

**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**

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

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

To Gallant Precision Machining Co., Ltd.

Introduction

We have reviewed the accompanying consolidated balance sheets of Gallant Precision Machining Co., Ltd. and its subsidiaries as of March 31, 2018 and 2017, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three-month periods then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting," endorsed by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As stated in Note 4(3) and 6(7), the consolidated financial statements included the financial statements of certain nonsignificant subsidiaries, which were not reviewed by independent accountants. These financial statements reflect total assets amounting to \$1,113,873 thousand and \$843,398 thousand, constituting 17% and 15% of consolidated total assets as of March 31, 2018 and 2017, respectively, total liabilities amounting to \$134,722 thousand and \$68,097 thousand, constituting 4% and 2% of consolidated total liabilities as of March 31, 2018 and 2017, respectively, and total comprehensive (loss) income amounting to (\$6,072) thousand and (\$69,881) thousand, constituting (5%) and 332% of consolidated total comprehensive income (loss) for the three months ended March 31, 2018 and 2017, respectively. The investments accounted for using equity method amounting to \$65,713 thousand and \$165,932 thousand as of March 31, 2018 and 2017, respectively, and related share of the profit or loss amounting to (\$1,049) thousand and (\$23,677) thousand, constituting (1%) and 112% of total consolidated comprehensive income (loss) for the three-months ended March 31, 2018 and 2017, respectively.

Qualified Conclusion

Based on our reviews except for the effects of the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent accountants, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Gallant Precision Machining Co., Ltd. and its subsidiaries as of March 31, 2018 and 2017, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IASs 34, "Interim Financial Reporting" endorsed by the Financial Supervisory Commission of the Republic of China.

PricewaterhouseCoopers, Taiwan
May 8, 2018

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

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

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of March 31, 2018 and 2017 are reviewed, not audited)

	Assets	Notes	March 31, 2018		December 31, 2017		March 31, 2017	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 1,011,502	16	\$ 1,071,799	17	\$ 733,195	13
1110	Financial assets at fair value through profit or loss - current	6(2)	471,911	7	32,676	1	191,431	3
1136	Financial assets at amortized cost - current	6(3)	992,105	15	-	-	-	-
1147	Investments in debt instrument without active markets	12(4)	-	-	963,980	15	821,884	14
1150	Notes receivable, net		90,229	2	38,138	1	26,974	1
1170	Accounts receivable, net	6(5)	1,523,821	24	1,546,436	25	1,621,168	28
1180	Accounts receivable - related parties	7	-	-	-	-	355	-
1200	Other receivables		8,864	-	8,076	-	9,913	-
130X	Inventories, net	6(6)	1,236,019	19	1,510,629	24	1,319,745	23
1410	Prepayments		84,555	1	55,068	1	72,990	1
1470	Other current assets	8	12,003	-	27,589	-	43,090	1
11XX	Current Assets		<u>5,431,009</u>	<u>84</u>	<u>5,254,391</u>	<u>84</u>	<u>4,840,745</u>	<u>84</u>
Non-current assets								
1517	Financial assets at fair value through other comprehensive income	6(4)	119,171	2	-	-	-	-
1523	Available-for-sale financial assets - non-current	12(4)	-	-	12,908	-	19,091	-
1535	Financial assets at amortized cost - non-current	6(3)	26,631	-	-	-	-	-
1543	Financial assets carried at cost - non-current	12(4)	-	-	66,419	1	66,419	1
1550	Investments accounted for using equity method	6(7)	65,713	1	66,761	1	165,932	3
1600	Property, plant and equipment, net	6(8)	621,533	10	624,659	10	475,195	8
1780	Intangible assets, net		89,083	1	96,768	2	115,715	2
1840	Deferred income tax assets	6(24)	98,474	2	78,425	1	80,714	1
1900	Other non-current assets	8	6,656	-	24,375	1	32,979	1
15XX	Non-current assets		<u>1,027,261</u>	<u>16</u>	<u>970,315</u>	<u>16</u>	<u>956,045</u>	<u>16</u>
1XXX	Total assets		<u>\$ 6,458,270</u>	<u>100</u>	<u>\$ 6,224,706</u>	<u>100</u>	<u>\$ 5,796,790</u>	<u>100</u>

(Continued)

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

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of March 31, 2018 and 2017 are reviewed, not audited)

Liabilities and Equity	Notes	March 31, 2018		December 31, 2017		March 31, 2017		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current liabilities								
2100	Short-term loans	6(9)	\$ 805,743	12	\$ 734,730	12	\$ 439,785	8
2130	Contract liabilities-current	6(18)	517,727	8	-	-	-	-
2150	Notes payable		-	-	-	-	18,450	-
2170	Accounts payable	6(10)	1,209,100	19	1,633,421	26	1,538,022	26
2180	Payables to related parties	7	2,978	-	4,416	-	-	-
2200	Other payables	6(11)	301,005	5	336,968	6	286,124	5
2220	Other payables to related parties	7	1,178	-	-	-	-	-
2230	Current income tax liabilities		95,858	1	60,667	1	55,963	1
2250	Provisions for liabilities-current		215,996	3	187,573	3	199,260	3
2300	Other current liabilities	6(12)	101,966	2	207,150	3	226,326	4
21XX	Current Liabilities		<u>3,251,551</u>	<u>50</u>	<u>3,164,925</u>	<u>51</u>	<u>2,763,930</u>	<u>47</u>
Non-current liabilities								
2540	Long-term loans	6(12)	355,244	6	391,641	6	323,294	6
2570	Deferred income tax liabilities	6(24)	49,819	1	42,299	1	37,780	1
2600	Other non-current liabilities		82,562	1	85,134	1	85,481	1
25XX	Non-current liabilities		<u>487,625</u>	<u>8</u>	<u>519,074</u>	<u>8</u>	<u>446,555</u>	<u>8</u>
2XXX	Total Liabilities		<u>3,739,176</u>	<u>58</u>	<u>3,683,999</u>	<u>59</u>	<u>3,210,485</u>	<u>55</u>
Equity attributable to owners of parent company								
Share capital								
3110	Share capital-common stock	6(14)	1,651,361	26	1,651,361	27	1,651,361	28
Capital surplus								
3200	Capital surplus	6(15)	186,765	2	186,765	3	242,949	4
Retained earnings								
3310	Legal reserve	6(16)	66,921	1	66,921	1	40,850	1
3320	Special reserve		178,169	3	178,169	3	132,987	2
3350	Unappropriated retained earnings		295,777	5	197,905	3	336,488	6
Other equity interest								
3400	Other equity interest	6(17)	8,481	-	(63,079)	(1)	(94,679)	(1)
31XX	Equity attributable to owners of the parent company		<u>2,387,474</u>	<u>37</u>	<u>2,218,042</u>	<u>36</u>	<u>2,309,956</u>	<u>40</u>
36XX	Non-controlling interest		<u>331,620</u>	<u>5</u>	<u>322,665</u>	<u>5</u>	<u>276,349</u>	<u>5</u>
3XXX	Total equity		<u>2,719,094</u>	<u>42</u>	<u>2,540,707</u>	<u>41</u>	<u>2,586,305</u>	<u>45</u>
Contingent liabilities and unrecognized contract commitments								
3X2X	Total liabilities and equity		<u>\$ 6,458,270</u>	<u>100</u>	<u>\$ 6,224,706</u>	<u>100</u>	<u>\$ 5,796,790</u>	<u>100</u>

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

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

	Items	Notes	Three-month periods ended March 31			
			2018		2017	
			AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(18) and 7	\$ 1,313,104	100	\$ 1,239,278	100
5000	Operating costs	6(6)(22)(23)	(982,174)	(75)	(943,166)	(76)
5900	Net operating margin		330,930	25	296,112	24
	Operating expenses	6(22)(23)				
6100	Selling expenses		(35,400)	(3)	(60,156)	(5)
6200	General and administrative expenses		(90,917)	(7)	(68,619)	(5)
6300	Research and development expenses		(70,702)	(5)	(72,697)	(6)
6000	Total operating expenses		(197,019)	(15)	(201,472)	(16)
6900	Operating profit		133,911	10	94,640	8
	Non-operating income and expenses					
7010	Other income	6(19)	14,381	1	20,662	2
7020	Other gains and losses	6(20)	(14,980)	(1)	(41,915)	(4)
7050	Finance costs	6(21)	(5,408)	-	(3,490)	-
7060	Share of profit of associates and joint ventures accounted for under equity method		(1,049)	-	(23,677)	(2)
7000	Total non-operating income and expenses		(7,056)	-	(48,420)	(4)
7900	Profit before tax		126,855	10	46,220	4
7950	Income tax expense	6(24)	(24,084)	(2)	(8,899)	(1)
8200	Profit for the period		\$ 102,771	8	\$ 37,321	3
	Other comprehensive income for the period					
	Items that will not be reclassified subsequently to profit or loss:					
8316	Unrealized loss on investments in equity instruments at fair value through other comprehensive income		\$ 2,920	-	\$ -	-
8310	Items that will not be reclassified subsequently to profit or loss:		2,920	-	-	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Cumulative translation differences of foreign operations		\$ 23,020	2	(\$ 57,788)	(5)
8362	Unrealized (loss) gain on valuation of available-for-sale financial assets		-	-	(611)	-
8360	Summary of Components of other comprehensive income that will be reclassified to profit or loss		23,020	2	(58,399)	(5)
8300	Other comprehensive income (loss) for the period		\$ 25,940	2	(\$ 58,399)	(5)
8500	Total comprehensive income for the period		\$ 128,711	10	(\$ 21,078)	(2)
	Profit attributable to:					
8610	Equity holders of the parent company		\$ 106,134	8	\$ 30,938	2
8620	Non-controlling interest		(3,363)	-	6,383	1
	Profit for the period		\$ 102,771	8	\$ 37,321	3
	Total comprehensive income attributable to:					
8710	Equity holders of the parent company		\$ 127,144	10	(\$ 18,559)	(2)
8720	Non-controlling interest		1,567	-	(2,519)	-
	Total comprehensive income for the period		\$ 128,711	10	(\$ 21,078)	(2)
	Earnings per share (In dollars)					
9750	Basic earnings per share	6(25)	\$ 0.64		\$ 0.19	
9850	Diluted earnings per share	6(25)	\$ 0.64		\$ 0.19	

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

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of New Taiwan dollars)

	Notes	For the three-month periods ended March 31	
		2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 126,855	\$ 46,220
Adjustments			
Income and expenses having no effect on cash flow			
Depreciation	6(8)(22)	7,758	6,605
Amortization	6(22)	10,531	7,274
Gain on financial assets at fair value through profit or loss, net	6(20)	(892)	(511)
Expected credit loss (gain)		(11,646)	(4,257)
Interest income	6(19)	(4,234)	(3,371)
Interest expense	6(21)	5,408	3,490
Loss on disposal of property, plant and equipment, net	6(20)	37	21
Share of profit of associates and joint ventures accounted for using equity method		1,049	23,677
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		(438,343)	192,205
Notes receivable		(51,283)	(18,447)
Accounts receivable		36,648	26,474
Accounts receivable - related parties		-	25,509
Other receivables		(3,119)	578
Inventories		277,024	(136,362)
Prepayments		(28,857)	(30,326)
Other current assets		1,713	(11,669)
Other non-current assets		1	2,827
Net changes in liabilities relating to operating activities			
Contract liabilities		367,309	-
Notes payable		-	18,450
Accounts payable		(426,324)	28,721
Accounts payable - related parties		(1,640)	-
Other payables		(29,753)	(109,229)
Other payables - related parties		1,169	-
Provisions for liabilities		28,170	4,492
Unearned receipts		(1,869)	(304,380)
Other current liabilities		18,021	2,893
Accrued pension liabilities		(1,387)	(1,251)
Cash generated from operations		(117,654)	(230,367)
Interest received		6,583	7,142
Interest paid		(4,755)	(3,547)
Income tax paid		(1,496)	(39)
Net cash (used in) provided by operating activities		(117,322)	(226,811)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of bond investments without active markets		-	159,846
Acquisition of property, plant and equipment	6(27)	(12,173)	(4,346)
Proceeds from disposal of property, plant and equipment		464	262
Acquisition of intangible assets	6(27)	(2,672)	(183)
Refundable deposits (paid) and refunded		(633)	(162)
Acquisition of financial assets at amortized cost		(8,704)	-
Decrease in other financial assets		-	103
Proceeds from disposal of financial assets at fair value through other comprehensive income		12,752	-
Net cash (used in) provided by investing activities		(10,966)	155,520
CASH FLOWS FROM FINANCING ACTIVITY			
Increase in short-term loans		448,804	381,035
Decrease in short-term loans		(377,791)	(483,403)
Proceeds from long-term loans		-	20,000
Repayment of long-term loans		(7,613)	(7,581)
Guarantee deposits refunded		(1,663)	-
Net cash (used in) provided by financing activities		61,737	(89,949)
Effect of fluctuations in exchange rate		6,254	(15,756)
Net decrease in cash and cash equivalents		(60,297)	(176,996)
Cash and cash equivalents at beginning of period	6(1)	1,071,799	910,191
Cash and cash equivalents at end of period	6(1)	\$ 1,011,502	\$ 733,195

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

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2018 AND 2017
(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, 2018 was 62.88%.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on May 8, 2018.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

A. IFRS 9, 'Financial instruments'

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

an entity's risk management strategy. Risk components of non-financial items and a group of items can be designated as hedged items. The standard relaxes the requirements for hedge effectiveness, removing the 80-125% bright line, and introduces the concept of 'rebalancing'; while its risk management objective remains unchanged, an entity shall rebalance the hedged item or the hedging instrument for the purpose of maintaining the hedge ratio.

- (d) In adopting the new standards endorsed by the FSC effective from 2018, the Group applied the new rules under IFRS 9 retrospectively from January 1, 2018, with the practical expedients permitted under the statement. The significant effects of applying the standard as of January 1, 2018 are summarised below:

In accordance with IFRS 9, the Group's expects to reclassify available-for-sale financial assets and financial assets at cost in the amounts of \$12,908 and \$66,419, respectively, and make an irrevocable election at initial recognition on equity instruments not held for dealing or trading purpose, by increasing financial assets at fair value through other comprehensive income, increasing retained earnings and other equity interest in the amounts of \$129,003, \$5,032 and \$44,644, respectively.

In accordance with IFRS 9, the Group's expects to reclassify financial assets at fair value through profit or loss in the amounts of \$32,676, by increasing financial assets at fair value through profit or loss, increasing retained earnings and other equity interest in the amounts of \$32,676, \$0 and \$0, respectively.

In accordance with IFRS 9, the Group's expects to reclassify investments in debt instruments without active market of \$963,980, by increasing financial assets at amortised cost in the amount of \$963,980.

- (e) Please refer to Note 12(4) for disclosure in relation to the first application of IFRS 9.

B. Amendments to IAS 7, 'Disclosure initiative'

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

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

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

None.

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date by International Accounting Standards Board</u>
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019
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 16, 'Leases'	January 1, 2019
IFRS 17, 'Insurance Contracts'	January 1, 2021
IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRS 23, 'Uncertainty over Income Tax Treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the followings, the above standards and interpretations have no significant impact to the Company financial condition and operating result based on the Company assessment. The quantitative impact will be disclosed when the assessment is complete.

IFRS 16, ‘Leases’

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

A. The consolidated financial statements of the Group have been prepared in accordance with the

“Rules Governing the Preparation of Financial Statements by Securities Issuers” and IAS 34, “Interim Financial Reporting” as endorsed by the FSC.

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

(2) Basis of preparation

A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Financial assets at fair value through other comprehensive income/available-for-sale financial assets measured at fair value.

(c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Group has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognised as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 was not restated. The financial statements for the year ended December 31, 2017 were prepared in compliance with International Accounting Standard 39 (‘IAS 39’), International Accounting Standard 11 (‘IAS 11’), International Accounting Standard 18 (‘IAS 18’) and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) The basis for preparation of consolidated financial statements are consistent with those of the year ended December 31, 2017.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of subsidiary	Main Business Activities	Percentage of Ownership			Note
			March 31, 2018	December 31, 2017	March 31, 2017	
Gallant Precision Machining Co., Ltd.	Gallant Micro. Machining Co., Ltd.	Manufacturing and selling of semiconductor related equipment and parts	62.88	62.88	66.88	
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.	100	100	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
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	60	60	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, 2018 and 2017 were not reviewed by the independent auditors as the entity did not meet the definition of significant subsidiary.

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

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

E. Significant restrictions: None.

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

As of March 31, 2018, December 31, 2017 and March 31, 2017, the non-controlling interest amounted to \$331,620, \$322,665 and \$276,349, respectively. The information of non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest					
		March 31, 2018		December 31, 2017		March 31, 2017	
		Amount	Ownership(%)	Amount	Ownership(%)	Amount	Ownership(%)
Gallant Micro. Machining Co., Ltd.	Taiwan	\$ 307,388	37.12	\$ 296,647	37.12	\$ 272,458	33.12

Summarized financial information of the subsidiaries:

Balance sheets

	Gallant Micro. Machining Co., Ltd. and its subsidiaries		
	March 31, 2018	December 31, 2017	March 31, 2017
Current assets	\$ 1,291,286	\$ 1,209,735	\$ 1,166,540
Non-current assets	302,520	269,893	110,083
Current liabilities	(606,043)	(498,910)	(366,205)
Non-current liabilities	(159,671)	(181,561)	(87,780)
Total net assets	\$ 828,092	\$ 799,157	\$ 822,638

Statements of comprehensive income

	Gallant Micro. Machining Co., Ltd. and its subsidiaries	
	For the three-month period ended March 31, 2018	For the three-month period ended March 31, 2017
Revenue	\$ 183,386	\$ 257,126
Profit before income tax	\$ 1,061	\$ 27,077
Income tax expense	(5,038)	(7,976)
Profit for the period from continuing operations	(3,977)	19,101
Loss from discontinued operations	-	-
Profit for the period	(3,977)	19,101
Other comprehensive income, net of tax	13,010	(26,880)
Total comprehensive income for the period	\$ 9,033	(\$ 7,779)
Comprehensive income attributable to non-controlling interest	\$ 3,353	(\$ 2,576)
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, 2018	For the three-month period ended March 31, 2017
Net cash provided by (used in) operating activities	(\$ 4,920)	\$ 54,164
Net cash provided by (used in) investing activities	(21,672)	13,594
Net cash provided by (used in) financing activities	60,000	-
Effect of exchange rates on cash and cash equivalents	4,655	(26,880)
Increase (decrease) in cash and cash equivalents	38,063	40,878
Cash and cash equivalents, beginning of period	495,524	348,077
Cash and cash equivalents, end of period	<u>\$ 533,587</u>	<u>\$ 388,955</u>

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income. Financial assets at amortised cost or fair value through other comprehensive income are designated as at fair value through profit or loss at initial recognition when they eliminate or significantly reduce a measurement or recognition inconsistency.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
- C. The Group's related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
- (a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
- (b) The assets' contractual cash flows represent solely payments of principal and interest.

- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:
 - (a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.
 - (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(6) Financial assets at amortised cost

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

(7) Accounts and notes receivable

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

(8) Impairment of financial assets

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

(9) Borrowings

- A. Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.
- B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

(10) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(11) Derecognition of financial assets

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

(12) Employee benefits

Pensions

Defined benefit plans

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

(13) Income tax

- A. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.
- B. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income or equity while the effect of the change on items recognised in profit or loss is recognised in profit or loss.

(14) Revenue recognition

A. Sales of goods

- (a) The Group provides manufacturing and sales of Flat display manufacturing inspection equipment, Semiconductor packaging equipment, Intelligent automation equipment and parts products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- (b) Sales are recognised based on the price specified in the contract.
- (c) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Sales of services

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

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

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

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	March 31, 2018	December 31, 2017	March 31, 2017
Cash on hand and revolving funds	\$ 740	\$ 570	\$ 554
Checking accounts	26	26	26
Demand deposits	1,010,736	1,071,203	732,615
Time deposits	-	-	-
Total	<u>\$ 1,011,502</u>	<u>\$ 1,071,799</u>	<u>\$ 733,195</u>

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. Cash and cash equivalents pledged to Customs and others as collateral, and were classified as financial assets at amortised cost-current, financial assets at amortised cost-non-current, other financial assets-current and other non-current financial assets in note 8.

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

Items	March 31, 2018
Current items:	
Financial assets mandatorily at fair value through profit or loss	\$ 468,192
Beneficiary certificates	3,719
Valuation adjustment	<u>\$ 471,911</u>

A. The Group recognized net gain of \$892 on financial assets and liabilities designated as at fair value through profit or loss for the three-month periods ended March 31, 2018.

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

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

D. Information on the year ended December 31, 2017, and March 31, 2017 are provided in Note 12(4).

(3) Financial assets measured at amortized cost

Items	March 31, 2018
Current items:	
Time deposits	\$ 992,105
Non-current items:	
Time deposits	26,631
	<u>\$ 1,018,736</u>

- A. The Group transacts with financial institutions with high credit quality.
- B. Details of the Group’s financial assets at amortised cost pledged to others as collateral are provided in Note 8.
- C. Information relating to credit risk is provided in Note 12(2).
- D. Information on the year ended December 31, 2017, and March 31, 2017 are provided in Note 12(4).

(4) Financial Assets Measured at Fair Value Through Other Comprehensive Income

Items	March 31, 2018
Non-current items:	
Equity instruments	
Emerging stocks	\$ 2,299
Non-Listed stocks	68,874
Subtotal	71,173
Valuation adjustment	47,998
	<u>\$ 119,171</u>

- A. The Group has elected to classify investments that are considered to be strategic investments in Unicon Optical Co., Ltd., Shinyu Light Co., Ltd., PHOENIX & COPRORATION and POWER EVER ENTERPRISES LIMITED as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$119,171 as at March 31, 2018.
- B. The Group sold \$26,046 of Unicon Optical Co., Ltd., investments at fair value and resulted in cumulative losses \$13,294 on disposal for the three month period ended March 31, 2018.
- C. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	For the three-month period ended March 31, 2018.
<u>Equity instruments at fair value through other comprehensive income:</u>	
Fair value change recognised in other comprehensive income	\$ 2,216
Cumulative gains (losses) reclassified to retained earnings due to derecognition	\$ 13,294

- D. As at March 31, 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group was \$119,171.
- E. Information relating to credit risk is provided in Note 12(2).
- F. Information on the year ended December 31, 2017, and March 31, 2017 are provided in Note 12(4).

(5) Accounts receivable

	March 31, 2018	December 31, 2017	March 31, 2017
Accounts receivable	\$ 1,707,421	\$ 1,740,994	\$ 1,798,244
Less: allowance for bad debts	(183,600)	(194,558)	(177,076)
	<u>\$ 1,523,821</u>	<u>\$ 1,546,436</u>	<u>\$ 1,621,168</u>

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

	March 31, 2018	December 31, 2017	March 31, 2017
Up to 30 days	\$ 1,399,028	\$ 1,329,335	\$ 1,273,545
31 to 90 days	41,500	82,490	185,743
91 to 180 days	43,434	111,549	102,294
Over 181 days	223,459	217,620	236,662
	<u>\$ 1,707,421</u>	<u>\$ 1,740,994</u>	<u>\$ 1,798,244</u>

The above ageing analysis was based on past due date.

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

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

(6) Inventories

	March 31, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 112,438	(\$ 15,611)	\$ 96,827
Work in process	425,590	(45,902)	379,688
Finished goods	773,520	(27,192)	746,328
Inventory in transit	13,176	-	13,176
Total	<u>\$ 1,324,724</u>	<u>(\$ 88,705)</u>	<u>\$ 1,236,019</u>

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

	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	<u>\$ 1,396,405</u>	<u>(\$ 76,660)</u>	<u>\$ 1,319,745</u>

The cost of inventories recognized as expense for the period:

	For the three-month period ended March 31, 2018	For the three-month period ended March 31, 2017
Cost of goods sold	\$ 976,546	\$ 939,813
Loss on decline in market value	5,628	3,353
	<u>\$ 982,174</u>	<u>\$ 943,166</u>

(7) Investments accounted for using equity method

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Associates			
Sunengine Co., Ltd.	\$ 65,713	\$ 66,761	\$ 165,932

A. Associates

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

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

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

Balance sheet

	<u>Sunengine Co., Ltd.</u>		
	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Current assets	\$ 71,304	\$ 162,599	\$ 158,957
Non-current assets	94,877	4,412	359,385
Current liabilities	(12,715)	(12,522)	(77,003)
Non-current liabilities	(1,787)	(38)	(24,810)
Total net assets	<u>\$ 151,679</u>	<u>\$ 154,451</u>	<u>\$ 416,529</u>
Share in associate's net assets	\$ 57,395	\$ 58,443	\$ 157,614
Goodwill	8,318	8,318	8,318
Carrying amount of the associate	<u>\$ 65,713</u>	<u>\$ 66,761</u>	<u>\$ 165,932</u>

Statement of comprehensive income

	Sunengine Co., Ltd.	
	For the three-month period ended March 31, 2018	For the three-month period ended March 31, 2017
Revenue	\$ 35,244	\$ 137,672
Profit for the period from continuing operations	(\$ 2,773)	(\$ 63,032)
Profit or loss for the period from discontinued operations	-	-
Other comprehensive income, net of tax	-	-
Total comprehensive income	(\$ 2,773)	(\$ 63,032)
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.

(8) Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Leased assets</u>	<u>Others</u>	<u>Construction in progress and equipment under installation</u>	<u>Total</u>
At January 1, 2018								
Cost	\$ 39,130	\$ 538,222	\$ 105,260	\$ 21,238	\$ 116,753	\$ 65,825	\$ 6,877	\$ 893,305
Accumulated depreciation and impairment	-	(113,468)	(80,865)	(10,838)	(25,590)	(37,885)	-	(268,646)
	<u>\$ 39,130</u>	<u>\$ 424,754</u>	<u>\$ 24,395</u>	<u>\$ 10,400</u>	<u>\$ 91,163</u>	<u>\$ 27,940</u>	<u>\$ 6,877</u>	<u>\$ 624,659</u>
2018								
Opening net book amount as at January 1	\$ 39,130	\$ 424,754	\$ 24,395	\$ 10,400	\$ 91,163	\$ 27,940	\$ 6,877	\$ 624,659
Additions	-	1,390	177	385	-	1,205	1,314	4,471
Disposals	-	-	(191)	(51)	-	(259)	-	(501)
Reclassifications	-	45,314	-	-	(38,983)	(217)	(6,114)	-
Depreciation charge	-	(2,931)	(1,031)	(739)	(518)	(2,539)	-	(7,758)
Net exchange differences	-	39	399	55	-	169	-	662
Closing net book amount as at March 31	<u>\$ 39,130</u>	<u>\$ 468,566</u>	<u>\$ 23,749</u>	<u>\$ 10,050</u>	<u>\$ 51,662</u>	<u>\$ 26,299</u>	<u>\$ 2,077</u>	<u>\$ 621,533</u>
At March 31, 2018								
Cost	\$ 39,130	\$ 584,975	\$ 106,517	\$ 21,390	\$ 77,770	\$ 71,431	\$ 2,077	\$ 903,290
Accumulated depreciation and impairment	-	(116,409)	(82,768)	(11,340)	(26,108)	(45,132)	-	(281,757)
	<u>\$ 39,130</u>	<u>\$ 468,566</u>	<u>\$ 23,749</u>	<u>\$ 10,050</u>	<u>\$ 51,662</u>	<u>\$ 26,299</u>	<u>\$ 2,077</u>	<u>\$ 621,533</u>

	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Lease assets</u>	<u>Others</u>	<u>Total</u>
At January 1, 2017						
Cost	\$ 429,223	\$ 113,337	\$ 16,912	\$ 116,753	\$ 48,377	\$ 724,602
Accumulated depreciation and impairment	(104,205)	(84,811)	(10,509)	(23,172)	(23,236)	(245,933)
	<u>\$ 325,018</u>	<u>\$ 28,526</u>	<u>\$ 6,403</u>	<u>\$ 93,581</u>	<u>\$ 25,141</u>	<u>\$ 478,669</u>
<u>2017</u>						
Opening net book amount as at January 1	\$ 325,018	\$ 28,526	\$ 6,403	\$ 93,581	\$ 25,141	\$ 478,669
Additions	-	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	<u>\$ 322,717</u>	<u>\$ 26,239</u>	<u>\$ 6,507</u>	<u>\$ 92,976</u>	<u>\$ 26,756</u>	<u>\$ 475,195</u>
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)
	<u>\$ 322,717</u>	<u>\$ 26,239</u>	<u>\$ 6,507</u>	<u>\$ 92,976</u>	<u>\$ 26,756</u>	<u>\$ 475,195</u>

- 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, 2018 and 2017, respectively.
- B. The significant components of buildings include main plants improvement and structure, which are depreciated over 10 and 50 years.
- C. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.

(9) Short-term borrowings

Type of borrowings	March 31, 2018	Interest rate range	Collateral
Unsecured Banking Loan	\$ <u>805,743</u>	0.83%~3.09%	None
Type of borrowings	December 31, 2017	Interest rate range	Collateral
Unsecured Banking Loan	\$ <u>734,730</u>	1.07%~2.91%	None
Type of borrowings	March 31, 2017	Interest rate range	Collateral
Unsecured Banking Loan	\$ <u>439,785</u>	1.74%~2.15%	None

(10) Accounts payable

	March 31, 2018	December 31, 2017	March 31, 2017
Accounts payable	\$ 1,057,148	\$ 1,416,533	\$ 1,302,810
Estimated accounts payable	151,952	216,888	235,212
	<u>\$ 1,209,100</u>	<u>\$ 1,633,421</u>	<u>\$ 1,538,022</u>

(11) Others accounts payable

	March 31, 2018	December 31, 2017	March 31, 2017
Accrued salaries	\$ 124,894	\$ 192,151	\$ 114,381
Accrued employees' bonuses and directors' remuneration	70,778	55,921	88,139
Payables on equipment - Fixed assets	973	8,675	2,633
Payables on equipment - Intangible assets	158	-	580
Others	104,202	80,221	80,391
	<u>\$ 301,005</u>	<u>\$ 336,968</u>	<u>\$ 286,124</u>

(13) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>March 31,2018</u>
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	\$ 34,176
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	9,118
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.	1.41%	Note A Note B	230,000
Unsecured borrowings - E.SUN Bank	Borrowing period is from August 14, 2017 to August 14, 2019; interest is repayable monthly and principal is repayable through July, 2018 to July, 2019.	1.60%	None	20,000
Unsecured borrowings - 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
Unsecured borrowings - E.SUN Bank	Borrowing period is from June 14, 2017 to June 14, 2032; interest is repayable monthly and principal is repayable monthly through June, 2018 to June, 2032.	1.45%	Note A	86,000
Mortgage borrowings KGI Bank.	Borrowing period is from July 13, 2017 to July 13, 2022; The principal is repayable every 6 months in 8 installments.	1.20%	Note A	23,000
				<u>432,294</u>
Less: current portion				(<u>77,050</u>)
				<u>\$ 335,244</u>

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2017</u>
Mortgage borrowings - 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	\$ 36,240
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	9,667
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.	1.88%	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	235,000
Unsecured borrowings - E.SUN Bank	Borrowing period is from August 14, 2017 to August 14, 2019; interest is repayable monthly and principal is repayable through July, 2018 to July, 2019.	1.60%	None	20,000
Unsecured borrowings - 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
Unsecured borrowings - E.SUN Bank	Borrowing period is from June 14, 2017 to June 14, 2032; interest is repayable monthly and principal is repayable monthly through June, 2018 to June, 2032.	1.45%	Note A	86,000
Mortgage borrowings KGI Bank.	Borrowing period is from July 13, 2017 to July 13, 2022; The principal is repayable every 6 months in 8 installments.	1.20%	Note A	23,000
				<u>439,907</u>
Less: current portion				(48,266)
				<u>\$ 391,641</u>

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	250,000
Unsecured borrowings - E.SUN Bank	Borrowing period is from August 14, 2017 to August 14, 2019; interest is repayable monthly and principal is repayable through July, 2018 to July, 2019.	1.60%	None	20,000
Unsecured borrowings - 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

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).

(13) Pensions

- A. (a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contributes monthly an amount equal to 2% and 7% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned method, to the labors expected to be qualified for retirement next year, the Company and its domestic subsidiaries will make contribution for the deficit by next March.
- (b) For the aforementioned pension plan, the Group recognized pension costs of \$296 and \$416 for the three month periods ended March 31, 2018 and 2017, respectively.
- (c) Expected contributions to the defined benefit pension plans of the Group for the year ended December 31, 2018 are \$8,031.
- B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries (APEX-I International Co., Ltd. and Gallant Micro. Machining Co., Ltd.) have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) Gallant Precision Industries (Suzhou) Co., Ltd., Gallant Micro. Machining (Suzhou) Co., Ltd., Gallant Precision Machinery (Xiamen)Co., Ltd., Gallant Technology (Shenzhen) Co., Ltd., Gallant Precision Intelligence Technology Co., Ltd. Gallant International Trading Co., Ltd. and Suzhou Jianmeifu Optical Co., Ltd., have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC.) are based on certain percentage of employees' monthly salaries and wages. The contribution percentage was 10% to 20%. Other than the monthly contributions, the Group has no further obligations.
- C. Gallant-Rapid Corporation Ltd., Gallant Micro Machining (Malaysia) Sdn. Bhd., 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, 2018 and 2017 were \$8,428 and \$8,520, respectively.

(14) Share capital

A. As of March 31, 2018, the Company's authorized capital was \$2,500,000, consisting of 250,000 thousand shares of ordinary stock, and the paid-in capital was \$1,651,361 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

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

	For the three-month period ended March 31, 2018	Unit: shares in thousands For the three-month period ended March 31, 2017
At January 1/ At March 31	<u>165,136</u>	<u>165,136</u>

(15) Capital surplus

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

Details of Capital surplus:

	<u>Share premium</u>	<u>Treasury share transactions</u>	<u>Difference between consideration and carrying amount of subsidiaries acquired or disposed</u>	<u>Net change in equity of associates</u>	<u>Employee stock option</u>	<u>Total</u>
At January 1, 2018 and March 31, 2018	<u>\$ 127,167</u>	<u>\$ 31,399</u>	<u>\$ 11,750</u>	<u>\$ 12,003</u>	<u>\$ 4,446</u>	<u>\$ 186,765</u>
	<u>Share premium</u>	<u>Treasury share transactions</u>	<u>Difference between consideration and carrying amount of subsidiaries acquired or disposed</u>	<u>Net change in equity of associates</u>	<u>Employee stock option</u>	<u>Total</u>
At January 1, 2017 and March 31, 2017	<u>\$ 193,222</u>	<u>\$ 31,399</u>	<u>\$ 1,879</u>	<u>\$ 12,003</u>	<u>\$ 4,446</u>	<u>\$ 242,949</u>

(16) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. 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 \$231,191 (\$1.4 (in dollars) per share) and \$132,109 (\$0.8 (in dollars) per share) for the years ended December 31, 2017 and 2016, respectively. On March 27, 2018, the Board of Directors proposed that total dividends for the distribution of earning for the year of 2017 was \$200,967 with \$1.217 (in dollars) per share. 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 shareholders resolved that capital surplus used to distribute cash for the distribution of 2016 and 2015 earning was \$66,055(\$0.4 (in dollars) per share) and \$33,027 (\$0.2 (in dollars) per share), on June 16, 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(23).

(17) Other equity items

	For the three-month period ended March 31, 2018		
	Unrealised gains (losses) on valuation	Currency translation	Total
At January 1	(\$ 17,892)	(\$ 45,187)	(\$ 63,079)
Effects of retrospective application			
Revaluation	42,288	-	42,288
Revaluation transferred to retained earnings	(5,032)	(	5,032)
Revaluation	2,216		2,216
Disposal transferred to retained earnings	13,294		13,294
Currency translation differences:—group	-	18,794	18,794
At March 31	<u>\$ 34,874</u>	<u>(\$ 26,393)</u>	<u>\$ 8,481</u>
	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	(611)	-	(611)
Currency translation differences:—group	-	48,886	48,886
At March 31	<u>(\$ 13,395)</u>	<u>(\$ 81,284)</u>	<u>(\$ 94,679)</u>

(18) Operating revenue

	For the three-month period ended March 31, 2018
Revenue from Contracts with Customers	<u>\$ 1,313,104</u>

A. Disaggregation of revenue from contracts with customers

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

	For the three-month period ended March 31, 2018			
	Taiwan	China	Other	Total
Total segment revenue	\$ 1,045,628	\$ 352,546	\$ 6,968	\$ 1,405,142
Inter-segment revenue	(30,724)	(61,233)	(81)	(92,038)
Revenue from external customer contracts	<u>\$ 1,014,904</u>	<u>\$ 291,313</u>	<u>\$ 6,887</u>	<u>\$ 1,313,104</u>
Timing of revenue recognition				
At a point in time	<u>\$ 1,014,904</u>	<u>\$ 291,313</u>	<u>\$ 6,887</u>	<u>\$ 1,313,104</u>
	<u>\$ 1,014,904</u>	<u>\$ 291,313</u>	<u>\$ 6,887</u>	<u>\$ 1,313,104</u>

B. Contract liabilities

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

	March 31, 2018
Contract liabilities:	
Contract liabilities-Deposit	<u>\$ 517,727</u>

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

	<u>For the three-month period ended March 31, 2018</u>
Revenue recognised that was included in the contract liability balance at the beginning of the period	
Deposit	\$ 127,360
Total	<u>\$ 127,360</u>

D. Related disclosures for the three-month period ended March 31, 2017 operating revenue are provided in Note 12(5) B.

(19) Other income

	<u>For the three-month period ended March 31, 2018</u>	<u>For the three-month period ended March 31, 2017</u>
Interest income	\$ 4,234	\$ 3,371
Rental revenue	4,613	6,015
Government subsidy income	4,889	8,964
Others	645	2,312
	<u>\$ 14,381</u>	<u>\$ 20,662</u>

(20) Other gains and losses

	<u>For the three-month period ended March 31, 2018</u>	<u>For the three-month period ended March 31, 2017</u>
Net gains (losses) on financial assets and liabilities at fair value through profit or loss	\$ 892	\$ 511
Net currency exchange (losses) gains	(15,826)	(42,388)
Losses on disposal of property, plant and equipment	(37)	(21)
Others	(9)	(17)
Total	<u>(\$ 14,980)</u>	<u>(\$ 41,915)</u>

(21) Finance costs

	<u>For the three-month period ended March 31, 2018</u>	<u>For the three-month period ended March 31, 2017</u>
Interest expense	\$ 5,408	\$ 3,490

(22) Expenses by nature

	<u>For the three-month period ended March 31, 2018</u>	<u>For the three-month period ended March 31, 2017</u>
Employee benefit expense	\$ 216,379	\$ 189,065
Depreciation charges on property, plant and equipment	7,758	6,605
Amortization charges on intangible assets	10,531	7,274
	<u>\$ 234,668</u>	<u>\$ 202,944</u>

(23) Employee benefit expense

	<u>For the three-month period ended March 31, 2018</u>	<u>For the three-month period ended March 31, 2017</u>
Wages and salaries	\$ 185,163	\$ 157,727
Labour and health insurance fees	15,057	15,071
Pension costs	8,724	8,936
Other personnel expenses	7,435	7,331
	<u>\$ 216,379</u>	<u>\$ 189,065</u>

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

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

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

- B. For the years ended March 31, 2018 and 2017, employees' compensation was accrued at \$14,193 and \$4,226, respectively; directors' and supervisors' remuneration was accrued at \$2,839 and \$845, respectively. The aforementioned amounts were recognized in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 10% and 2% of profit of current year distributable for the year ended March 31, 2018.

On March 27, 2018, the amount of the employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were \$24,301 and \$4,832, respectively.

The employees' compensation of \$40,665 and directors' and supervisors' of \$8,133 remuneration for 2016 as resolved by the meeting of Board of Directors were in agreement with those amounts recognized in the 2016 financial statements.

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

(24) Income tax

A. Income tax expense

(a) Components of income tax expense:

	<u>For the three-month period ended March 31, 2018</u>	<u>For the three-month period ended March 31, 2017</u>
Current tax:		
Current tax on profits for the period	\$ 36,613	\$ 26,312
Prior year income tax (over) underestimate	<u>-</u>	<u>1</u>
Total current tax	<u>36,613</u>	<u>26,313</u>
Deferred tax:		
Origination and reversal of temporary differences	(6,154)	(17,414)
Impact of changing in tax rate	<u>(6,375)</u>	<u>-</u>
Total deferred tax	<u>(12,529)</u>	<u>(17,414)</u>
Income tax expense	<u>\$ 24,084</u>	<u>\$ 8,899</u>

(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 2015 have been assessed and approved by the Tax Authority.

C. The amendments to the Income Tax Act were promulgated and became effective on February 7, 2018. Under the amendments, the corporate income tax rate will be raised from 17% to 20% retroactively effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(25) Earnings per share

	<u>For the three-month period ended March 31, 2018</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 106,134	165,136	<u>\$ 0.64</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares-Employees' bonus	<u>-</u>	<u>1,834</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 106,134</u>	<u>166,970</u>	<u>\$ 0.64</u>

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

(26) Operating leases

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

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Not later than one year	\$ 15,111	\$ 15,336	\$ 5,719
Later than one year but not later than five years	46,130	49,871	-
Later than five years	-	-	-
	<u>\$ 61,241</u>	<u>\$ 65,207</u>	<u>\$ 5,719</u>

- 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 \$6,185 and \$5,286 for the three-month periods ended March 31, 2018 and 2017, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Not later than one year	\$ 16,789	\$ 17,451	\$ 17,633
Later than one year but not later than five years	50,503	47,855	50,721
Later than five years	17,774	40,729	30,371
	<u>\$ 85,066</u>	<u>\$ 106,035</u>	<u>\$ 98,725</u>

(27) Supplemental cash flow information

Investing activities with partial cash payments

	<u>For the three-month period ended March 31, 2018</u>	<u>For the three-month period ended March 31, 2017</u>
Purchase of property, plant and equipment	\$ 4,471	\$ 5,176
Add: opening balance of payable on equipment	8,675	1,803
Less: ending balance of payable on equipment	(973)	(2,633)
Cash paid during the period	<u>\$ 12,173</u>	<u>\$ 4,346</u>
	<u>For the three-month period ended March 31, 2018</u>	<u>For the three-month period ended March 31, 2017</u>
Purchase of intangible assets	\$ 2,830	\$ 713
Add: opening balance of payable on equipment	-	50
Less: ending balance of payable on equipment	(158)	(580)
Cash paid during the period	<u>\$ 2,672</u>	<u>\$ 183</u>

(28) Changes in liabilities from financing activities

	<u>Short-term borrowings</u>	<u>Long-term borrowings</u>	<u>Guarantee deposits received</u>	<u>Liabilities from financing activities-gross</u>
At January 1, 2018	\$ 734,730	\$ 439,907	\$ 4,103	\$ 1,178,740
Changes in cash flow from financing activities	71,013	(7,613)	(1,663)	61,737
At March 31, 2018	<u>\$ 805,743</u>	<u>\$ 432,294</u>	<u>\$ 2,440</u>	<u>\$ 1,240,477</u>

7. RELATED-PARTY TRANSACTIONS

(1) Names and relationship of related parties

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

(2) Significant related party transactions

A. Operating revenue:

	<u>For the three-month period ended March 31, 2018</u>	<u>For the three-month period ended March 31, 2017</u>
Sales of goods:		
Associates	\$ -	\$ 292

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

B. Purchases:

	For the three-month period ended March 31, 2018	For the three-month period ended March 31, 2017
Purchases of goods:		
Substantive related party	\$ <u>3,274</u>	\$ <u>-</u>

C. Receivables from related parties:

	March 31, 2018	December 31, 2017	March 31, 2017
Accounts receivable:			
Associates	\$ <u>-</u>	\$ <u>-</u>	\$ <u>355</u>

D. Payables to related parties:

	March 31, 2018	December 31, 2017	March 31, 2017
Accounts payable:			
Substantive related party	\$ <u>2,978</u>	\$ <u>4,416</u>	\$ <u>-</u>
Other accounts payable:			
Substantive related party	\$ <u>1,178</u>	\$ <u>-</u>	\$ <u>-</u>

E. Other transactions:

	For the three-month period ended March 31, 2018		For the three-month period ended March 31, 2017	
	Items	Amount	Items	Amount
Substantive related party	Research and development expenses	\$ <u>1,721</u>	-	\$ <u>-</u>

(3) Key management compensation

	For the three-month period ended March 31, 2018	For the three-month period ended March 31, 2017
Payroll and Salaries and other short-term employee benefits	\$ 16,169	\$ 15,492
Post-employment benefits	220	255
Total	\$ <u>16,389</u>	\$ <u>15,747</u>

8. PLEDGED ASSETS

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

Pledged asset	Book value			Purpose
	March 31, 2018	December 31, 2017	March 31, 2017	
Time deposits (shown as "other current assets")	\$ -	\$ 13,987	\$ 28,455	Exercise guarantee for construction
Time deposits (shown as "other non-current assets")	-	18,388	19,235	Exercise guarantee for construction and customs deposit
Time deposits (shown as "financial assets at amortised cost-current")	12,323	-	-	Exercise guarantee for construction

Pledged asset	Book value			Purpose
	March 31, 2018	December 31, 2017	March 31, 2017	
Time deposits (shown as “financial assets at amortised cost non-current”)	26,631	-	-	Exercise guarantee for construction and customs deposit
Property, plant and equipment	550,264	553,666	414,384	Long-term borrowings
Construction in progress and equipment under installation	2,077	6,877	-	Long-term borrowings
	<u>\$ 591,295</u>	<u>\$ 592,918</u>	<u>\$ 462,074</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingent liabilities

- A. As of March 31, 2018 and December 31, 2017 and March 31, 2017, the bank open a guarantee letter for the Company due to business tender and guarantee for construction amounting to \$117,700, \$106,124 and \$74,233, respectively.
- B. The Group’s customer, China Chongqing Chongmei Huashixin Electronic Manufacturing Co., Ltd., purchased equipment products from the Company. However the customer was unwilling to sign the confirmation of acceptance and pay the rest payment to the Company and its subsidiary due to operation issues. The case has been submitted to China Chongqing Arbitration Commission for judgment in November, 2017, the arbitration result has not be determined yet.

(2) Unrecognized contract commitments

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

	March 31, 2018	December 31, 2017	March 31, 2017
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, 2018. For more information, please refer to note 12 in the Group’s consolidated financial statements for the year ended December 31, 2017.

(2) Financial instruments

A. Financial instruments by category

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
<u>Financial assets</u>			
Financial assets measured at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	\$ 471,911	\$ -	\$ -
Financial assets held for trading	-	32,676	191,431
Financial assets at fair value through other comprehensive income			
Designation of equity instrument	119,171	-	-
Available-for-sale financial assets	-	12,908	19,091
Financial assets at cost	-	66,419	66,419
Financial assets at amortised cost/Loans and receivables			
Cash and cash equivalents	1,011,502	1,071,799	733,195
Investments in debt instruments without active markets	1,018,736	963,980	821,884
Notes receivables	90,229	38,138	26,974
Accounts receivables	1,523,821	1,546,436	1,621,523
Other accounts receivables	8,864	8,076	9,913
Guarantee deposits paid	6,714	6,041	5,512
Other financial assets	11,945	45,923	70,557
	<u>\$ 4,262,893</u>	<u>\$ 3,792,396</u>	<u>\$ 3,566,499</u>

Financial liabilities

Financial liabilities at amortised cost

Short-term borrowings	\$ 805,743	\$ 734,730	\$ 439,785
Contract liabilities	517,727	-	-
Notes payable	-	-	18,450
Accounts payable	1,212,078	1,637,837	1,538,022
Other accounts payable	302,183	336,968	286,124
Long-term borrowings (including current portion)	432,294	439,907	351,098
Guarantee deposits received	2,440	4,103	4,126
Other financial liabilities	105,038	239,915	279,877
	<u>\$ 3,377,503</u>	<u>\$ 3,393,460</u>	<u>\$ 2,917,482</u>

B. Financial risk management policies

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

C. Significant financial risks and degrees of financial risks

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

(a) Market risk

Foreign exchange risk

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

	March 31, 2018		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 38,321	29.11	\$ 1,115,332
JPY:NTD	342,995	0.2739	93,946
RMB:NTD	16,954	4.647	78,784
SGD:NTD	136	22.21	3,029
EUR:NTD	17	35.87	611
USD: RMB	9,683	6.2632	281,832
<u>Non-monetary items: None</u>			
<u>Financial liability</u>			
<u>Monetary items</u>			
USD:NTD	\$ 17,438	29.11	\$ 507,533
JPY:NTD	459,307	0.2739	125,804
RMB:NTD	1,123	4.647	5,220
EUR:NTD	68	35.87	2,445
USD: RMB	174	6.2632	5,066
<u>Non-monetary items :None</u>			

				December 31, 2017		
				Foreign currency amount	Exchange	Book value
				(In thousands)	rate	(NTD)
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
	USD:NTD	\$	42,936	29.76	\$	1,277,786
	JPY:NTD		712,360	0.2642		188,205
	RMB:NTD		41,781	4.565		190,732
	SGD:NTD		128	22.26		2,847
	EUR:NTD		61	35.57		2,158
	USD: RMB		9,973	6.5192		296,783
<u>Non-monetary items</u> :None						
<u>Financial liability</u>						
<u>Monetary items</u>						
	USD:NTD	\$	18,351	29.76	\$	546,117
	JPY:NTD		182,675	0.2642		48,263
	RMB:NTD		963	4.565		4,398
	EUR:NTD		156	35.57		5,537
	USD: RMB		142	6.5192		4,235
<u>Non-monetary items</u> :None						

				March 31, 2017		
				Foreign currency amount	Exchange	Book value
				(In thousands)	rate	(NTD)
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
	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
<u>Non-monetary items</u> :None						
<u>Financial liability</u>						
<u>Monetary items</u>						
	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
<u>Non-monetary items</u> :None						

- ii . Total 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, 2018 and 2017, amounted to (\$15,826) and(\$42,388), respectively.

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

		For the three-month period ended March 31, 2018		
		Sensitivity analysis		
		Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$	11,153	\$ -
JPY:NTD	1%		939	-
RMB:NTD	1%		788	-
SGD:NTD	1%		30	-
EUR:NTD	1%		6	-
USD: RMB	1%		2,818	-
<u>Financial liability</u>				
<u>Monetary items</u>				
USD:NTD	1%	(\$	5,075)	\$ -
JPY:NTD	1%	(	1,258)	-
RMB:NTD	1%	(	52)	-
EUR:NTD	1%	(	24)	-
USD: RMB	1%	(	51)	-

		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)				
<u>Financial assets</u>				
<u>Monetary items</u>				
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	-
<u>Financial liability</u>				
<u>Monetary items</u>				
USD:NTD	1%	(\$	5,932)	\$ -
JPY:NTD	1%	(	427)	-
RMB:NTD	1%	(	10)	-
EUR:NTD	1%	(	29)	-
USD: RMB	1%	(	153)	-

Price risk

- A. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, and financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- B. The Group's investments in equity securities comprise domestic listed and unlisted stocks, shares and open-end funds issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased with all other variables held constant, post-tax profit for the years ended March 31, 2018 and 2017 would have increased/decreased by \$4,719 and \$1,914, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$1,192 and \$191, respectively, as a result of gains/losses on equity securities other comprehensive income classified as available-for-sale equity investment and available-for-sale financial assets equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

The Group's interest rate risk arises from short-term and long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During the periods ended March 31, 2018 and 2017, 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, 2018 and 2017 would have increased/decreased by \$9,286 and \$4,994, respectively.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost, at fair value through profit or loss and at fair value through other comprehensive income.
- ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
- If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iv. The Group classifies customer's accounts receivable, in accordance with credit rating of

customer. The Group applies the simplified approach using provision matrix, loss rate methodology to estimate expected credit loss under the provision matrix basis.

- v. The Group used the forecastability of Panel industry research report to adjust historical and timely information to assess the default possibility of accounts receivable. On March 31, 2018, the provision matrix is as follows:

March 31, 2018	Without past due	Up to 0 -90 days	Up to 91 -120 days	Up to 120 days	Total
Expected loss rate	0.00%-0.35%	0.00%-13.77%	0.02%-16.87%	0.17%-100.00%	
Total book value	\$ 1,329,805	\$ 124,528	\$ 22,022	\$ 231,066	\$1,707,421
Loss allowance	\$ 725	\$ 6,224	\$ 1,474	\$ 175,177	\$ 183,600

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

	For the year period ended December 31, 2018
	Accounts receivable
At January 1_IAS 39	\$ 194,558
Adjustments under new standards	-
At January 1_IFRS 9	194,558
Reversal of impairment loss	(11,646)
Effect of foreign exchange	688
At March 31	\$ 183,600

The abovementioned provision amounts took other credit enhancement into account, thus, the impairment of credit loss are \$11,646 for the three-month period ended March 31, 2018.

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

	For the three-month period ended March 31, 2018			
		Lifetime		
	12 months	Significant increase in credit risk	Impairment of credit	Total
Financial assets at amortised cost				
Group 1	\$ 236,579	\$ -	\$ -	\$ 236,579
Group 2	773,449	-	-	773,449
Group 3	8,708	-	-	8,708
	<u>\$ 1,018,736</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,018,736</u>
Group 3:Taiwai Bank				
Group 3:China Bank				
Group 3:Other regional Bank				

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

(c) 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 financial assets at amortised cost (the period of time deposits are between 3 and 12 months), choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As at March 31, 2018, December 31, 2017 and March 31, 2017, the Group held money market position of \$1,991,285, \$2,067,859 and \$1,745,930, respectively, that are expected to readily generate cash inflows for managing liquidity risk.
- iii. The Company has the following undrawn borrowing facilities:

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Floating rate:			
Expiring within one year	\$ 1,300,797	\$ 1,423,902	\$ 1,406,972
Expiring beyond one year	91,706	84,093	63,902
	<u>\$ 1,392,503</u>	<u>\$ 1,507,995</u>	<u>\$ 1,470,874</u>

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

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

Non-derivative financial liabilities:

March 31, 2018	<u>Less than 3 months</u>	<u>3 months and 1year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
Short-term borrowings	\$ 518,535	\$ 287,208	\$ -	\$ -	\$ -
Accounts payable	361,246	260,528	-	587,326	-
Other payables	217,941	81,377	1,501	186	-
Long-term borrowings (including current portion)	8,511	74,329	241,352	61,099	63,464

Non-derivative financial liabilities:

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

Non-derivative financial liabilities:

March 31, 2017	Less than 3 months	3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Short-term borrowings	\$ 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

Derivative financial liabilities:

As at March 31, 2018, December 31, 2017 and March 31, 2017: None.

(3) Fair value information

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

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

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

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

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

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

March 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 471,911	\$ -	\$ -	\$ 471,911
Financial assets at fair value through other comprehensive income				
Equity securities	-	1,212	117,959	119,171
Total	<u>\$ 471,911</u>	<u>\$ 1,212</u>	<u>\$ 117,959</u>	<u>\$ 591,082</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss : none				

December 31, 2017	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 32,676	\$ -	\$ -	\$ 32,676
Available-for-sale financial assets				
Equity securities	-	11,627	1,281	12,908
Total	<u>\$ 32,676</u>	<u>\$ 11,627</u>	<u>\$ 1,281</u>	<u>\$ 45,584</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss : none				
March 31, 2017	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 191,431	\$ -	\$ -	\$ 191,431
Available-for-sale financial assets				
Equity securities	47	17,650	1,394	19,091
Total	<u>\$ 191,478</u>	<u>\$ 17,650</u>	<u>\$ 1,394</u>	<u>\$ 210,522</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss : none				

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

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

	<u>Listed shares</u>	<u>Closed-end fund</u>	<u>Open-end fund</u>
Market quoted price	Closing price	Closing price	Net asset value

- ii . Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).
- iii. When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation

method to measure these financial instruments are normally observable in the market.

- iv. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models.
- v. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
- vi. The Group takes into account adjustments for credit risks to measure the fair value of financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

C. For the March 31, 2018, December 31, 2017 and March 31, 2017, there was no transfer into or out from Level 3.

D. 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, 2018	For the three-month period ended March 31, 2017
	<u>equity instrument</u>	<u>equity instrument</u>
At January 1	\$ 1,281	\$ 1,394
Gains and losses recognized in other comprehensive income	<u>116,678</u>	<u>-</u>
At March 31	<u>\$ 117,959</u>	<u>\$ 1,394</u>

E. For the three-month periods ended March 31, 2018 and 2017, there was no transfer into or out from Level 3.

F. 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.

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

	<u>March 31, 2018</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Derivative equity instrument: Unlisted shares	\$ 1,281	Market comparable companies	Price to book ratio multiple	1.11~1.13	The higher the multiple, the higher the fair value
	<u>December 31, 2017</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Derivative equity instrument: Unlisted shares	\$ 1,281	Market comparable companies	Price to book ratio multiple	1.13~1.15	The higher the multiple, the higher the fair value
	<u>March 31, 2017</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range(weighted average)</u>	<u>Relationship of inputs to fair value</u>
Derivative equity instrument: Unlisted shares	\$ 1,394	Market comparable companies	Price to book ratio multiple	1.21~1.23	The higher the multiple, the higher the fair value

H. 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:

				<u>March 31, 2018</u>			
				<u>Recognized in profit or loss</u>		<u>Recognized in other comprehensive income</u>	
<u>Input</u>	<u>Change</u>	<u>Favourable change</u>	<u>Unfavourable change</u>	<u>Favourable change</u>	<u>Unfavourable change</u>	<u>Favourable change</u>	<u>Unfavourable change</u>
Financial assets Equity instrument	Price to book ratio multiple	±1%	\$ -	\$ -	\$ 10	(\$ 12)	
				<u>December 31, 2017</u>			
				<u>Recognized in profit or loss</u>		<u>Recognized in other comprehensive income</u>	
<u>Input</u>	<u>Change</u>	<u>Favourable change</u>	<u>Unfavourable change</u>	<u>Favourable change</u>	<u>Unfavourable change</u>	<u>Favourable change</u>	<u>Unfavourable change</u>
Financial assets Equity instrument	Price to book ratio multiple	±1%	\$ -	\$ -	\$ 12	(\$ 13)	
				<u>March 31, 2017</u>			
				<u>Recognized in profit or loss</u>		<u>Recognized in other comprehensive income</u>	
<u>Input</u>	<u>Change</u>	<u>Favourable change</u>	<u>Unfavourable change</u>	<u>Favourable change</u>	<u>Unfavourable change</u>	<u>Favourable change</u>	<u>Unfavourable change</u>
Financial assets Equity instrument	Price to book ratio multiple	±1%	\$ -	\$ -	\$ 11	(\$ 13)	

(4) Effects on initial application of IFRS 9,

A. Summaries of adopting significant accounting policies in the first quarter of 2017:

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

- i . They are financial assets held for trading. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges.
- ii . On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- iii. Financial liabilities at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognised in profit or loss. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in ‘financial assets measured at cost’.

(b) Available for sale financial assets

- i . They are non-derivatives that are either designated in this category or not classified in any of the other categories.
- ii . On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using trade date accounting.
- iii. They are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in ‘financial assets measured at cost’.

(c) Loans and receivables

i . Accounts receivable

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. They are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

ii. Investment in debt instrument without active market

(i) Investments in debt instrument without active market are loans and receivables not originated by the entity. They are bond investments with fixed or determinable payments that are not quoted in an active market, and also meet all of the following conditions:

- a. Not designated on initial recognition as at fair value through profit or loss;

- b. Not designated on initial recognition as available-for-sale;
 - c. Not for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.
- (ii) On a regular way purchase or sale basis, investments in debt instrument without active market are recognised and derecognised using trade date accounting.
 - (iii) They are initially recognised at fair value on the trade date plus transaction costs and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Amortisation of a premium or a discount on such assets is recognised in profit or loss.
 - (iv) Investments in debt instrument without active market held by the Group are those time deposits with a short maturity period but do not qualify as cash equivalents, and they are measured at initial investment amount as the effect of discounting is immaterial.
- (d) Impairment of financial assets
- i. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.
 - ii. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:
 - (i) Significant financial difficulty of the issuer or debtor;
 - (ii) A breach of contract, such as a default or delinquency in interest or principal payments;
 - (iii) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
 - (iv) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
 - (v) The disappearance of an active market for that financial asset because of financial difficulties;
 - (vi) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;
 - (vii) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;
 - (viii) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

ii. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(i) financial assets at amortised cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset directly

(ii) Financial assets at cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at current market return rate of similar financial asset, and is recognised in profit or loss. Impairment loss recognised for this category shall not be reversed subsequently. Impairment loss is recognised by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(iii) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

B. The reconciliations of carrying amount of financial assets transferred from December 31, 2017, IAS 39, to January 1, 2018, IFRS 9, were as follows:

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

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

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

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

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

Items	December 31, 2017	March 31, 2017
Current items:		
Financial assets held for trading		
Beneficiary certificates	\$ 29,850	\$ 190,421
Valuation adjustment	2,826	1,010
	<u>\$ 32,676</u>	<u>\$ 191,431</u>

The Group recognised net profit amounting to \$511 on financial assets held for trading for the three-month period ended March 31, 2017.

(b) Available-for-sale financial assets

Items	December 31, 2017	March 31, 2017
Non-current items:		
Listed stocks	\$ 28,345	\$ 123
Emerging stocks	-	30,046
Non-listed stocks	7,487	7,487
Subtotal	35,832	37,656
Valuation adjustment	(17,892)	(13,457)
Accumulated impairment	(5,032)	(5,108)
Total	\$ 12,908	\$ 19,091

The Group recognised (\$611) in other comprehensive income for fair value change and reclassified \$0 from equity to profit or loss for the three-month period ended March 31, 2017.

(c) Financial assets at cost

Items	December 31, 2017	March 31, 2017
Non-current items:		
PHOENIX & CORPORATION POWER EVER ENTERPRISES LIMITED	\$ 29,988	\$ 29,988
Total	\$ 66,419	\$ 66,419

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

(d) Investments in debt instruments without active markets

Items	December 31, 2017	March 31, 2017
Current items:		
Time deposit	\$ 963,980	\$ 821,884

- i. The Group listed time deposits for 3 to 9 months in this item.
- ii. The Group transacts with financial institutions with high credit quality
- iii. As of March 31, 2017, the Group has no investments in debt instrument without active markets pledged to others.

D. Credit risk information as of December 31, 2017 and in the first quarter of 2017 are as follows:

- (a) Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the

customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables. For banks and financial institutions, only transparency financial institutions are accepted.

- (b) For the first quarter of 2017, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.
- (c) The credit quality of accounts receivable that were neither past due nor impaired was in the following categories based on the Group's Credit Quality Control Policy:

	December 31, 2017	March 31, 2017
Group 1	\$ 90,983	\$ 222
Group 2	912,859	981,167
Group 3	341,711	331,942
	<u>\$ 1,345,553</u>	<u>\$ 1,313,331</u>

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

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

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

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

	December 31, 2017	March 31, 2017
Up to 30 days	\$ 43,462	\$ 105,125
31 to 90 days	34,578	62,300
91 to 180 days	93,564	76,468
Over 181 days	29,279	63,944
	<u>\$ 200,883</u>	<u>\$ 307,837</u>

The above ageing analysis was based on past due date.

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

i . As of December 31, 2017 and March 31, 2017, the Group's accounts receivable that were impaired amounted to \$194,558 and \$177,076, respectively.

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

	2017		
	Individual provision	Group provision	Total
At January 1	\$ 829	\$ 152,866	\$ 153,695
Provision for impairment	220	28,675	28,895
Write-offs during the period (	174)(	3,212)(	3,386)
Effect of foreign exchange	- (	2,128)(	2,128)
At December 31	<u>\$ 875</u>	<u>\$ 176,201</u>	<u>\$ 177,076</u>

(5) Effects of initial application of IFRS 15

A. The significant accounting policies applied on revenue recognition for the first quarter of 2017 are set out below.

(a) Sales of goods

The Group manufactures and sells of Flat display manufacturing inspection equipment, Semiconductor packaging equipment, Intelligent automation equipment and parts products. Revenue is measured at the fair value of the consideration received or receivable taking into account of business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods is recognised when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

(b) Sales of service

The Group provides technical services. Revenue from delivering services is recognised under the percentage-of-completion method when the outcome of services provided can be estimated reliably. Meanwhile, the Group recognised occurred cost as services cost.

	For the three-month period ended March 31, 2017	
Sales of goods	\$	1,211,218
Technical service revenue		28,060
Totle	<u>\$</u>	<u>1,239,278</u>

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

Balance sheet items	Description	For the three-month period ended March 31, 2018		
		Balance by using IFRS 15	Balance by using previous accounting policies	Effects from changes in accounting policy
Contract liabilities		\$ 517,727	\$ -	\$ 517,727
Advance sales receipts			517,727 (	517,727)

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

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

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

(2) Information on investees

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

(3) Information on investments in Mainland China

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

14. SEGMENT INFORMATION

(1) General information

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

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

(2) Information about segment

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

For the three-month period ended March 31, 2018

	<u>Gallant Precision Machining Co., Ltd</u>	<u>Gallant-Rapid Corporation Ltd.</u>	<u>Gallant Micro. Machining Co., Ltd.</u>	<u>Gallant Precision Machinery (BVI)Ltd.</u>	<u>Chun-Zhun Enterprise Corporation (BVI)Ltd.</u>	<u>APEX-I International Co., Ltd.</u>	<u>elimination</u>	<u>Amount</u>
Revenue from external customers	\$ 1,114,829	\$ 13,906	\$ 183,386	\$ -	\$ -	\$ 983	\$ -	\$ 1,313,104
Inter-segment revenue	\$ 6,689	\$ 27,178	\$ -	\$ -	\$ -	\$ -	(\$ 33,867)	\$ -
Segment income	\$ 125,187	(\$ 21,844)	\$ 279	\$ 1,753	(\$ 107)	(\$ 984)	\$ 22,571	\$ 126,855
Total segment assets	\$ 5,228,687	\$ 467,385	\$ 1,593,806	\$ 395,013	\$ 14,546	\$ 66,687	(\$ 1,307,854)	\$ 6,458,270

For the three-month period ended March 31, 2017

	<u>Gallant Precision Machining Co., Ltd</u>	<u>Gallant-Rapid Corporation Ltd.</u>	<u>Gallant Micro. Machining Co., Ltd.</u>	<u>Gallant Precision Machinery (BVI)Ltd.</u>	<u>Chun-Zhun Enterprise Corporation (BVI)Ltd.</u>	<u>APEX-I International Co., Ltd.</u>	<u>elimination</u>	<u>Amount</u>
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

(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, 2018 and 2017 is provided as follows:

	<u>For the three-month period ended March 31, 2018</u>	<u>For the three-month period ended March 31, 2017</u>
Reportable segments income/(loss)	\$ 104,284	\$ 22,242
Other	<u>22,571</u>	<u>23,978</u>
Income/(loss) before tax from continuing operations	<u>\$ 126,855</u>	<u>\$ 46,220</u>

- 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:

	<u>March 31, 2018</u>	<u>March 31, 2017</u>
Assets of reportable segments	\$ 7,766,124	\$ 7,197,571
Elimination of intersegment assets	<u>(1,307,854)</u>	<u>(1,400,781)</u>
Total assets	<u>\$ 6,458,270</u>	<u>\$ 5,796,790</u>

Table 1

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2018

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

No.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party(Note1)	Maximum Balance for the Period Party(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	477,495	258,974	200,000	-	-	8.38	1,193,737	Y	N	N	

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

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

Table 1

Table 2

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
MARKETABLE SECURITIES HELD (NOT INCLUDING SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)
MARCH 31, 2018

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

Held Company Name	Marketable Securities Type and Name	Relationship with the company	Financial Statement Account	March 31, 2017				
				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	\$ 32,737	-	\$ 32,866	
Gallant Precision Machining Co., Ltd.	Union Money Market	-	Financial assets at fair value through profit or loss-current	3,806,884	50,028	-	50,028	
Gallant Precision Machining Co., Ltd.	UPAMC James Bond Money Market Fund	-	Financial assets at fair value through profit or loss-current	1,804,783	30,018	-	30,018	
Gallant Precision Machining Co., Ltd.	Jihsun Monetary Market Fund	-	Financial assets at fair value through profit or loss-current	4,071,772	60,032	-	60,032	
Gallant Precision Machining Co., Ltd.	FSITC Taiwan Money Market	-	Financial assets at fair value through profit or loss-current	3,943,270	60,033	-	60,033	
Gallant Precision Machining Co., Ltd.	Prudential Financial Money Market Fund	-	Financial assets at fair value through profit or loss-current	3,814,004	60,033	-	60,033	
Gallant Precision Machining Co., Ltd.	Capital Money Market Fund	-	Financial assets at fair value through profit or loss-current	3,114,721	50,013	-	50,013	
Gallant Precision Machining Co., Ltd.	The RSIT Enhanced Money Market Fund	-	Financial assets at fair value through profit or loss-current	4,197,237	50,005	-	50,005	
Gallant Precision Machining Co., Ltd.	Mega Diamond Money Market	-	Financial assets at fair value through profit or loss-current	6,010,290	75,010	-	75,010	
Gallant Precision Machining Co., Ltd.	Unicon Optical Co., Ltd.	-	Financial assets at fair value through other comprehensive income	82,000	1,212	0.06	1,212	
Gallant-Rapid Corporation Ltd.	Phoenix Pioneer Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income	669,375	58,447	1.02	58,447	
King Mechatronics Co., Ltd.	POWER EVER ENTFRPRISES LIMITED	-	Financial assets at fair value through other comprehensive income	624,726	58,230	10.15	58,230	
APEX-I International Co., Ltd.	Jihsun Monetary Market Fund	-	Financial assets at fair value through profit or loss-current	271,435	4,002	-	4,002	
APEX-I International Co., Ltd.	Shinyu Light Co., Ltd.	-	Financial assets at fair value through other comprehensive income	286,891	1,282	2.73	1,282	

Table 2

Table 3

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2018

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

No. (Note 1)	Company Name	Counter Party	Nature of Relationship (Note 2)	Intercompany Transactions			Percentage of Consolidated Net Revenue or Total Assets(Note 3)
				Financial Statements Item	Amount	Terms	
0	Gallant Precision Machining Co., Ltd	Gallant Precision Intelligence Technology Co., Ltd.	1	Purchases	\$ 40,004	subject to the terms and conditions agreed upon by both parties	3.05
0	Gallant Precision Machining Co., Ltd	Gallant Precision Intelligence Technology Co., Ltd.	1	Accounts payable	17,396	subject to the terms and conditions agreed upon by both parties	0.27
1	Gallant Micro. Machining Co., Ltd.	King Mechatronics Co., Ltd.	3	Sales	27,770	subject to the terms and conditions agreed upon by both parties	2.11
1	Gallant Micro. Machining Co., Ltd.	King Mechatronics Co., Ltd.	3	Accounts receivable	27,567	subject to the terms and conditions agreed upon by both parties	0.43
1	Gallant Micro. Machining Co., Ltd.	King Mechatronics Co., Ltd.	3	Purchases	15,611	subject to the terms and conditions agreed upon by both parties	1.19

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

(1) Number 0 represents the Company.

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

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

(1) The Company to the consolidated subsidiaries.

(2) The consolidated subsidiaries to the Company.

(3) The consolidated subsidiaries to another consolidated subsidiaries.

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

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

Table 3

Table 4

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES
SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2018

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2018			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Footnote
				March 31, 2018	December 31, 2017	Shares	Percentage of Ownership	Carrying Value			
Gallant Precision Machining Co., Ltd.	Gallant-Rapid Corporation Ltd.	British Virgin Islands	Investing in Gallant Precision Industries (Suzhou) Co., Ltd.	\$ 517,940	\$ 517,940	15,560,000	100.00	\$ 315,768	(\$ 19,950)	(\$ 19,950)	
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	392,321	1,753	1,753	
Gallant Precision Machining Co., Ltd.	APEX-I International Co., Ltd.	Taiwan	Marketing and selling of process equipment of LCD and related parts.	46,657	46,657	6,600,000	100.00	65,026	(984)	(984)	
Gallant Precision Machining Co., Ltd.	Chun-Zhun Enterprise Corporation Ltd.	British Virgin Islands	Investing in Gallant Technology (Shenzhen) Co., Ltd. and Chun-Zhun Precision Machining (Guang Zhou Nan Sha) Corporation	125,671	125,671	3,576,000	100.00	12,628	107	107	
Gallant Precision Machining Co., Ltd.	Sunengine Co., Ltd.	Taiwan	Manufacturing and selling of battery and energy technology services business	366,877	366,877	18,062,672	37.84	65,713	(2,773)	(1,049)	
Gallant Precision Machining Co., Ltd.	Gallant Micro. Machining Co., Ltd.	Taiwan	Manufacturing and selling of semiconductor related equipment and parts	379,182	379,182	16,171,750	62.88	520,705	(3,977)	(2,501)	
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	678,353	312	-	
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	2,883	(29)	-	

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

Table 4

Table 5

GALLANT PRECISION MACHINING CO., LTD. AND SUBSIDIARIES
INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2018

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

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2018	Net Income (Losses) of the Investee Company	Percentage of Ownership	Share of Profits/Losses	Carrying Amount as of March 31, 2018	Accumulated Inward Remittance of Earnings as of March 31, 2018	Footnote
					Outflow	Inflow							
Gallant Precision Industries (Suzhou) Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	\$ 271,259	2	\$ 239,854	\$ -	\$ -	\$ 239,854	(\$ 3,681)	100.00	(\$ 3,681)	\$ 241,956	-	Note3- 2.C
											\$		
Gallant Precision Machinery (Xiamen) Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	555,906	2	555,906	-	-	555,906	1,761	100.00	1,761	393,449	-	Note3- 2.C
Gallant Technology (Shenzhen) Co., Ltd.	Manufacturing of medical and mechanical related equipment	60,713	2	60,713	-	-	60,713	(102)	100.00	(102)	12,412	-	Note3- 2.C
CHUN-ZHUN Precision Machining(Guang Zhou Nan Sha)Corporation	-	-	2	47,354	-	-	47,354	-	-	-	-	-	Note3- 2.C
Suzhou Top Creation Machines Co., Ltd	Manufacturing of wet production equipment for PBC	160,078	3	35,072	-	-	35,072	-	10.15	-	55,093	-	Note3- 2.C
Gallant Micro. Machining (Suzhou) Co., Ltd.	Manufacturing and selling of precision mold and related parts	132,428	2	234,092	-	-	234,092	(1,059)	62.88	(666)	624,494	-	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.	176,586	3	-	-	-	-	(1,150)	30.00	-	-	-	Note3- 2.C
Gallant International Trading Co., Ltd.	Engaged in selling of mechanical equipment	32,529	3	-	-	-	-	(2,292)	100.00	(2,292)	9,825	-	Note3- 2.C
Suzhou Jianmeifu Optical Co., Ltd.	Engaged in wholesale and retail of contact lenses and related care products	18,588	3	-	-	-	-	(622)	100.00	(622)	4,182	-	Note3- 2.C
Gallant Precision Intelligence Technology Co., Ltd.	Manufacturing of optoelectronic products equipment, mechanical equipment and related parts	46,470	3	-	-	-	-	(4,717)	60.00	(2,830)	37,030	-	Note3- 2.C

Table 5

Investee Company	Accumulated Investment in Mainland China as of March 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
Gallant Precision Machining Co., Ltd.	\$ 903,827	\$ 1,060,528	\$ 1,432,484
Gallant Micro. Machining Co., Ltd.	269,164	269,164	496,855

Note1: 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.

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

(1) No investment income (loss) recognition.

(2) There are three basis for investment income (loss) recognition.

A. The basis for investment income (loss) recognition is from the financial statements which were based on the audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.

B. The basis for investment income (loss) recognition is from the financial statements which were based on the audited and attested by R.O.C. parent company's CPA.

C. Others (The basis for investment income (loss) recognition is from the non-audited financial statements prepared by the investees.

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

Table 6

GALLANT PRECISION MACHINING CO., LTD AND SUBSIDIARIES
INFORMATION ON INVESTMENT IN MAINLAND CHINA (SIGNIFICANT TRANSACTIONS CONDUCTED WITH INVESTEEES IN
MAINLAND CHINA DIRECTLY OR INDIRECTLY THROUGH OTHER COMPANIES IN THE THIRD AREAS)
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2018

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

Investee Company	Sales		Purchases		Procurement service revenue	Provision of Endorsements/ Guarantees or Collaterals		Financing				
	Amount	%	Amount	%	Ending Balance	Ending Balance	Purpose	Maximum balance	Ending Balance	Interest Rate	Interest expense	Other
Gallant Precision Intelligence Technology Co., Ltd.	\$ -	-	\$ 40,004	7.47	\$ -	-	-	-	-	-	-	-

Table 6