

**GEM Terminal Ind. Co., Ltd. and  
Subsidiaries**

**Consolidated Financial Statements for the  
Six Months Ended June 30, 2017 and 2016 and  
Independent Auditors' Review Report**

## INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Stockholders  
GEM Terminal Ind. Co., Ltd.

We have reviewed the accompanying consolidated balance sheets of GEM Terminal Ind. Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") as of June 30, 2017 and 2016 and the related consolidated statements of comprehensive income for the three months ended June 30, 2017 and 2016, and for the six months ended June 30, 2017 and 2016, and changes in equity and cash flows for the six months ended June 30, 2017 and 2016. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

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

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

August 9, 2017

### Notice to Readers

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

*For the convenience of readers, the independent auditors' review report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' review report and consolidated financial statements shall prevail.*

# GEM TERMINAL IND. CO., LTD.

## CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2017 (Reviewed)		December 31, 2016 (Audited)		June 30, 2016 (Reviewed)		LIABILITIES AND EQUITY	June 30, 2017 (Reviewed)		December 31, 2016 (Audited)		June 30, 2016 (Reviewed)	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>							<b>CURRENT LIABILITIES</b>						
Cash and cash equivalents (Note 6)	\$ 1,394,758	23	\$ 1,718,386	27	\$ 1,578,398	26	Short-term borrowings (Notes 16 and 25)	\$ 773,650	13	\$ 843,215	13	\$ 756,066	12
Available-for-sale financial assets - current (Notes 3 and 7)	57,567	1	-	-	11,755	-	Short-term bills payable (Note 16)	100,000	2	50,000	1	49,957	1
Notes receivable (Note 8)	151,892	3	145,982	2	140,880	2	Notes payable (Note 14)	118,061	2	198,220	3	196,252	3
Accounts receivable, net (Note 8)	1,038,414	18	1,119,164	17	882,128	15	Accounts payable (Note 14)	461,028	8	530,916	8	323,329	5
Other receivables	1,624	-	1,792	-	2,902	-	Other payables (Note 15)	150,508	3	193,170	3	176,353	3
Current tax assets (Note 4)	1,228	-	294	-	243	-	Current tax liabilities (Note 4)	3,810	-	13,353	-	27,063	1
Inventories (Note 10)	796,924	13	744,156	12	619,684	10	Long-term borrowings - current portion (Notes 16 and 25)	625,827	10	625,036	10	521,950	9
Other financial assets - current (Notes 9 and 25)	258,689	4	313,061	5	432,675	7	Other current liabilities	3,953	-	4,490	-	3,452	-
Other current assets (Notes 13 and 25)	125,171	2	118,808	2	101,965	2							
<b>Total current assets</b>	<b>3,826,267</b>	<b>64</b>	<b>4,161,643</b>	<b>65</b>	<b>3,770,630</b>	<b>62</b>	<b>Total current liabilities</b>	<b>2,236,837</b>	<b>38</b>	<b>2,458,400</b>	<b>38</b>	<b>2,054,422</b>	<b>34</b>
<b>NONCURRENT ASSETS</b>							<b>NONCURRENT LIABILITIES</b>						
Property, plant and equipment (Notes 12, 25 and 26)	1,869,572	31	1,988,977	31	2,048,708	33	Long-term borrowings (Notes 16 and 25)	944,995	16	1,007,366	16	976,271	16
Deferred tax assets (Note 4)	119,529	2	112,739	2	124,920	2	Deferred tax liabilities (Note 4)	99,539	1	105,086	1	101,999	1
Prepayments for equipment (Notes 12 and 26)	55,654	1	39,540	1	50,102	1	Net defined benefit liabilities (Note 4)	44,106	1	44,414	1	46,149	1
Other financial assets - noncurrent (Note 9)	3,165	-	3,209	-	3,286	-							
Long-term prepayment for lease (Notes 13 and 25)	93,845	2	99,465	1	97,801	2	<b>Total noncurrent liabilities</b>	<b>1,088,640</b>	<b>18</b>	<b>1,156,866</b>	<b>18</b>	<b>1,124,419</b>	<b>18</b>
Other noncurrent assets	6,439	-	7,470	-	8,451	-	<b>Total liabilities</b>	<b>3,325,477</b>	<b>56</b>	<b>3,615,266</b>	<b>56</b>	<b>3,178,841</b>	<b>52</b>
<b>Total noncurrent assets</b>	<b>2,148,204</b>	<b>36</b>	<b>2,251,400</b>	<b>35</b>	<b>2,333,268</b>	<b>38</b>	<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 18)</b>						
<b>TOTAL</b>	<b>\$ 5,974,471</b>	<b>100</b>	<b>\$ 6,413,043</b>	<b>100</b>	<b>\$ 6,103,898</b>	<b>100</b>	Ordinary shares	1,692,000	28	1,692,000	26	1,692,000	28
							Capital surplus	271,315	4	271,315	4	271,315	5
							Retained earnings						
							Legal reserve	343,170	6	338,662	6	338,662	5
							Unappropriated earnings	354,739	6	391,565	6	351,823	6
							Total retained earnings	697,909	12	730,227	12	690,485	11
							Other equity	(12,230)	-	104,235	2	271,257	4
							<b>Total equity</b>	<b>2,648,994</b>	<b>44</b>	<b>2,797,777</b>	<b>44</b>	<b>2,925,057</b>	<b>48</b>
							<b>TOTAL</b>	<b>\$ 5,974,471</b>	<b>100</b>	<b>\$ 6,413,043</b>	<b>100</b>	<b>\$ 6,103,898</b>	<b>100</b>

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

# GEM TERMINAL IND. CO., LTD.

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2017		2016		2017		2016	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE, NET	\$ 963,010	100	\$ 920,302	100	\$ 1,757,389	100	\$ 1,681,855	100
OPERATING COSTS (Notes 10, 19 and 24)	875,021	91	777,456	85	1,585,515	90	1,457,243	87
GROSS PROFIT	87,989	9	142,846	15	171,874	10	224,612	13
OPERATING EXPENSES (Notes 19 and 24)								
Marketing	34,984	4	36,916	4	69,044	4	70,121	4
General and administrative	48,870	5	57,809	6	99,515	6	107,745	6
Research and development	6,664	1	6,998	1	12,862	1	15,125	1
Total operating expenses	90,518	10	101,723	11	181,421	11	192,991	11
GAIN (LOSS) FROM OPERATIONS	(2,529)	(1)	41,123	4	(9,547)	(1)	31,621	2
NON-OPERATING INCOME AND EXPENSES (Note 19)								
Other income	5,102	-	5,008	1	11,715	1	11,406	-
Other gains and losses	(3,588)	-	14,165	1	(8,530)	(1)	12,930	1
Finance costs	(11,639)	(1)	(10,978)	(1)	(24,432)	(1)	(21,471)	(1)
Total non-operating income and expenses	(10,125)	(1)	8,195	1	(21,247)	(1)	2,865	-
CONSOLIDATED PROFIT (LOSS) BEFORE INCOME TAX	(12,654)	(2)	49,318	5	(30,794)	(2)	34,486	2
INCOME TAX EXPENSE (Notes 4 and 20)	1,536	-	27,992	3	1,524	-	29,150	2
CONSOLIDATED NET PROFIT (LOSS)	(14,190)	(2)	21,326	2	(32,318)	(2)	5,336	-
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 18 and 20)								
Items that may be reclassified subsequently to profit or loss								
Exchange differences on translating foreign operations	47,745	5	(78,460)	(8)	(119,003)	(6)	(99,974)	(6)
Unrealized loss on available-for-sale financial assets	(630)	-	(47)	-	(1,217)	-	(219)	-

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# GEM TERMINAL IND. CO., LTD.

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2017		2016		2017		2016	
	Amount	%	Amount	%	Amount	%	Amount	%
Income tax relating to items that may be reclassified subsequently to profit or loss	\$ (61)	-	\$ 13,359	1	\$ 3,755	-	\$ 17,078	1
Other comprehensive loss for the period, net of income tax	47,054	5	(65,148)	(7)	(116,465)	(6)	(83,115)	(5)
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>	<u>\$ 32,864</u>	<u>3</u>	<u>\$ (43,822)</u>	<u>(5)</u>	<u>\$ (148,783)</u>	<u>(8)</u>	<u>\$ (77,779)</u>	<u>(5)</u>
<b>NET PROFIT (LOSS) ATTRIBUTABLE TO:</b>								
Owners of the Company	\$ (14,190)	(1)	\$ 21,326	2	\$ (32,318)	(2)	\$ 5,336	-
<b>TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:</b>								
Owners of the Company	<u>\$ 32,864</u>	<u>3</u>	<u>\$ (43,822)</u>	<u>(5)</u>	<u>\$ (148,783)</u>	<u>(8)</u>	<u>\$ (77,779)</u>	<u>(5)</u>
<b>EARNINGS (NET LOSS) PER SHARE (Note 21)</b>								
Basic	\$ (0.08)		\$ 0.13		\$ (0.19)		\$ 0.03	
Diluted	\$ (0.08)		\$ 0.13		\$ (0.19)		\$ 0.03	

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

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**GEM TERMINAL IND. CO., LTD.**

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

	Equity Attributable to the Owners of the Company					Other Equity				Total Equity
	Ordinary Shares	Capital Surplus	Retained Earnings		Total	Unrealized Loss on Available -for-sale Financial Assets	Exchange Differences on Translating Foreign Operations	Remeasurement of Defined benefit Plans	Total	
			Legal Reserve	Unappropriated Earnings						
BALANCE, JANUARY 1, 2017	\$ 1,692,000	\$ 271,315	\$ 338,662	\$ 391,565	\$ 730,227	\$ -	\$ 97,341	\$ 6,894	\$ 104,235	\$ 2,797,777
Appropriation of 2016 earnings (Note 18)										
Legal reserve	-	-	4,508	(4,508)	-	-	-	-	-	-
Net loss for the six months ended June 30, 2017	-	-	-	(32,318)	(32,318)	-	-	-	-	(32,318)
Other comprehensive loss for the six months ended June 30, 2017, net of income tax	-	-	-	-	-	(909)	(115,556)	-	(116,465)	(116,465)
Total comprehensive loss for the six months ended June 30, 2017	-	-	-	(32,318)	(32,318)	(909)	(115,556)	-	(116,465)	(148,783)
BALANCE, JUNE 30, 2017	\$ 1,692,000	\$ 271,315	\$ 343,170	\$ 354,739	\$ 697,909	\$ (909)	\$ (18,215)	\$ 6,894	\$ (12,230)	\$ 2,648,994
BALANCE, JANUARY 1, 2016	\$ 1,692,000	\$ 271,315	\$ 338,662	\$ 346,487	\$ 685,149	\$ (278)	\$ 347,230	\$ 7,420	\$ 354,372	\$ 3,002,836
Net profit for the six months ended June 30, 2016	-	-	-	5,336	5,336	-	-	-	-	5,336
Other comprehensive loss for the six months ended June 30, 2016, net of income tax	-	-	-	-	-	(136)	(82,979)	-	(83,115)	(83,115)
Total comprehensive income (loss) for the six months ended June 30, 2016	-	-	-	5,336	5,336	(136)	(82,979)	-	(83,115)	(77,779)
BALANCE, JUNE 30, 2016	\$ 1,692,000	\$ 271,315	\$ 338,662	\$ 351,823	\$ 690,485	\$ (414)	\$ 264,251	\$ 7,420	\$ 271,257	\$ 2,925,057

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

# GEM TERMINAL IND. CO., LTD.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	<b>Six Months Ended June 30</b>	
	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Consolidated profit (loss) before income tax	\$ (30,794)	\$ 34,486
Adjustments for:		
Depreciation expense	120,262	125,598
Amortization expense	2,698	2,427
Allowance (reversal of allowance) for doubtful accounts	430	(1,962)
Finance costs	24,432	21,471
Interest income	(5,934)	(7,195)
Dividend income	(281)	(241)
Loss on disposal of property, plant and equipment, net	2,710	4,260
Gain on sale of investments, net	(2,148)	(4,357)
Write-down of inventories	7,875	-
Other non-cash items	1,372	2,260
Changes in operating assets and liabilities		
Notes receivable	(5,910)	10,613
Accounts receivable	79,863	102,657
Other receivables	-	(278)
Inventories	(59,859)	(39,356)
Other current assets	(8,394)	(8,029)
Notes payable	(80,159)	(51,823)
Accounts payable	(69,888)	53,976
Other payables	(14,914)	(7,768)
Other current liabilities	(99)	(530)
Net defined benefit liabilities	(2,625)	(30,060)
Cash generated from (used in) operations	(41,363)	206,149
Interest received	6,102	7,956
Income tax paid	(15,162)	(22,895)
Net cash generated from (used in) operating activities	<u>(50,423)</u>	<u>191,210</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of available-for-sale financial assets	(145,060)	(225,808)
Proceeds from disposal of available-for-sale financial assets	88,447	231,211
Acquisition of property, plant and equipment	(132,333)	(149,767)
Proceeds from disposal of property, plant and equipment	759	1,050
Decrease in other financial assets	54,416	67,927
Increase in other noncurrent assets	(670)	(1,911)
Dividend received	281	61
Net cash used in investing activities	<u>(134,160)</u>	<u>(77,237)</u>

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# GEM TERMINAL IND. CO., LTD.

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

	<u>Six Months Ended June 30</u>	
	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	\$ 1,121,957	\$ 516,796
Decrease in short-term borrowings	(1,155,677)	(404,018)
Increase in short-term bills payable	300,000	49,953
Decrease in short-term bills payable	(250,000)	-
Increase in long-term borrowings	300,000	490,146
Repayment of long-term borrowings	(357,240)	(453,750)
Interest paid	<u>(26,872)</u>	<u>(24,501)</u>
Net cash generated from (used in) financing activities	<u>(67,832)</u>	<u>174,626</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS	<u>(71,213)</u>	<u>(33,517)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(323,628)	255,082
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>1,718,386</u>	<u>1,323,316</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 1,394,758</u>	<u>\$ 1,578,398</u>

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

(Concluded)

# **GEM TERMINAL IND. CO., LTD.**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)**

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### **1. GENERAL INFORMATION**

GEM Terminal Ind. Co., Ltd. (the “Company”) was incorporated in July 1993 under the laws of the Republic of China (ROC). The Company mainly manufactures and sells the following products:

- Series terminals, plug inserts, housing and electronic connectors for AC and DC power cords.
- Electric and motor parts terminal.
- Electric and communication terminal.
- Optical communication passive devices.
- Lead frames.

The Company’s shares have been traded on the Taiwan Stock Exchange since September 2001.

The consolidated financial statements are presented in the Company’s functional currency, New Taiwan dollars.

### **2. APPROVAL OF FINANCIAL STATEMENTS**

The consolidated financial statements were authorized for issue on August 9, 2017.

### **3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERNATIONS**

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC).

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Group’s accounting policies:

- 1) Amendment to IFRS 8 “Operating Segments”

IFRS 8 was amended by the Annual Improvements to IFRSs: 2010-2012 Cycle to require disclosure of the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have “similar economic characteristics”. The amendment also clarifies that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segments’ assets are regularly provided to the chief operating decision-maker. The judgements made in applying aggregation criteria should be

disclosed retrospectively upon initial application of the amendment in 2017 (refer to Note 29).

2) Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed and issued into effect by the FSC. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president, or is the spouse or second immediate family of the chairman of the board of directors or president of the Group are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationship with whom the Group has significant transaction. If the transaction or balance with a specific related party is 10% or more of the Group's respective total transaction or balance, such transaction should be separately disclosed by the name of each related party.

b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by FSC for application starting 2018

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS15 Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of investment property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

## 1) IFRS 9 “Financial Instruments”

### Recognition, measurement and impairment of financial assets

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

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

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

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

Based on an analysis of the Group’s financial assets as at June 30, 2017 on the basis of the facts and circumstances that exist at that date, the Group has performed a preliminary assessment of the impact of IFRS 9 to the classification and measurement of financial assets as follows:

Listed shares classified as available-for-sale will be classified as designated as at fair value through other comprehensive income and the fair value gains or losses accumulated in other equity will be transferred directly to retained earnings instead of being reclassified to profit or loss on disposal.

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

The Group has performed a preliminary assessment that the Group will apply the simplified approach to recognize lifetime expected credit losses for trade receivables. In relation to the debt instrument investments and the financial guarantee contracts, the Group will assess whether there

has been a significant increase in the credit risk to determine whether to recognize 12-month or lifetime expected credit losses. In general, the Group anticipates that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses for financial assets.

The Group elects not to restate prior periods when applying the requirements for the recognition, measurement and impairment of financial assets under IFRS 9 and will provide the disclosures related to the classification and the adjustment information upon initial application of IFRS 9. Furthermore, the Group will provide disclosure of the differences in amounts if the Group continued to apply the existing accounting treatments in 2018.

## 2) IFRS 15 “Revenue from Contracts with Customers” and related amendment

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

When applying IFRS 15, the Group recognize revenues by applying the following steps:

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

The Group elects to retrospectively apply IFRS 15 to contracts that are not complete on January 1, 2018 and recognize the cumulative effect of the change in the retained earnings on January 1, 2018.

In addition, the Group will disclose the difference between the amount that results from applying IFRS 15 and the amount that results from applying current standards for 2018.

## 3) Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”

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

In assessing deferred tax asset, the Group currently assumes it will recover the asset at its carrying amount when estimating probable future taxable profit; the amendment will be applied retrospectively in 2018.

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

- c. The IFRSs issued by IASB but not yet endorsed and issued into effect by FSC

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective Date Issued by IASB (Note)</b>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 16 “Leases”	January 1, 2019
IFRS 17 “Insurance Contracts”	January 1, 2021
IFRIC 23 “Uncertainty Over Income Tax Treatments”	January 1, 2019

Note: The aforementioned new, revised or amended standards or interpretations are effective for annual periods beginning on or after their respective effective dates.

1) IFRS 16 “Leases”

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

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

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

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

2) IFRIC 23 “Uncertainty Over Income Tax Treatments”

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Group should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Group concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Group should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Group should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the entity expects to better predict the resolution of the uncertainty. The Group has to reassess its judgments and estimates if facts and circumstances change.

The Group may elect to apply IFRIC 23 either retrospectively to each prior reporting period presented, if this is possible without the use of hindsight, or retrospectively with the cumulative effect of the initial application of IFRIC 23 recognized at the date of initial application.

Except for the aforementioned impact, as of the date the accompanying consolidated financial statements were reported to the Board of Directors, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial

position and financial performance, and will disclose the relevant impact when the assessment is completed.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **a. Statement of Compliance**

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

##### **b. Basis of preparation**

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

##### **c. Basis of Consolidation**

See Note 11, table 5 and 6 for the detailed information of subsidiaries (including percentage of ownership and main business).

##### **d. Other significant accounting policy**

Except for the following, please refer to the summary of significant accounting policy in the consolidated financial statements for the year ended December 31, 2016.

##### **1) Retirement benefits**

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

##### **2) Taxation**

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

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgments and key sources of estimation uncertainty of consolidated financial statements have been followed in these consolidated financial statements as those applied in the preparation of the consolidated financial statements for the year ended December 31, 2016.

## 6. CASH AND CASH EQUIVALENTS

	June 30, 2017	December 31, 2016	June 30, 2016
Cash on hand	\$ 2,237	\$ 1,500	\$ 2,146
Checking accounts and demand deposits	1,033,802	1,311,602	1,196,462
Cash equivalent			
Time deposits with original maturities less than 3 months	<u>358,719</u>	<u>405,284</u>	<u>379,790</u>
	<u>\$ 1,394,758</u>	<u>\$ 1,718,386</u>	<u>\$ 1,578,398</u>

## 7. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	June 30, 2017	December 31, 2016	June 30, 2016
Domestic listed shares	\$ 396	\$ -	\$ 8,008
Overseas listed shares	<u>57,171</u>	<u>-</u>	<u>3,747</u>
	<u>\$ 57,567</u>	<u>\$ -</u>	<u>\$ 11,755</u>

## 8. NOTES AND ACCOUNTS RECEIVABLE, NET

	June 30, 2017	December 31, 2016	June 30, 2016
<u>Notes receivable</u>			
Notes receivable - operating	<u>\$ 151,892</u>	<u>\$ 145,982</u>	<u>\$ 140,880</u>
<u>Accounts receivable</u>			
Accounts receivable	\$ 1,050,238	\$ 1,132,152	\$ 892,620
Less: Allowance for doubtful accounts	<u>11,824</u>	<u>12,988</u>	<u>10,492</u>
	<u>\$ 1,038,414</u>	<u>\$ 1,119,164</u>	<u>\$ 882,128</u>

### a. Accounts receivable

The average credit period of sales of goods was 30-120 days. The Group considered any change in the credit quality of the accounts receivable since the date credit was initially granted to the end of the reporting period. The Group recognized an allowance for doubtful accounts of 100% against all

receivables over 360 days because historical experience revealed that receivables that are past due beyond 360 days were not collectible. Allowance for doubtful accounts is recognized against accounts receivables between 0 days and 360 days based on estimated uncollectible amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

There were no accounts receivable that were past due and not impaired at the end of the reporting period. Inspection on customers' credit was taken regularly and aging analysis was performed based on the past due date.

Aging analysis of accounts receivable was as follows:

	<b>June 30, 2017</b>	<b>December 31, 2016</b>	<b>June 30, 2016</b>
Not past due	\$ 973,666	\$ 1,042,293	\$ 830,495
Past due 1-60 days	67,357	81,935	55,342
Past due 61-90 days	5,229	3,629	1,835
Past due 91-180 days	744	377	1,131
Past due over 181 days	<u>3,242</u>	<u>3,918</u>	<u>3,817</u>
	<u>\$ 1,050,238</u>	<u>\$ 1,132,152</u>	<u>\$ 892,620</u>

Movements of the allowance for doubtful accounts on accounts receivable were as follows:

	<b>Collectively Assessed for Impairment</b>	
	<b>For the Six Months Ended June 30</b>	
	<b>2017</b>	<b>2016</b>
Balance, beginning of period	\$ 12,988	\$ 12,720
Allowance (reversal of allowance) for doubtful accounts	430	(1,962)
Amounts written off as uncollectible	(1,137)	-
Effect of foreign currency exchange differences	<u>(457)</u>	<u>(266)</u>
Balance, end of period	<u>\$ 11,824</u>	<u>\$ 10,492</u>

b. Credit risk of notes and accounts receivable

The Group's receivables are significantly concentrated in certain individuals, most of which have similar business operations and economic features. Concentration of credit risk occurs when the counterparties to financial instrument transactions are individuals or groups engaged in similar activities or activities in the same region, which would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The balances of the notes and accounts receivable from customers with carrying amounts that were 10% or more of the account totals as of each reporting date were as follows:

	<b>June 30, 2017</b>	<b>December 31, 2016</b>	<b>June 30, 2016</b>
Group A	<u>\$ 171,305</u>	<u>\$ 196,144</u>	<u>\$ 163,596</u>

## 9. OTHER FINANCIAL ASSET

	June 30, 2017	December 31, 2016	June 30, 2016
Time deposits with original maturities more than 3 months	\$ 244,713	\$ 241,574	\$ 264,471
Pledge time deposits	13,846	71,353	168,063
Refundable deposits	<u>3,295</u>	<u>3,343</u>	<u>3,427</u>
	<u>\$ 261,854</u>	<u>\$ 316,270</u>	<u>\$ 435,961</u>
Current	\$ 258,689	\$ 313,061	\$ 432,675
Non-current	<u>3,165</u>	<u>3,209</u>	<u>3,286</u>
	<u>\$ 261,854</u>	<u>\$ 316,270</u>	<u>\$ 435,961</u>

The pledge information of other financial assets refer to Note 25.

## 10. INVENTORIES

	June 30, 2017	December 31, 2016	June 30, 2016
Finished goods	\$ 295,239	\$ 254,907	\$ 244,059
Work in process	213,383	240,218	134,995
Raw materials	218,480	183,321	178,164
Supplies	<u>69,822</u>	<u>65,710</u>	<u>62,466</u>
	<u>\$ 796,924</u>	<u>\$ 744,156</u>	<u>\$ 619,684</u>

The cost of goods sold for the three months ended June 30, 2017 and 2016 and for the six months ended June 30, 2017 and 2016 included the following items:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Write-down (reversal of write - down) of inventories	\$ 1,430	\$ (4,011)	\$ 7,875	\$ (2,877)
Others	<u>541</u>	<u>(687)</u>	<u>582</u>	<u>173</u>
	<u>\$ 1,971</u>	<u>\$ (4,698)</u>	<u>\$ 8,457</u>	<u>\$ (2,704)</u>

## 11. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements were as follows:

Name of Investor	Name of Investee	Main Businesses and Products	Percentage of Ownership		
			June 30, 2017	December 31, 2016	June 30, 2016
The Company	Global Electronics Terminal (Cayman) Co., Ltd. (Global (Cayman))	Note 1	100	100	100

(Continued)

Name of Investor	Name of Investee	Main Businesses and Products	Percentage of Ownership		
			June 30, 2017	December 31, 2016	June 30, 2016
	Genius Terminal Co., Ltd. (Genius Terminal)	Notes 1 and 2	100	100	100
	GEM Terminal (Cayman) Co., Ltd. (GEM Terminal (Cayman))	Note 1	100	100	100
Global (Cayman)	Vibo Gem International Co., Ltd. (Vibo)	Notes 1 and 2	100	100	100
	Global Electronics Terminal (HK) Co., Ltd. (Global (HK))	Note 2	100	100	100
Genius Terminal	Genius Terminal (HK) Ltd. (Genius (HK))	Note 2	100	100	100
GEM Terminal (Cayman)	Vietnam Gem Electronic and Metal Co., Ltd (GEM (VN))	Note 3	100	100	100
Vibo	Suzhou Gem Opto-Electronics Terminal Co., Ltd. (GEM (Suzhou))	Note 3	100	100	100
	Dongguan Gem Electronics & Metal Co., Ltd. (GEM (Dongguan))	Note 3	100	100	100

(Concluded)

Note 1: International investment.

Note 2: International trading.

Note 3: Production of hardware; machine processing; electroplating for metal processing; production and processing of molds and related accessories; plastic products and related plastic accessory production.

## 12. PROPERTY, PLANT, AND EQUIPMENT

The Company purchased land for \$7,908 thousand. On this land, a resort will be constructed for the employees. However, a part of the land is agricultural land that cannot be transferred to the Company because of statutory limitations; thus, the Company registered the property rights in the name of chairman. The land is mortgaged to the Company and the agreement stipulated unconditional conveyance of the land to the Company.

a. Movements of cost and accumulated depreciation were as follows:

### Six months ended June 30, 2017

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Others	Construction in Progress and Equipment to be Inspected	Total
Cost							
Balance at January 1, 2017	\$ 146,218	\$ 1,049,205	\$ 1,676,636	\$ 56,535	\$ 731,408	\$ 137,008	\$ 3,797,010
Additions	-	2,555	15,395	157	21,697	53,424	93,228
Disposal	-	(3,665)	(24,945)	(1,661)	(2,786)	-	(33,057)
Reclassification	-	23,517	13,981	-	10,393	(55,455)	(7,564)
Effect of foreign currency exchange differences	-	(31,901)	(63,964)	(1,328)	(22,681)	(12,239)	(132,113)
Balance at June 30, 2017	<u>\$ 146,218</u>	<u>\$ 1,039,711</u>	<u>\$ 1,617,103</u>	<u>\$ 53,703</u>	<u>\$ 738,031</u>	<u>\$ 122,738</u>	<u>\$ 3,717,504</u>
Accumulated depreciation							
Balance at January 1, 2017	\$ -	\$ (405,473)	\$ (956,901)	\$ (47,939)	\$ (397,720)	\$ -	\$ (1,808,033)
Depreciation expenses	-	(21,881)	(57,670)	(1,488)	(39,223)	-	(120,262)

(Continued)

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Others	Construction in Progress and Equipment to be Inspected	Total
Disposal	\$ -	\$ 3,604	\$ 21,819	\$ 1,588	\$ 2,577	\$ -	\$ 29,588
Effect of foreign currency exchange differences	-	8,485	28,204	1,073	13,013	-	50,775
Balance at June 30, 2017	<u>\$ -</u>	<u>\$ (415,265)</u>	<u>\$ (964,548)</u>	<u>\$ (46,766)</u>	<u>\$ (421,353)</u>	<u>\$ -</u>	<u>\$ (1,847,932)</u>
Carrying amounts at December 31, 2016 and January 1, 2017	<u>\$ 146,218</u>	<u>\$ 643,732</u>	<u>\$ 719,735</u>	<u>\$ 8,596</u>	<u>\$ 333,688</u>	<u>\$ 137,008</u>	<u>\$ 1,988,977</u>
Carrying amounts at June 30, 2017	<u>\$ 146,218</u>	<u>\$ 624,446</u>	<u>\$ 652,555</u>	<u>\$ 6,937</u>	<u>\$ 316,678</u>	<u>\$ 122,738</u>	<u>\$ 1,869,572</u>

(Concluded)

### Six months ended June 30, 2016

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Others	Construction in Progress and Equipment to be Inspected	Total
<u>Cost</u>							
Balance at January 1, 2016	\$ 146,218	\$ 805,786	\$ 1,801,237	\$ 59,910	\$ 669,520	\$ 398,523	\$ 3,881,194
Additions	-	27	4,353	1,320	21,336	158,769	185,805
Disposal	-	(300)	(22,958)	(1,102)	(3,192)	-	(27,552)
Reclassification	-	138,658	75,539	-	65,971	(283,799)	(3,631)
Effect of foreign currency exchange differences	-	(21,905)	(64,343)	(1,494)	(19,912)	(20,469)	(128,123)
Balance at June 30, 2016	<u>\$ 146,218</u>	<u>\$ 922,266</u>	<u>\$ 1,793,828</u>	<u>\$ 58,634</u>	<u>\$ 733,723</u>	<u>\$ 253,024</u>	<u>\$ 3,907,693</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2016	\$ -	\$ (396,915)	\$ (988,068)	\$ (47,383)	\$ (371,758)	\$ -	\$ (1,804,124)
Depreciation expenses	-	(18,290)	(68,979)	(1,957)	(36,372)	-	(125,598)
Disposal	-	271	19,214	9	2,748	-	22,242
Effect of foreign currency exchange differences	-	11,054	23,440	1,219	12,782	-	48,495
Balance at June 30, 2016	<u>\$ -</u>	<u>\$ (403,880)</u>	<u>\$ (1,014,393)</u>	<u>\$ (48,112)</u>	<u>\$ (392,600)</u>	<u>\$ -</u>	<u>\$ (1,858,985)</u>
Carrying amounts at June 30, 2016	<u>\$ 146,218</u>	<u>\$ 518,386</u>	<u>\$ 779,435</u>	<u>\$ 10,522</u>	<u>\$ 341,123</u>	<u>\$ 253,024</u>	<u>\$ 2,048,708</u>

#### b. Estimated useful lives

Depreciation is provided on a straight-line basis over estimated useful lives as follows:

#### Buildings

Factory	10-50 years
Main building	5-25 years
The major component part of the factory	10-20 years
The major component part of the office	10-55 years
Machinery and equipment	4.67-15 years
Transportation equipment	3-12 years
Others	3-20 years

Refer to Note 25 for the carrying amount of property, plant and equipment that had been pledged by the Group to secure borrowings/general banking facilities granted to the Group.

#### c. Investing activities affecting both cash and non-cash items

	<b>For the Six Months Ended June 30</b>	
	<b>2017</b>	<b>2016</b>
Acquisition of property, plant and equipment	\$ 93,228	\$ 185,805
Capitalized interest	(2,059)	(3,451)
Increase (decrease) in prepayments for equipment	16,114	(43,647)
Decrease in payable for purchased equipment	<u>25,050</u>	<u>11,060</u>
Cash paid for acquisition of property, plant and equipment	<u>\$ 132,333</u>	<u>\$ 149,767</u>

### 13. LONG-TERM PREPAYMENT FOR LEASE

	June 30, 2017	December 31, 2016	June 30, 2016
Current (included in other current assets)	\$ 2,290	\$ 1,983	\$ 2,010
Noncurrent (included in long-term prepayment for lease)	<u>93,845</u>	<u>99,465</u>	<u>97,801</u>
	<u>\$ 96,135</u>	<u>\$ 101,448</u>	<u>\$ 99,811</u>

Prepayments for lease are for land use rights and property use rights in Mainland China and Vietnam. The amortization period of land use rights in Mainland China is 50 years, which will expire from December 2046 to September 2061 in a row. The amortization periods of land and property use rights in Vietnam is 40-50 years, which will expire from October 2054 to March 2065 in a row. Prepayment for lease with carrying amount of RMB 1,200 thousand is in the process of obtaining the land use right certificate.

Refer to Note 25 for the carrying amount of prepayments for lease that had been pledged by the Group to secure borrowings/general banking facilities granted to the Group.

### 14. NOTES PAYABLE AND ACCOUNTS PAYABLE

The Group's notes payable and accounts payable were from operating activities and were not secured by collaterals.

The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms, therefore, no interest was charged on the outstanding trade payables.

### 15. OTHER PAYABLES

	June 30, 2017	December 31, 2016	June 30, 2016
Payable for salaries and bonus	\$ 40,039	\$ 51,728	\$ 41,310
Payable for purchase of equipment	38,279	63,329	51,172
Payable for utilities expense	7,736	7,440	8,428
Payable for professional service fees	5,483	6,035	3,955
Payable for welfare	3,714	4,892	5,813
Payable for compensation to employees and remuneration to directors and supervisors	3,504	3,504	2,564
Payable for VAT and personal income tax	1,862	4,287	3,092
Others	<u>49,891</u>	<u>51,955</u>	<u>60,019</u>
	<u>\$ 150,508</u>	<u>\$ 193,170</u>	<u>\$ 176,353</u>

Other payables - others were payables for pension, annual leave, labor and health insurance, rent, and payable for parts purchased.

## 16. BORROWINGS

### a. Short-term borrowings

	<b>June 30, 2017</b>	<b>December 31, 2016</b>	<b>June 30, 2016</b>
Unsecured borrowings	\$ 405,345	\$ 436,025	\$ 427,147
Secured borrowings	<u>368,305</u>	<u>407,190</u>	<u>328,919</u>
	<u>\$ 773,650</u>	<u>\$ 843,215</u>	<u>\$ 756,066</u>

Interest rates P.A. on short-term borrowings were as follows:

	<b>June 30, 2017</b>	<b>December 31, 2016</b>	<b>June 30, 2016</b>
Unsecured borrowings (%)	1.35-2.22	1.26-4.35	1.20-4.35
Secured borrowings (%)	2.28-3.92	3.92-4.35	3.92-4.35

### b. Short-term bills payable

	<b>June 30, 2017</b>	<b>December 31, 2016</b>	<b>June 30, 2016</b>
Commercial paper payable	\$ 100,000	\$ 50,000	\$ 50,000
Less: unamortized discount	<u>-</u>	<u>-</u>	<u>43</u>
	<u>\$ 100,000</u>	<u>\$ 50,000</u>	<u>\$ 49,957</u>

Interest rates P.A. on short-term bills payable were as follows:

	<b>June 30, 2017</b>	<b>December 31, 2016</b>	<b>June 30, 2016</b>
Short-term bills payable (%)	1.16-1.20	1.15	1.16

As of June 30, 2017, commercial paper of \$50,000 thousand were issued and granted by China Bills Finance Corporation and International Bills Finance Corporation, respectively. The commercial paper as of December 31 and June 30, 2016 were issued and granted by DAH CHUNG Bills Finance Corporation. The commercial papers above were issued with one year revolving credit facilities.

### c. Long-term borrowings

	<b>June 30, 2017</b>	<b>December 31, 2016</b>	<b>June 30, 2016</b>
Unsecured borrowings	\$ 1,508,416	\$ 1,556,750	\$ 1,458,750
Secured borrowings	<u>62,406</u>	<u>75,652</u>	<u>39,471</u>
	1,570,822	1,632,402	1,498,221
Less: Current portion	<u>625,827</u>	<u>625,036</u>	<u>521,950</u>
	<u>\$ 944,995</u>	<u>\$ 1,007,366</u>	<u>\$ 976,271</u>

Interest rates P.A. on long-term borrowings were as follows:

	<b>June 30, 2017</b>	<b>December 31, 2016</b>	<b>June 30, 2016</b>
Unsecured borrowings (%)	1.49-2.09	1.49-2.09	1.66-2.09
Secured borrowings (%)	2.85	2.70-2.93	2.65

Under the loan agreements with several banks, the Group should maintain certain financial ratios based on reviewed semiannual and audited annual consolidated financial statements. The financial ratio of the Group as of June 30, 2017, December 31, 2016 and June 30, 2016 were in compliance with the requirements stated in the loan agreements.

The Group had sufficient long term credit facility obtained before June 30, 2016, to refinance a portion of the loans on a long-term basis. Therefore, \$138,000 thousand was not classified as current portion of long-term borrowings as of June 30, 2016.

## 17. RETIREMENT BENEFIT PLANS

For the three months ended June 30, 2017 and 2016 and for the six months ended June 30, 2017 and 2016, employee benefit expenses in respect of the Group's defined benefit retirement plans were \$371 thousand, \$496 thousand, \$742 thousand and \$992 thousand, respectively, and were calculated using the actuarially determined pension cost discount rate as of December 31, 2016 and 2015.

## 18. EQUITY

### a. Share capital

	<b>June 30, 2017</b>	<b>December 31, 2016</b>	<b>June 30, 2016</b>
Number of shares authorized (in thousands)	<u>221,000</u>	<u>221,000</u>	<u>221,000</u>
Shares authorized	<u>\$ 2,210,000</u>	<u>\$ 2,210,000</u>	<u>\$ 2,210,000</u>
Number of shares issued and fully paid (in thousands)	<u>169,200</u>	<u>169,200</u>	<u>169,200</u>
Shares issued	<u>\$ 1,692,000</u>	<u>\$ 1,692,000</u>	<u>\$ 1,692,000</u>

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

### b. Capital Surplus

	<b>June 30, 2017</b>	<b>December 31, 2016</b>	<b>June 30, 2016</b>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital</u>			
Arising from issuance of common shares	\$ 266,411	\$ 266,411	\$ 266,411
Arising from treasury share transactions	<u>4,904</u>	<u>4,904</u>	<u>4,904</u>
	<u>\$ 271,315</u>	<u>\$ 271,315</u>	<u>\$ 271,315</u>

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

c. Appropriation of Earnings and Dividend Policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to stockholders and do not include employees. The stockholders held their regular meeting on June 22, 2016 and, in that meeting, had resolved amendments to the Company’s Articles of Incorporation (the “Articles”), particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees’ compensation.

Under the dividend policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company’s board of directors as the basis for proposing a distribution plan, which should be resolved in the stockholders’ meeting for distribution of dividends and bonus to stockholders. For the policies on the distribution of employees’ compensation and remuneration of directors and supervisors after the amendment, please refer to (f) Employees’ compensation and remuneration of directors and supervisors in Note 19.

The Company’s dividend policy is in line with the Company’s operating scale and research and development needs as well as the status of the economy and industry in order to maintain sound management and promote stockholders’ long-term interests. Thus, the Company adopted Residual dividend policy as its stockholder dividends’ policy. Company’s profits may be distributed in the form of cash and/or stock. However, distribution of profits should preferably be in the form of cash dividend. Cash dividends should be at least 10% of total dividends. But if a cash dividend is less than \$0.2, the Company may choose to appropriate stock dividends instead.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company’s paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and when the legal reserve has exceeded 25% of the Company’s paid-in capital, the excess may be transferred to capital or distributed in cash.

Under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled “Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs”, the Company should appropriate or reverse to a special reserve.

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

The appropriations of earnings for 2016 and the deficit compensation for 2015 had been approved in the stockholders’ meeting on June 14, 2017 and June 22, 2016, respectively. The appropriation of earnings for 2016 was as follow:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 4,508	
Cash dividends	-	\$ -

d. Other Equity Items

1) Exchange differences on translating foreign operations

	<b>For the Six Months Ended June 30</b>	
	<b>2017</b>	<b>2016</b>
Balance, beginning of period	\$ 97,341	\$ 347,230
Exchange differences arising on translating the foreign operations	(119,003)	(99,974)
Related income tax	<u>3,447</u>	<u>16,995</u>
Balance, end of period	<u>\$ (18,215)</u>	<u>\$ 264,251</u>

2) Unrealized gain (loss) from available-for-sale financial assets

	<b>For the Six Months Ended June 30</b>	
	<b>2017</b>	<b>2016</b>
Balance, beginning of period	\$ -	\$ (278)
Unrealized gain (loss) arising on revaluation of available-for-sale financial assets	931	4,138
Related income tax	(232)	(1,087)
Cumulative gain reclassified to profit or loss on sale of available-for-sale financial assets	(2,148)	(4,357)
Related income tax	<u>540</u>	<u>1,170</u>
Balance, end of period	<u>\$ (909)</u>	<u>\$ (414)</u>

**19. CONSOLIDATED PROFIT (LOSS) BEFORE INCOME TAX**

Consolidated profit (loss) before income tax was as follows:

a. Other income

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Interest income	\$ 2,590	\$ 3,690	\$ 5,934	\$ 7,195
Others	<u>2,512</u>	<u>1,318</u>	<u>5,781</u>	<u>4,211</u>
	<u>\$ 5,102</u>	<u>\$ 5,008</u>	<u>\$ 11,715</u>	<u>\$ 11,406</u>

b. Other gains and losses

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Foreign exchange gains (losses), net	\$ (2,884)	\$ 14,445	\$ (7,707)	\$ 13,698
Loss on disposal of property, plant and equipment, net	(2,278)	(3,154)	(2,710)	(4,260)

(Continued)

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Gain on disposal of investments, net	\$ 1,660	\$ 3,361	\$ 2,148	\$ 4,357
Others	<u>(86)</u>	<u>(487)</u>	<u>(261)</u>	<u>(865)</u>
	<u>\$ (3,588)</u>	<u>\$ 14,165</u>	<u>\$ (8,530)</u>	<u>\$ 12,930</u> (Concluded)

c. Finance costs

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Interest expense of borrowings	\$ 12,742	\$ 12,670	\$ 26,491	\$ 24,922
Less: Amounts included in the cost of qualifying assets	<u>1,103</u>	<u>1,692</u>	<u>2,059</u>	<u>3,451</u>
	<u>\$ 11,639</u>	<u>\$ 10,978</u>	<u>\$ 24,432</u>	<u>\$ 21,471</u>

Information about capitalized interest was as follows:

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Capitalized interest (classified under property, plant and equipment and prepayments for equipment)	\$ 1,103	\$ 1,692	\$ 2,059	\$ 3,451
Capitalization rate (%)	1.63-6.46	1.84-5.19	1.63-6.46	1.79-5.19

d. Depreciation and amortization

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Property, plant and equipment	\$ 59,040	\$ 60,626	\$ 120,262	\$ 125,598
Prepayments for lease (current/noncurrent)	557	613	1,150	1,239
Other assets	<u>783</u>	<u>541</u>	<u>1,548</u>	<u>1,188</u>
	<u>\$ 60,380</u>	<u>\$ 61,780</u>	<u>\$ 122,960</u>	<u>\$ 128,025</u>

Other assets were long-term prepayments for computer software, etc.

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Analysis of depreciation by function				
Operating costs				
Operating expenses	\$ 49,210	\$ 50,404	\$ 100,314	\$ 105,282
	<u>9,830</u>	<u>10,222</u>	<u>19,948</u>	<u>20,316</u>
	<u>\$ 59,040</u>	<u>\$ 60,626</u>	<u>\$ 120,262</u>	<u>\$ 125,598</u>
Analysis of amortization by function				
Operating costs				
Operating expenses	\$ 70	\$ 95	\$ 159	\$ 195
	<u>1,270</u>	<u>1,059</u>	<u>2,539</u>	<u>2,232</u>
	<u>\$ 1,340</u>	<u>\$ 1,154</u>	<u>\$ 2,698</u>	<u>\$ 2,427</u>

e. Employee benefits expense

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Short-term employee benefits	\$ 138,414	\$ 145,894	\$ 267,416	\$ 271,736
Post-employment benefits				
Defined contribution plans	8,889	10,025	16,620	18,962
Defined benefit plans (Note 17)	<u>371</u>	<u>496</u>	<u>742</u>	<u>992</u>
	<u>9,260</u>	<u>10,521</u>	<u>17,362</u>	<u>19,954</u>
	<u>\$ 147,674</u>	<u>\$ 156,415</u>	<u>\$ 284,778</u>	<u>\$ 291,690</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 111,627	\$ 118,672	\$ 214,128	\$ 218,232
Operating expenses	<u>36,047</u>	<u>37,743</u>	<u>70,650</u>	<u>73,458</u>
	<u>\$ 147,674</u>	<u>\$ 156,415</u>	<u>\$ 284,778</u>	<u>\$ 291,690</u>

f. Employees' compensation and remuneration of directors and supervisors

The stockholders held their meeting in June 2016 and resolved amendments to the Company's Articles; the amendments stipulate distribution of employees' compensation and remuneration to directors and supervisors at the rates no less than 3% and no higher than \$4,000 thousand, respectively, of net profit before income tax, employees' compensation, and remuneration to directors and supervisors. For the three months and six months ended June 30, 2016, the Company accrued employees' compensation by \$254 thousand at the rate of 3% of net profit before income tax, employees' compensation and remuneration of directors and supervisors; remuneration of directors and supervisors by \$2,310 thousand with estimated distribution. The stockholders held their meeting in June 2017 and resolved amendments to the Company's Articles again; the amendments stipulate distribution of employees' compensation and remuneration of directors and supervisors at the rates no less than 3% and \$2,100

thousand, respectively, of the net profit before income tax, employees' compensation, and remuneration of directors and supervisors. For the three months and six months ended June 30, 2017 the Company had incurred net loss, hence, no employees' compensation and remuneration of directors and supervisors were accrued for the period.

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

Since the Company had incurred net loss for 2015, no compensation to employees and remuneration to directors and supervisors were distributed, which was approved in the board of directors' meeting on March 25, 2016. The appropriations of compensation to employees and remuneration to directors and supervisors for 2016 were approved in the board of directors' meeting on March 23, 2017. The compensation to employees and remuneration to directors and supervisors for 2016 were as follows:

#### Cash Dividends

Compensation to employees	\$ 1,404
Remuneration to directors and supervisors	2,100

There was no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2016.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2017 and 2016 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

f. Gain or loss on foreign currency exchange

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Foreign exchange gains	\$ 943	\$ 17,018	\$ 17,571	\$ 30,656
Foreign exchange losses	<u>(3,827)</u>	<u>(2,573)</u>	<u>(25,278)</u>	<u>(16,958)</u>
Foreign exchange gains (losses), net	<u>\$ (2,884)</u>	<u>\$ 14,445</u>	<u>\$ (7,707)</u>	<u>\$ 13,698</u>

## 20. INCOME TAX

a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Current tax				
In respect of the current period	\$ (1,282)	\$ 14,412	\$ 114	\$ 21,323
Income tax on unappropriated earnings	3,841	-	3,841	-

(Continued)

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Adjustments for prior periods	\$ 730	\$ 14,275	\$ 730	\$ 15,114
	<u>3,289</u>	<u>28,687</u>	<u>4,685</u>	<u>36,437</u>
Deferred tax				
In respect of the current period	(2,219)	(162)	(8,582)	(8,378)
Exchange rate influence	<u>466</u>	<u>(533)</u>	<u>5,421</u>	<u>1,091</u>
	<u>(1,753)</u>	<u>(695)</u>	<u>(3,161)</u>	<u>(7,287)</u>
Income tax expense recognized in profit or loss	\$ <u>1,536</u>	\$ <u>27,992</u>	\$ <u>1,524</u>	\$ <u>29,150</u> (Concluded)

b. Income tax recognized in other comprehensive income (loss)

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Deferred tax				
Translations of foreign operations	\$ (221)	\$ 13,338	\$ 3,447	\$ 16,995
Unrealized loss on available-for-sale financial asset	<u>160</u>	<u>21</u>	<u>308</u>	<u>83</u>
	<u>\$ (61)</u>	<u>\$ 13,359</u>	<u>\$ 3,755</u>	<u>\$ 17,078</u>

c. Integrated income tax

	<b>June 30, 2017</b>	<b>December 31, 2016</b>	<b>June 30, 2016</b>
Unappropriated earnings			
Unappropriated earnings generated before January 1, 1998	\$ 6,684	\$ 6,684	\$ 6,684
Unappropriated earnings generated on and after January 1, 1998	<u>348,055</u>	<u>384,881</u>	<u>345,139</u>
	<u>\$ 354,739</u>	<u>\$ 391,565</u>	<u>\$ 351,823</u>
Imputation credits accounts	<u>\$ 37,336</u>	<u>\$ 37,779</u>	<u>\$ 25,301</u>

The Company had incurred net loss for 2015, according to the resolution approved in the stockholders' meeting on June 22, 2016, the earnings were not distributed. The creditable ratio for the distribution of earning for 2016 was 9.82%.

d. Income tax assessments

The tax returns of the Company as of 2015 have been assessed by the tax authorities.

GEM (Dongguan) and GEM (Suzhou) had completed the filing of their income tax returns through 2016 with the tax authorities.

## 21. EARNING (NET LOSS) PER SHARE (EPS)

There is no diluted effect for the three months and six months ended June 30, 2017 for net loss incurred in the reporting period.

The net profit (loss) and weighted average number of ordinary shares outstanding in the computation of basic and diluted EPS were as follows:

Net profit (loss) for the periods

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Net profit (loss) used in the computation of basic / diluted earnings (net loss) per share	<u>\$ (14,190)</u>	<u>\$ 21,326</u>	<u>\$ (32,318)</u>	<u>\$ 5,336</u>

Weighted average number of ordinary shares outstanding (in thousand shares)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Weighted average number of ordinary shares in computation of basic EPS / Net loss per share	169,200	169,200	169,200	169,200
Effect of potentially dilutive ordinary shares:				
Employee' compensation to employees	<u>          -</u>	<u>          32</u>	<u>          -</u>	<u>          32</u>
Weighted average number of ordinary shares in computation of diluted EPS / Net loss per share	<u>169,200</u>	<u>169,232</u>	<u>169,200</u>	<u>169,232</u>

If the Group offered to settle compensation paid to employees in cash or shares, the Group assumed the entire amount of the compensation will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 22. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns through the optimization of the debt and equity balance. The capital structure of the Group

consists of net debt and equity of the Group. The Group is not subject to any externally imposed capital requirements, except to maintain certain financial ratios specified under loan agreements. (Refer to Note 16)

Key management personnel of the Group review the capital structure on a quarterly basis. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of liabilities paid and current assets management to balance its entire capital structure.

## 23. FINANCIAL INSTRUMENTS

### a. Information of fair value - fair value of financial instruments not measured at fair value

The Group's management considers that the carrying amounts of financial assets and financial liabilities which are not measured at fair value approximate their fair values.

### b. Information of fair value - fair value of financial instruments that are measured at fair value on a recurring basis

June 30, 2017

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Domestic listed shares	\$ 396	\$ -	\$ -	\$ 396
Overseas listed shares	<u>57,171</u>	<u>-</u>	<u>-</u>	<u>57,171</u>
	<u>\$ 57,567</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,567</u>

December 31, 2016: None

June 30, 2016

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Domestic listed shares	\$ 8,008	\$ -	\$ -	\$ 8,008
Overseas listed shares	<u>3,747</u>	<u>-</u>	<u>-</u>	<u>3,747</u>
	<u>\$ 11,755</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,755</u>

There were no transfers between Level 1 and Level 2 for the six months ended June 30, 2017 and 2016.

### c. Categories of financial instruments

	June 30, 2017	December 31, 2016	June 30, 2016
<u>Financial assets</u>			
Loans and receivables (Note 1)	\$ 2,848,542	\$ 3,301,594	\$ 3,040,269
Available-for-sale financial assets	57,567	-	11,755

(Continued)

	<b>June 30, 2017</b>	<b>December 31, 2016</b>	<b>June 30, 2016</b>
<u>Financial liabilities</u>			
Measured at amortized cost (Note 2)	\$ 3,174,069	\$ 3,447,923	\$ 3,000,178 (Concluded)

Note 1: The balances included in loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes receivable, accounts receivable, net, other receivables and other financial assets.

Note 2: The balances included in financial liabilities measured at amortized cost, which comprise short-term borrowings, short-term bills payable, notes and accounts payable, other payables, and long-term borrowings (including current portion).

d. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, notes receivable, accounts receivable, other financial assets, borrowings, short - term bills payable, notes payable and accounts payable. The Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The Corporate Treasury function reports monthly to the Group's risk management committee.

1) Market risk

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

a) Foreign currency risk

The Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are set out in Note 27.

Sensitivity analysis

The Group was mainly exposed to the risks from the fluctuation of USD and HKD.

The following table details the sensitivity to a 1% increase and decrease in the functional currency rate against the relevant foreign currencies of the Group's outstanding foreign currency denominated monetary items at the end of the reporting period. A positive number below indicates an increase / decrease in pre-tax profit associated with the functional currency.

	<b>USD impact</b>		<b>HKD impact</b>	
	<b>For the Six Months</b>		<b>For the Six Months</b>	
	<b>Ended June 30</b>		<b>Ended June 30</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Profit or loss	\$ 3,214	\$ 3,587	\$ 1,389	\$ 586

b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings.

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

	<b>June 30, 2017</b>	<b>December 31, 2016</b>	<b>June 30, 2016</b>
Fair value interest rate risk			
Financial assets	\$ 617,278	\$ 718,211	\$ 812,324
Financial liabilities	1,623,404	1,684,268	1,904,773
Cash flow interest rate risk			
Financial assets	1,033,698	1,311,499	1,196,359
Financial liabilities	821,068	841,349	399,471

Sensitivity analysis

The sensitivity analysis below was based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole period.

If interest rates had been 1% higher/lower and all other variables were held constant, the Group's pre-tax profit for the six months ended June 30, 2017 and 2016 would have been higher/lower by \$1,063 thousand and \$3,984 thousand, respectively, which was mainly a result of the changes in floating rate bank deposits and borrowings.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to the counterparties' failure to discharge an obligation and because of financial guarantees provided by the Group is the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

The Group adopted a policy of only dealing with creditworthy counterparties, and continuously monitoring the credit exposure and credit rating of the counterparties besides, controlling the credit exposure through the credit line limit of counterparties.

The Group's receivables are significantly concentrated in certain individuals, most of which have similar business operations and economic features. Credit risk concentration occurs when the counterparties to financial instrument transactions are individuals or groups engaged in similar activities or activities in the same region, which would cause their ability to meet contractual

obligations to be similarly affected by changes in economic or other conditions. Accounts receivable from customers with carrying amounts that were 10% or more of the account total are disclosed in Note 8.

### 3) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the Group's funding and liquidity management requirements.

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, and continuously monitoring forecast and actual cash flows as well as matching the maturity profiles of financial assets and liabilities.

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

The following table details the analysis of maturity dates for Group's non-derivative financial liabilities based on the agreed repayment dates, it's based on the earliest date that the Group may be required to repay, without considering the probability of execution of the right, and the tables had been drawn up based on the undiscounted cash flows of financial liabilities. The tables included both interest and principal cash flows.

	<b>Weighted Average Effective Interest Rate (%)</b>	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>
<u>June 30, 2017</u>					
Fixed interest rate liabilities	1.16-3.92	\$ 276,362	\$ 177,502	\$ 625,464	\$ 574,385
Variable interest rate liabilities	1.63-2.85	19,052	66,558	366,823	384,573
Non-interest bearing	-	<u>424,962</u>	<u>247,609</u>	<u>53,447</u>	<u>-</u>
		<u>\$ 720,376</u>	<u>\$ 491,669</u>	<u>\$ 1,045,734</u>	<u>\$ 958,958</u>
<u>December 31, 2016</u>					
Fixed interest rate liabilities	1.15-4.35	\$ 415,640	\$ 160,586	\$ 650,880	\$ 483,572
Variable interest rate liabilities	1.49-2.93	19,159	27,161	280,035	537,204
Non-interest bearing	-	<u>486,469</u>	<u>366,826</u>	<u>66,840</u>	<u>-</u>
		<u>\$ 921,268</u>	<u>\$ 554,573</u>	<u>\$ 997,755</u>	<u>\$ 1,020,776</u>
<u>June 30, 2016</u>					
Fixed interest rate liabilities	1.16-4.35	\$ 189,992	\$ 133,995	\$ 880,271	\$ 739,170
Variable interest rate liabilities	1.36-2.65	1,016	1,085	156,266	249,653
Non-interest bearing	-	<u>349,207</u>	<u>272,387</u>	<u>72,487</u>	<u>-</u>
		<u>\$ 540,215</u>	<u>\$ 407,467</u>	<u>\$ 1,109,024</u>	<u>\$ 988,823</u>

Taking into account the Group's financial position, management does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. Management believes that such bank loans will be repaid in one year after the end of reporting period in compliance with the scheduled repayment dates set out in the loan agreements.

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

## 24. TRANSACTIONS WITH RELATED PARTIES

All transactions, balances, revenues and expenses among the Group are eliminated on consolidation, so the information is not disclosed in this note. The details of transactions between the Group and other related parties are disclosed below.

### a. Compensation of key management personnel

The amounts of the remuneration of directors and other members of key management personnel for the reporting period were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Short-term employee benefits	\$ 2,003	\$ 1,901	\$ 4,195	\$ 4,154
Post-employment benefits	<u>68</u>	<u>-</u>	<u>136</u>	<u>69</u>
	<u>\$ 2,071</u>	<u>\$ 1,901</u>	<u>\$ 4,331</u>	<u>\$ 4,223</u>

The remuneration of directors and other members of key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

### b. Property lease

The Company leased its Taipei office, factories and storehouse from general manager, Su, Tun-Jen, Su, Tun-Li, and Su, Tun-Yi (second-degree relatives of the Company's chairman), under one-year operating lease contracts. The rentals for the three months ended June 30, 2017 and 2016 were both \$414 thousand; for the six months ended June 30, 2017 and 2016 were both \$829 thousand, and were recorded as operating expenses and manufacturing cost.

The rental terms were determined by negotiation. The rental rates were similar to the local market rate and the payment terms were at arm's length.

### c. Guarantees

The Company's chairman, Su, Chung-Hong, and Su, Tun-Li jointly provided the guarantee for the loans of GEM and GEM (Cayman). The Company's chairman, Su, Chung-Hong, provided the guarantee for the loans of Genius (HK); Su, Tun-Li provided the guarantee for the loans of Global (HK) and GEM (VN).

## 25. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The Group provided the following assets as collateral for the banks' short-term and long-term borrowings:

	June 30, 2017	December 31, 2016	June 30, 2016
Property, plant and equipment	\$ 338,156	\$ 418,103	\$ 377,617
Deposit account (under other financial assets-current)	13,846	71,353	168,063
Prepaid rent (including current portion)	<u>18,185</u>	<u>36,141</u>	<u>38,459</u>
	<u>\$ 370,187</u>	<u>\$ 525,597</u>	<u>\$ 584,139</u>

## 26. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

As of June 30, 2017, significant contingent liabilities and unrecognized commitments of the Group were as follows:

- a. the amounts of contracts for the Group's purchases of properties and materials were \$338,788 thousand, of which \$144,931 thousand had not been paid.
- b. Unused letters of credit for purchases of raw materials amounted to \$14,048 thousand.

## 27. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	Foreign Currencies (In Thousands)		Exchange Rate	Carrying Amount (In Thousands)
<u>June 30, 2017</u>				
Financial assets				
Monetary items				
USD	\$ 5,775	30.420	(USD:NTD)	\$ 175,677
USD	10,983	6.780	(USD:RMB)	334,095
USD	13,376	7.804	(USD:HKD)	406,906
USD	2,690	22,735	(USD:VND)	81,823
HKD	5,280	3.899	(HKD:NTD)	20,586
HKD	44,709	0.869	(HKD:RMB)	174,320
HKD	947	0.128	(HKD:USD)	<u>3,693</u>
				<u>\$ 1,197,100</u>
Financial liabilities				
Monetary items				
USD	390	30.420	(USD:NTD)	\$ 11,868
USD	5,728	6.780	(USD:RMB)	174,231
USD	5,410	7.802	(USD:HKD)	164,586
USD	10,730	22,735	(USD:VND)	326,407
HKD	15,060	3.899	(HKD:NTD)	58,718
HKD	257	0.128	(HKD:RMB)	<u>1,002</u>
				<u>\$ 736,812</u>
<u>December 31, 2016</u>				
Financial assets				
Monetary items				
USD	4,848	32.250	(USD:NTD)	\$ 156,334
USD	7,322	6.984	(USD:RMB)	236,147
USD	12,325	7.751	(USD:HKD)	397,469
USD	2,445	22,743	(USD:VND)	78,841
HKD	5,885	4,161	(HKD:NTD)	24,487

(Continued)

	<b>Foreign Currencies (In Thousands)</b>	<b>Exchange Rate</b>		<b>Carrying Amount (In Thousands)</b>
HKD	\$ 27,986	0.901	(HKD:RMB)	\$ 116,452
HKD	944	0.129	(HKD:USD)	<u>3,928</u>
				<u>\$ 1,013,658</u>
<b>Financial liabilities</b>				
<b>Monetary items</b>				
USD	556	32.250	(USD:NTD)	\$ 17,933
USD	6,121	6.984	(USD:RMB)	197,404
USD	4,945	7.751	(USD:HKD)	159,462
USD	7,673	22,743	(USD:VND)	247,440
HKD	15,472	4.161	(HKD:NTD)	64,379
HKD	332	0.901	(HKD:RMB)	<u>1,382</u>
				<u>\$ 688,000</u>
<hr/> <b>June 30, 2016</b> <hr/>				
<b>Financial assets</b>				
<b>Monetary items</b>				
USD	4,801	32.280	(USD:NTD)	154,984
USD	9,989	6.662	(USD:RMB)	322,434
USD	11,370	7.754	(USD:HKD)	367,017
USD	2,115	22,293	(USD:VND)	68,260
HKD	5,426	4.163	(HKD:NTD)	22,590
HKD	33,236	0.859	(HKD:RMB)	138,362
HKD	941	0.129	(HKD:USD)	<u>3,919</u>
				<u>\$1,077,566</u>
<b>Financial liabilities</b>				
<b>Monetary items</b>				
USD	1,270	32.280	(USD:NTD)	\$ 40,995
USD	5,341	6.662	(USD:RMB)	172,404
USD	5,243	7.754	(USD:HKD)	169,254
USD	5,307	22,293	(USD:VND)	171,319
HKD	25,288	4.163	(HKD:NTD)	105,275
HKD	245	0.859	(HKD:RMB)	<u>1,020</u>
				<u>\$ 660,267</u>
				(Concluded)

For the three months ended June 30, 2017 and 2016, and for the six months ended June 30, 2017 and 2016, realized and unrealized foreign exchange gains (losses) were net losses \$2,884 thousand, net gains \$14,445 thousand, net losses \$7,707 thousand and net gains \$13,698 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Group's entities.

## 28. ADDITIONAL DISCLOSURES

### a. Information about significant transactions and investees:

- 1) Financing provided to others: Table 1 (attached).
- 2) Endorsement/guarantee provided: None.
- 3) Marketable securities held: Table 2 (attached).
- 4) Marketable securities acquired and disposed at cost or price at least NT\$300 million or 20% of the paid-in capital: None.
- 5) Acquisition of individual real estate at cost of at least NT\$300 million or 20% of the paid-in capital: None.
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 3 (attached).
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4 (attached).
- 9) Trading in derivative instruments: None.
- 10) Inter - Company business relationship and material transactions and its amount: Table 8 (attached).
- 11) Information on investees: Table 5 (attached).

### b. Information on investments in Mainland China

Information on any investee company in Mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the Mainland China areas: Table 6 (attached).

Any of the following significant transactions with investee companies in Mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses:

- 1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: Table 7 (attached).
- 2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Table 3 and Table 7 (attached).
- 3) The amount of property transactions and the amount of the resultant gains or losses: Table 7 (attached).
- 4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None.

- 5) The highest balance, the end of period balance, the interest rates range, and total current period interest with respect to financing of funds: Table 1 (attached).
- 6) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: Table 7 and Table 8 (attached).

## 29. SEGMENT INFORMATION

Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on type of goods or services delivered or provided.

Each entity of the Group is considered separate operating segment by the chief operating decision maker (CODM). For financial statements presentation purposes, these individual operating segments have been aggregated into a single operating segment taking into account the following factors:

- a. these operating segments have similar production and sales processes;
- b. these operating segments have similar main businesses and products; and
- c. the finance and business of these operating segments as to the consolidated financial statements are not material.

The Group's reportable segments were as follows:

- GEM Terminal
- GEM (Dongguan) and Genius (HK) consolidated information
- GEM (Suzhou) and Global (HK) consolidated information
- Others

### Segment revenues and results, segment assets and liabilities

The following was an analysis of the Group's revenue and results from operations by reportable segment:

	GEM Terminal	GEM (Dongguan)& Genius (HK)	GEM (Suzhou)& Global (HK)	Others	Adjustment and Elimination	Consolidated Amount
<u>For the Six months ended June 30, 2017</u>						
Revenue from external customers	\$ 240,888	\$ 700,157	\$ 816,041	\$ 303	\$ -	\$ 1,757,389
Inter - segment revenues	<u>67,682</u>	<u>156,245</u>	<u>749,488</u>	<u>162,116</u>	<u>(1,135,531)</u>	<u>-</u>
Segment revenues	<u>\$ 308,570</u>	<u>\$ 856,402</u>	<u>\$ 1,565,529</u>	<u>\$ 162,419</u>	<u>\$ (1,135,531)</u>	<u>\$ 1,757,389</u>
Segment income (loss)	<u>\$ (1,083)</u>	<u>\$ (24,195)</u>	<u>\$ (1,387)</u>	<u>\$ 8,352</u>	<u>\$ 8,766</u>	\$ (9,547)
Other income						11,715
Other gains and losses						(8,530)
Finance cost						<u>(24,432)</u>
Consolidated loss before income tax						(30,794)
Income tax						<u>(1,524)</u>
Consolidated net loss						<u>\$ (32,318)</u>

(Continued)

	<b>GEM Terminal</b>	<b>GEM (Dongguan)&amp; Genius (HK)</b>	<b>GEM (Suzhou)&amp; Global (HK)</b>	<b>Others</b>	<b>Adjustment and Elimination</b>	<b>Consolidated Amount</b>
<u>June 30, 2017</u>						
Segment assets	<u>\$ 4,562,729</u>	<u>\$ 1,756,356</u>	<u>\$ 2,939,400</u>	<u>\$ 864,388</u>	<u>\$ (4,148,402)</u>	<u>\$ 5,974,471</u>
Segment liabilities	<u>\$ 1,913,735</u>	<u>\$ 765,089</u>	<u>\$ 945,353</u>	<u>\$ 423,259</u>	<u>\$ (721,959)</u>	<u>\$ 3,325,477</u>
<u>For the Six months ended June 30, 2016</u>						
Revenue from external customers	\$ 254,125	\$ 693,922	\$ 733,808	\$ -	\$ -	\$ 1,681,855
Inter - segment revenues	<u>42,743</u>	<u>217,872</u>	<u>632,332</u>	<u>36,957</u>	<u>(929,904)</u>	<u>-</u>
Segment revenues	<u>\$ 296,868</u>	<u>\$ 911,794</u>	<u>\$ 1,366,140</u>	<u>\$ 36,957</u>	<u>\$ (929,904)</u>	<u>\$ 1,681,855</u>
Segment income (loss)	<u>\$ (12,824)</u>	<u>\$ (34,361)</u>	<u>\$ 86,609</u>	<u>\$ (4,147)</u>	<u>\$ (3,656)</u>	\$ 31,621
Other income						11,406
Other gains and losses						12,930
Finance cost						<u>(21,471)</u>
Consolidated profit before income tax						34,486
Income tax						<u>(29,150)</u>
Consolidated net income						<u>\$ 5,336</u>
<u>June 30, 2016</u>						
Segment assets	<u>\$ 4,741,873</u>	<u>\$ 2,099,813</u>	<u>\$ 3,094,869</u>	<u>\$ 761,387</u>	<u>\$ (4,594,044)</u>	<u>\$ 6,103,898</u>
Segment liabilities	<u>\$ 1,816,816</u>	<u>\$ 1,047,201</u>	<u>\$ 1,147,630</u>	<u>\$ 274,139</u>	<u>\$ (1,106,945)</u>	<u>\$ 3,178,841</u>

(Concluded)

**TABLE 1****GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES****FINANCING PROVIDED TO OTHERS  
FOR THE SIX MONTHS ENDED JUNE 30, 2017****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance (Note 2)	Actual Borrowing Amount (Notes 2 and 3)	Interest Rate	Nature of Financing	Business Transaction Amounts	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits	Note
													Item	Value			
0	The Company	GEM (VN)	Other receivables - related parties	Yes	\$ 97,845	\$ 91,260	\$ 30,420	2.10	Short-term financing	\$ -	Business development	\$ -	-	\$ -	\$ 529,799	\$ 1,059,598	Note 1
		GEM (VN)	Other receivables - related parties	Yes	91,260	91,260	-	2.10	Short-term financing	-	Business development	-	-	-	529,799	1,059,598	Note 1
		GEM (Suzhou)	Other receivables - related parties	Yes	152,100	152,100	-	2.10	Short-term financing	-	Business development	-	-	-	529,799	1,059,598	Note 1
1	Vibo	GEM (Dongguan)	Other receivables - related parties	Yes	30,420	30,420	30,420	2.00	Short-term financing	-	Business development	-	-	-	580,250	1,160,500	Note 1
2	Global (Cayman)	Global (HK)	Other receivables - related parties	Yes	12,168	12,168	12,168	2.00	Short-term financing	-	Business development	-	-	-	584,922	1,169,843	Note 1
3	GEM (Cayman)	GEM (VN)	Other receivables - related parties	Yes	32,250	30,420	30,420	2.10	Short-term financing	-	Business development	-	-	-	69,190	138,380	Note 1

Note 1: Under the Company's and the subsidiaries' "Operational Procedures for Loaning Funds to Others," if short-term financing is needed, total amounts of these financings should not exceed 40 percent of the Company's and the subsidiaries' stockholders' equity, and individual financing should not exceed 20 percent of the Company's and the subsidiaries' stockholders' equity.

Note 2: The conversion rates on June 30, 2017 were US\$1 : NT\$30.42.

Note 3: It was eliminated on consolidation.

## GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

JUNE 30, 2017

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

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	June 30, 2017				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
The Company	<u>Stock</u> E. Sun Financial Holding Co., Ltd.	-	Available-for-sale financial assets - current	21,197	\$ 396	-	\$ 396	
GEM (Suzhou)	<u>Stock</u> Jiugui Liquor Co., Ltd.	-	Available-for-sale financial assets - current	145,000	11,957	-	11,957	
	Ningbo Boway Alloy Material Co., Ltd.	-	Available-for-sale financial assets - current	126,000	6,423	-	6,423	
	Zhejiang Gu Yue Long Shan Shaoxing Wine Co., Ltd.	-	Available-for-sale financial assets - current	149,900	6,222	-	6,222	
	Bank of Beijing Co.,Ltd.	-	Available-for-sale financial assets - current	143,000	5,884	-	5,884	
	China Minsheng Banking Corp., Ltd.	-	Available-for-sale financial assets - current	146,000	5,385	-	5,385	
	Jiangsu Yanghe Brewery Joint-Stock Co., Ltd.	-	Available-for-sale financial assets - current	9,000	3,506	-	3,506	
	Shanghai Pudong Development Bank Co., Ltd.	-	Available-for-sale financial assets - current	44,000	2,497	-	2,497	
	Luzhou Lao Jiao Limited by Share Ltd.	-	Available-for-sale financial assets - current	11,000	2,496	-	2,496	
	Yantai Changyu Pioneer Wine Co., Ltd.	-	Available-for-sale financial assets - current	13,049	2,178	-	2,178	
	Shanxi Xinghuacun Fen Wine Factory Co., Ltd.	-	Available-for-sale financial assets - current	13,000	2,024	-	2,024	
	Anhui Gujing Distillery Co., Ltd.	-	Available-for-sale financial assets - current	8,000	1,829	-	1,829	
	Wuliangye Yibin Co.,Ltd.	-	Available-for-sale financial assets - current	7,000	1,748	-	1,748	
	Industrial Bank Co., Ltd.	-	Available-for-sale financial assets - current	18,000	1,362	-	1,362	
	Tsingtao Brewery Co., Ltd	-	Available-for-sale financial assets - current	7,000	1,102	-	1,102	
	Sichuan Swellfun Co., Ltd.	-	Available-for-sale financial assets - current	9,000	993	-	993	
	Industrial and Commercial Bank of China	-	Available-for-sale financial assets - current	15,000	353	-	353	
	Bank of Communications	-	Available-for-sale financial assets - current	12,000	332	-	332	
	China Construction Bank Corporation	-	Available-for-sale financial assets - current	11,000	304	-	304	
	Agricultural Bank of China	-	Available-for-sale financial assets - current	16,000	253	-	253	
	Bank of China	-	Available-for-sale financial assets - current	13,000	216	-	216	
	China Merchants Bank Co.,Ltd.	-	Available-for-sale financial assets - current	1,000	107	-	107	
					<u>57,171</u>		<u>57,171</u>	
					<u>\$ 57,567</u>		<u>\$ 57,567</u>	

GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE SIX MONTHS ENDED JUNE 30, 2017

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

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchases/Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Term	Ending Balance	% to Total	
GEM (Dongguan)	Genius (HK)	Affiliate	Sales	\$ 326,934 (HK\$79,242 thousand and US\$456 thousand)	40	120 days after monthly closing	Note 2	Note 3	\$ 108,969 (HK\$26,893 thousand and US\$139 thousand)	22	Note 1
GEM (VN)	Genius (HK)	Affiliate	Sales	162,116 (US\$ 5,318 thousand)	100	120 days after monthly closing	Note 2	Note 3	27,857 (US\$ 916 thousand)	100	Note 1
GEM (Suzhou)	GEM (Dongguan)	Affiliate	Sales	559,942 (RMB\$ 125,305 thousand)	36	120 days after monthly closing	Note 2	Note 3	227,925 (RMB\$ 50,797 thousand)	26	Note 1
GEM (Suzhou)	Global (HK)	Affiliate	Sales	214,384 (HK\$ 6,514 thousand and US\$6,156 thousand)	14	120 days after monthly closing	Note 2	Note 3	123,528 (HK\$4,092 thousand and US\$3,540 thousand)	14	Note 1
Genius (HK)	GEM (Dongguan)	Affiliate	Sales	171,304 (HK\$ 1,642 thousand and US\$ 5,386 thousand)	32	120 days after monthly closing	Note 2	Note 3	28,932 (HK\$174 thousand and US\$929 thousand)	11	Note 1
Global (HK)	GEM (VN)	Affiliate	Sales	116,777 (US\$ 3,820 thousand)	52	120 days after monthly closing	Note 2	Note 3	98,913 (US\$ 3,252 thousand)	71	Note 1

Note 1: It was eliminated on consolidation.

Note 2: The sales price of finished goods is not significantly different from those to third parties, except for the stated sales price of finished goods, other types of sales price have no comparable transactions with those in the market.

Note 3: The sales payment terms of intercompany sales are not significantly different from those to third parties.

GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

JUNE 30, 2017

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

Company Name	Related Party	Relationship	Ending Balance (Note)	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
GEM (Suzhou)	GEM (Dongguan)	Affiliate	\$ 227,925 ( RMB\$ 50,797 thousand )	4.49	\$ -	-	\$ 144,460	\$ -
	Global (HK)	Affiliate	123,528 ( HK\$ 4,092 thousand and US\$ 3,540 thousand)	3.93	-	-	51,620	-
GEM (Dongguan)	Genius (HK)	Affiliate	108,969 ( HK\$ 26,893 thousand and US\$ 139 thousand)	7.43	-	-	55,587	-

Note: It was eliminated on consolidation.

## GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

## INFORMATION ON INVESTEEES

FOR THE SIX MONTHS ENDED JUNE 30, 2017

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of June 30, 2017			Net Income (Loss) of the Investee	Share of profit (Loss)	Note
				June 30, 2017 (Foreign Currencies in Thousands)	December 31, 2016 (Foreign Currencies in Thousands)	Shares/ Units	%	Carrying Amount			
The Company	Global (Cayman)	Grand Cayman, Cayman Islands	International investment	\$ 1,295,208	\$ 1,295,208	40,137,184	100	\$ 2,803,625	\$ (26,425)	\$ (26,497)	Notes 1 and 2
	GEM (Cayman)	Grand Cayman, Cayman Islands	International investment	392,669	392,669	12,598,333	100	342,172	4,662	4,624	Notes 1 and 2
	Genius Terminal	British Virgin Islands	International investment and trading, etc.	23,282	23,282	750,000	100	71,427	3,438	3,438	Note 1
Genius Terminal	Genius (HK)	Hong Kong	International trading	90,134	90,134	21,999,998	100	78,020	3,421	3,454	Notes 1 and 2
Global (Cayman)	Vibo	Hong Kong	Trading and investment	1,541,063	1,541,063	359,972,616	100	2,901,247	(26,875)	(26,875)	Note 1
	Global (HK)	Hong Kong	International trading	3,747	3,747	1,000,000	100	8,186	311	482	Notes 1 and 2
GEM (Cayman)	GEM (VN)	Vietnam	Production of hardware; machine processing; electroplating for hardware processing; production and processing of molds and related accessories; plastic products and related plastic accessory production;	386,780	386,780	386,780	100	342,608	8,070	4,765	Notes 1 and 2

Note 1: It was eliminated on consolidation.

Note 2: Net of unrealized profits.

## GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE SIX MONTHS ENDED JUNE 30, 2017

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

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2017	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of June 30, 2017	Net Income (Loss) of the Investee	% of Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Notes 1 and 3)	Carrying Amount as of June 30, 2017 (Notes 1 and 3)	Accumulated Repatriation of Investment Income as of June 30, 2017	Note
					Outward	Inward							
GEM (Dongguan)	Production of hardware; machine processing; electroplating for metal processing; production and processing of molds and related accessories; plastic products and related plastic accessory production.	\$ 760,398	The investment was made through a corporation established in a third country to invest in companies located in Mainland China.	\$ 452,130	\$ -	\$ -	\$ 452,130	\$ (18,382)	100	\$ (16,502)	\$ 854,527	\$ -	
GEM (Suzhou)	Production of hardware; machine processing; electroplating for metal processing; production and processing of molds and related accessories; plastic products and related plastic accessory production.	1,124,797	The investment was made through a corporation established in a third country to invest in companies located in Mainland China.	741,320	-	-	741,320	(3,244)	100	(10,620)	1,968,170	-	

Investor Company	Accumulated Outward Remittance for Investment in Mainland China as of June 30, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 2)
The Company	\$1,193,450	\$1,724,814 (US\$56,700 thousand)	\$1,589,396

Note 1: Amount was recognized based on the reviewed financial statement.

Note 2: Under the "Principles Governing the Review of Investments or Technical Cooperation in Mainland China" issued by the Investment Commission on August 29, 2008, the maximum amount that can be invested in companies located in mainland China is 60% of the Company's net value.

Note 3: It was eliminated on consolidation.

## GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

**SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES FOR THE SIX MONTHS ENDED JUNE 30, 2017**  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Counterparty	Transaction Type	Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
				Payment Term	Comparison with Normal Transaction	Ending Balance	%		
The Company	GEM (Suzhou)	Sales	\$ 37,057	120 days after monthly closing	No significant difference with those to third parties	\$ -	-	\$ 6,391	
		Purchase	10,655	120 days after monthly closing	No significant difference with those to third parties	-	-	-	
	GEM (Dongguan)	Property, plant, and equipment for sale	20,021	120 days after monthly closing	No comparable transactions with those in the market	-	-	10,423	
		Sales	319	120 days after monthly closing	No significant difference with those to third parties	325	-	931	
Genius (HK)	GEM (Dongguan)	Sales	171,304	120 days after monthly closing	No significant difference with those to third parties	28,932	11	-	
		Purchase	333,423	120 days after monthly closing	No comparable transactions with those in the market	(115,340)	76	(1,157)	
Global (HK)	GEM (Suzhou)	Sales	3,142	120 days after monthly closing	No significant difference with those to third parties	-	-	-	
		Purchase	222,923	120 days after monthly closing	No comparable transactions with those in the market	(128,562)	100	3,069	

## GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

INTERCOMPANY BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS  
FOR THE SIX MONTHS ENDED JUNE 30, 2017

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

No.	Investee Company	Counterparty	Nature of Relationship (Note 2)	Intercompany Transactions			Percentage of Consolidated Total Gross Sales or Total Assets
				Financial Statement Item	Amount (Note 1)	Terms	
0	The Company	Genius (HK)	1	Sales	\$ 6,374	Payment terms are four months	-
		Genius (HK)	1	Accounts receivable	1,931	Payment terms are four months	-
		GEM (Suzhou)	1	Sales	37,057	Payment terms are four months	2
		GEM (Suzhou)	1	Property, plant and equipment for sale	20,021	Payment terms are four months	1
		GEM (VN)	1	Sales	21,206	Payment terms are four months	1
		GEM (VN)	1	Accounts receivable	13,970	Payment terms are four months	-
		GEM (VN)	1	Property, plant and equipment for sale-current	5,902	Payment terms are four months	-
		GEM (VN)	1	Other receivables	5,743	Payment terms are four months	-
		GEM (VN)	1	Interest income	312	Interest rate P.A. 2.1%	-
		GEM (VN)	1	Other receivables	30,815	According to working, capital conditions to change payment deeding	1
		Global (HK)	1	Sales	2,726	Payment terms are four months	-
		Global (HK)	1	Disposal of property, plant and equipment for sale-current	400	Payment terms are four months	-
		GEM (Dongguan)	1	Sales	319	Payment terms are four months	-
		GEM (Dongguan)	1	Accounts receivable	325	Payment terms are four months	-
1	GEM (Dongguan)	Global (HK)	3	Sales	326,934	Payment terms are four months	19
		Global (HK)	3	Accounts receivable	108,969	Payment terms are four months	2
		Global (HK)	3	Disposal of property, plant and equipment	6,489	Payment terms are four months	-
		Global (HK)	3	Other receivables	6,371	Payment terms are four months	-
		Global (HK)	3	Other income	422	Payment terms are four months	-
		GEM (Suzhou)	3	Sales	35,811	Payment terms are four months	2
		GEM (Suzhou)	3	Accounts receivable	52,905	Payment terms are four months	1
		GEM (Suzhou)	3	Disposal of property, plant and equipment	15,853	Payment terms are four months	1
		GEM (Suzhou)	3	Other income	12	Payment terms are four months	-
		2	Genius (HK)	The Company	2	Sales	92,140
The Company	2			Accounts receivable	53,261	Payment terms are four months	1
The Company	2			Other receivables	5,457	Payment terms are four months	-
GEM (Dongguan)	3			Sales	171,304	Payment terms are four months	10
GEM (Dongguan)	3			Accounts receivable	28,932	Payment terms are four months	-
GEM (Dongguan)	3			Other receivables	430	Payment terms are four months	-
GEM (VN)	3			Sales	28,294	Payment terms are four months	2
GEM (VN)	3			Accounts receivable	24,875	Payment terms are four months	-
3	Global (HK)	The Company	2	Sales	62,114	Payment terms are four months	4
		The Company	2	Accounts receivable	11,793	Payment terms are four months	-
		GEM (Suzhou)	3	Sales	3,142	Payment terms are four months	-
		GEM (VN)	3	Sales	116,777	Payment terms are four months	7
		GEM (VN)	3	Accounts receivable	98,913	Payment terms are four months	2

(Continued)

No.	Investee Company	Counterparty	Nature of Relationship (Note 2)	Intercompany Transactions			Percentage of Consolidated Total Gross Sales or Total Assets
				Financial Statement Item	Amount (Note 1)	Terms	
4	GEM (Suzhou)	The Company	2	Sales	\$ 10,655	Payment terms are four months	1
		Global (HK)	3	Sales	214,384	Payment terms are four months	12
		Global (HK)	3	Accounts receivable	123,528	Payment terms are four months	2
		Global (HK)	3	Disposal of property, plant and equipment	8,539	Payment terms are four months	-
		Global (HK)	3	Other receivables	5,034	Payment terms are four months	-
		Global (HK)	3	Other income	171	Payment terms are four months	-
		GEM (Dongguan)	3	Sales	559,942	Payment terms are four months	32
		GEM (Dongguan)	3	Accounts receivable	227,925	Payment terms are four months	4
		GEM (Dongguan)	3	Disposal of property, plant and equipment	1,344	Payment terms are four months	-
		GEM (Dongguan)	3	Other receivables	720	Payment terms are four months	-
5	Vibo	GEM (Dongguan)	1	Other receivables	30,461	According to working, capital conditions to change payment deeding	1
		GEM (Dongguan)	1	Interest income	236	Interest rate P.A. 2.0%	-
6	Global (Cayman)	Global (HK)	1	Other receivables	12,212	According to working, capital conditions to change payment deeding	-
		Global (HK)	1	Interest income	120	Interest rate P.A. 2.0%	-
7	GEM (Cayman)	GEM (VN)	1	Other receivables	30,757	According to working, capital conditions to change payment deeding	1
		GEM (VN)	1	Interest income	320	Interest rate P.A. 2.1%	-
8	GEM (VN)	Genius (HK)	3	Sales	162,116	Payment terms are four months	9
		Genius (HK)	3	Accounts receivable	27,857	Payment terms are four months	-

(Concluded)

Note 1: It was eliminated on consolidation.

Note 2: 1) Parent to subsidiary

2) Subsidiary to parent

3) Subsidiary to subsidiary