltd. | Engaged in wholesale and retail of contact lenses and related care products | 17,628 | 3 | - | - | - | - | ( 1,268) | 100.00 | ( 1,268) | 6,916 | - | Note3- 2.C |
| Gallant Precision Intelligence Technology Co., Ltd. | Manufacturing of optoelectronic products equipment, mechanical equipment and related parts | 26,442 | 3 | - | - | - | - | - | 60.00 | - | 26,442 | - | Note3- 2.C |

| Investee Company | Accumulated Investment in Mainland China as of March 31, 2017 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment |
|---|---|---|---|
| Gallant Precision Machining Co., Ltd. | $ 941,868 | $ 1,105,165 | $ 1,385,974 |
| Gallant Micro. Machining Co., Ltd. | 57,627 | 57,627 | 493,583 |

Note1: The amounts of paid-in capital and accumulated beginning and ending balance have translated to New Taiwan Dollars at the closing exchange rate.

Note2: There are three methods of investment as follows

(1) Directly invest in Mainland China.

(2) Indirectly invest in Mainland China.

A. Through investing in an existing company in the third area, which then invested in investee in Mainland China: Invest through Gallant-Rapid Corporation Ltd. and then invest in Mainland China.

B. Through investing in an existing company in the third area, which then invested in investee in Mainland China: Invest through Gallant Precision Machinery (BVI) Ltd. and then invest in Mainland China.

C. Through investing in an existing company in the third area, which then invested in investee in Mainland China: Invest through Chun-Zhun Enterprise Corporation Ltd. and then invest in Mainland China.

D. Through investing in an existing company in the third area, which then invested in investee in Mainland China: Invest through King Mechatronics Co., Ltd. and then invest in Mainland China.

(3) Others.

Note3: 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.

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 THREE-MONTH PERIOD ENDED MARCH 31, 2017

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

| | Sales | | Purchases | | Procurement service revenue | Provision of Endorsements/ Guarantees or Collaterals | | Financing | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Investee Company | Amount | % | Amount | % | Ending Balance | Ending Balance | Purpose | Maximum balance | Ending Balance | Interest Rate | Interest expense | Other |
| Gallant Precision Industries (Suzhou) Co., Ltd. | $ - | - | $ 28,688 | 2.31 | $ 9,552 | - | - | - | - | - | - | - |