

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

**Consolidated Financial Statements for the
Three Months Ended March 31, 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 March 31, 2017 and 2016 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2017 and 2016. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

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

May 10, 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. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2017 (Reviewed)		December 31, 2016 (Audited)		March 31, 2016 (Reviewed)		LIABILITIES AND EQUITY	March 31, 2017 (Reviewed)		December 31, 2016 (Audited)		March 31, 2016 (Reviewed)	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
CURRENT ASSETS							CURRENT LIABILITIES						
Cash and cash equivalents (Note 6)	\$ 1,184,289	20	\$ 1,718,386	27	\$ 1,719,343	28	Short-term borrowings (Notes 16 and 25)	\$ 779,639	13	\$ 843,215	13	\$ 744,951	12
Available-for-sale financial assets - current (Note 7)	19,741	-	-	-	7,289	-	Short-term bills payable (Note 16)	50,000	1	50,000	1	50,000	1
Notes receivable (Note 8)	134,341	2	145,982	2	129,801	2	Notes payable (Note 14)	150,476	3	198,220	3	99,215	2
Accounts receivable, net (Note 8)	923,212	16	1,119,164	17	786,302	13	Accounts payable (Note 14)	374,735	6	530,916	8	304,258	5
Other receivables	1,386	-	1,792	-	3,069	-	Other payables (Note 15)	154,184	3	193,170	3	185,434	3
Current tax assets (Note 4)	307	-	294	-	2,296	-	Current tax liabilities (Note 4)	2,156	-	13,353	-	7,264	-
Inventories (Note 10)	840,823	15	744,156	12	568,378	10	Long-term borrowings - current portion (Notes 16 and 25)	656,990	11	625,036	10	412,000	7
Other financial assets - current (Notes 9 and 25)	433,553	8	313,061	5	359,034	6	Other current liabilities	3,895	-	4,490	-	4,624	-
Other current assets (Notes 13 and 25)	124,895	2	118,808	2	97,382	2							
Total current assets	3,662,547	63	4,161,643	65	3,672,894	61	Total current liabilities	2,172,075	37	2,458,400	38	1,807,746	30
NONCURRENT ASSETS							NONCURRENT LIABILITIES						
Property, plant and equipment (Notes 12, 25 and 26)	1,866,919	32	1,988,977	31	2,133,373	35	Long-term borrowings (Notes 16 and 25)	872,157	15	1,007,366	16	1,137,335	19
Deferred tax assets (Note 4)	117,029	2	112,739	2	107,146	2	Deferred tax liabilities (Note 4)	99,196	2	105,086	1	97,746	1
Prepayments for equipment (Notes 12 and 26)	54,185	1	39,540	1	34,601	-	Net defined benefit liabilities (Notes 4)	44,260	1	44,414	1	46,179	1
Other financial assets - noncurrent (Note 9)	3,138	-	3,209	-	3,328	-							
Long-term prepayment for lease (Notes 13 and 25)	93,514	2	99,465	1	99,337	2	Total noncurrent liabilities	1,015,613	18	1,156,866	18	1,281,260	21
Other noncurrent assets	6,486	-	7,470	-	7,206	-	Total liabilities	3,187,688	55	3,615,266	56	3,089,006	51
Total noncurrent assets	2,141,271	37	2,251,400	35	2,384,991	39	EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 18)						
TOTAL	\$ 5,803,818	100	\$ 6,413,043	100	\$ 6,057,885	100	Ordinary shares	1,692,000	29	1,692,000	26	1,692,000	28
							Capital surplus	271,315	5	271,315	4	271,315	4
							Retained earnings						
							Legal reserve	338,662	6	338,662	6	338,662	6
							Unappropriated earnings	373,437	6	391,565	6	330,497	5
							Total retained earnings	712,099	12	730,227	12	669,159	11
							Others equity	(59,284)	(1)	104,235	2	336,405	6
							Total equity	2,616,130	45	2,797,777	44	2,968,879	49
							TOTAL	\$ 5,803,818	100	\$ 6,413,043	100	\$ 6,057,885	100

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

GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2017		2016	
	Amount	%	Amount	%
OPERATING REVENUE, NET	\$ 794,379	100	\$ 761,553	100
OPERATING COSTS (Notes 10, 19 and 24)	<u>710,494</u>	<u>89</u>	<u>679,787</u>	<u>89</u>
GROSS PROFIT	<u>83,885</u>	<u>11</u>	<u>81,766</u>	<u>11</u>
OPERATING EXPENSES (Notes 19 and 24)				
Marketing	33,246	4	33,205	4
General and administrative	51,904	7	49,936	7
Research and development	<u>6,198</u>	<u>1</u>	<u>8,127</u>	<u>1</u>
Total operating expenses	<u>91,348</u>	<u>12</u>	<u>91,268</u>	<u>12</u>
LOSS FROM OPERATIONS	<u>(7,463)</u>	<u>(1)</u>	<u>(9,502)</u>	<u>(1)</u>
NON-OPERATING INCOME AND EXPENSES (Note 19)				
Other income	7,058	1	6,398	1
Other gains and losses	(4,942)	(1)	(1,235)	-
Finance costs	<u>(12,793)</u>	<u>(1)</u>	<u>(10,493)</u>	<u>(2)</u>
Total non-operating income and expenses	<u>(10,677)</u>	<u>(1)</u>	<u>(5,330)</u>	<u>(1)</u>
CONSOLIDATED LOSS BEFORE INCOME TAX	(18,140)	(2)	(14,832)	(2)
INCOME TAX EXPENSE (BENEFIT) (Notes 4 and 20)	<u>(12)</u>	<u>-</u>	<u>1,158</u>	<u>-</u>
CONSOLIDATED NET LOSS	<u>(18,128)</u>	<u>(2)</u>	<u>(15,990)</u>	<u>(2)</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 18 and 20)				
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	(166,748)	(21)	(21,514)	(3)
Unrealized loss on available-for-sale financial assets	(587)	-	(172)	-

(Continued)

GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Net Loss Per Share)

(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2017		2016	
	Amount	%	Amount	%
Income tax relating to items that may be reclassified subsequently to profit or loss	\$ 3,816	-	\$ 3,719	1
Other comprehensive loss for the period, net of income tax	(163,519)	(21)	(17,967)	(2)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	\$ (181,647)	(23)	\$ (33,957)	(4)
NET LOSS ATTRIBUTABLE TO:				
Owner of the Company	\$ (18,128)	(2)	\$ (15,990)	(2)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:				
Owner of the Company	\$ (181,647)	(23)	\$ (33,957)	(4)
NET LOSS PER SHARE (Note 21)				
Basic	\$ (0.11)		\$ (0.09)	
Diluted	\$ (0.11)		\$ (0.09)	

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

(Concluded)

GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

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
Net loss for the three months ended March 31, 2017	-	-	-	(18,128)	(18,128)	-	-	-	-	(18,128)
Other comprehensive loss for the three months ended March 31, 2017, net of income tax	-	-	-	-	-	(439)	(163,080)	-	(163,519)	(163,519)
Total comprehensive loss for the three months ended March 31, 2017	-	-	-	(18,128)	(18,128)	(439)	(163,080)	-	(163,519)	(181,647)
BALANCE, MARCH 31, 2017	\$ 1,692,000	\$ 271,315	\$ 338,662	\$ 373,437	\$ 712,099	\$ (439)	\$ (65,739)	\$ 6,894	\$ (59,284)	\$ 2,616,130
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 loss for the three months ended March 31, 2016	-	-	-	(15,990)	(15,990)	-	-	-	-	(15,990)
Other comprehensive loss for the three months ended March 31, 2016, net of income tax	-	-	-	-	-	(110)	(17,857)	-	(17,967)	(17,967)
Total comprehensive loss for the three months ended March 31, 2016	-	-	-	(15,990)	(15,990)	(110)	(17,857)	-	(17,967)	(33,957)
BALANCE, MARCH 31, 2016	\$ 1,692,000	\$ 271,315	\$ 338,662	\$ 330,497	\$ 669,159	\$ (388)	\$ 329,373	\$ 7,420	\$ 336,405	\$ 2,968,879

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

GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Three Months Ended March 31	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated loss before income tax	\$ (18,140)	\$ (14,832)
Adjustments for:		
Depreciation expense	61,222	64,972
Amortization expense	1,358	1,273
Allowance (reversal of allowance) for doubtful accounts	1,098	(2,534)
Finance costs	12,793	10,493
Interest income	(3,344)	(3,505)
Loss on disposal of property, plant and equipment, net	432	1,106
Gain on sale of investments, net	(488)	(996)
Write-down of inventories	6,445	1,134
Other non-cash items	1,247	1,901
Changes in operating assets and liabilities		
Notes receivable	11,641	21,692
Accounts receivable	195,479	198,851
Other receivables	(5)	(1,405)
Inventories	(101,742)	10,162
Other current assets	(7,266)	(2,263)
Notes payable	(47,744)	(148,860)
Accounts payable	(156,181)	34,905
Other payables	(21,047)	(15,842)
Other current liabilities	(630)	(45)
Net defined benefit liabilities	(2,471)	(30,030)
Cash generated from (used in) operations	(67,343)	126,177
Interest received	3,755	5,046
Income tax paid	(12,606)	(16,060)
Net cash generated from (used in) operating activities	<u>(76,194)</u>	<u>115,163</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(43,186)	(98,266)
Proceeds from disposal of available-for-sale financial assets	23,334	104,945
Acquisition of property, plant and equipment	(65,687)	(82,246)
Proceeds from disposal of property, plant and equipment	648	24
Decrease (increase) in other financial assets	(120,421)	141,526
Net cash generated from (used in) investing activities	<u>(205,312)</u>	<u>65,983</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	746,279	548,467
Decrease in short-term borrowings	(756,833)	(455,789)
Increase in short-term bills payable	150,000	50,000
Decrease in short-term bills payable	(150,000)	-

(Continued)

GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Three Months Ended March 31	
	2017	2016
Increase in long-term borrowings	\$ 100,000	\$ 390,502
Repayment of long-term borrowings	(198,750)	(302,500)
Interest paid	<u>(13,907)</u>	<u>(11,697)</u>
Net cash generated from (used in) financing activities	<u>(123,211)</u>	<u>218,983</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS	<u>(129,380)</u>	<u>(4,102)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(534,097)	396,027
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>\$ 1,184,289</u>	<u>\$ 1,719,343</u>

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

(Concluded)

GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

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 May 10, 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 IFRS 13 “Fair Value Measurement”

The basis for conclusions of IFRS 13 was amended by the Annual Improvements to IFRSs: 2010-2012 Cycle to clarify that when the amendment becomes effective in 2017, the short-term receivables and payables with no stated interest rate is measured at their invoice amounts without discounting, if the effect of not discounting is immaterial.

IFRS 13 was also amended by the Annual Improvements to IFRSs: 2011-2013 Cycle to clarify that the scope in IFRS 13 of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

3) 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. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

The Group has not applied the following IFRSs issued by the IASB but not yet endorsed and issued into effect by the FSC.

The FSC announced that amendments to IFRS 9 and IFRS 15 will take effect starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new IFRSs.

New IFRSs	Effective Date Announced by IASB (Note 1)
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
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 15 “Revenue from Contracts with Customers”	January 1, 2018

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 15 “Clarifications to IFRS15 Revenue from Contracts with Customers”	January 1, 2018
IFRS 16 “Leases”	January 1, 2019
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

(Concluded)

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.

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Group’s accounting policies, except for the following:

1) IFRS 9 “Financial Instruments”

Recognition and measurement 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.

Impairment of financial assets

IFRS 9 requires impairment loss on financial assets to be recognized by using the “Expected Credit Losses Model”. The credit 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.

For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

Transition

Financial instruments that have been derecognized prior to the effective date of IFRS 9 cannot be reversed to apply IFRS 9 when it becomes effective. Under IFRS 9, the requirements for classification, measurement and impairment of financial assets are applied retrospectively with the difference between the previous carrying amount and the carrying amount at the date of initial application recognized in the current period and restatement of prior periods is not required.

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 from January 1, 2018.

When applying IFRS 15, an entity shall recognize revenue 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.

When IFRS 15 and related amendment are effective, an entity may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

3) 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 and interest portion of the lease liability are classified within financing activities; cash payments for 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.

4) 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.

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.

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 Consolidation

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

c. 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

	March 31, 2017	December 31, 2016	March 31, 2016
Cash on hand	\$ 2,982	\$ 1,500	\$ 1,877
Checking accounts and demand deposits	845,820	1,311,602	1,303,724
Cash equivalent			
Time deposits with original maturities less than 3 months	<u>335,487</u>	<u>405,284</u>	<u>413,742</u>
	<u>\$ 1,184,289</u>	<u>\$ 1,718,386</u>	<u>\$ 1,719,343</u>

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	March 31, 2017	December 31, 2016	March 31, 2016
Domestic listed shares	\$ 369	\$ -	\$ 2,385
Overseas listed shares	<u>19,372</u>	<u>-</u>	<u>4,904</u>
	<u>\$ 19,741</u>	<u>\$ -</u>	<u>\$ 7,289</u>

8. NOTES AND ACCOUNTS RECEIVABLE, NET

	March 31, 2017	December 31, 2016	March 31, 2016
<u>Notes receivable</u>			
Notes receivable - operating	\$ 134,341	\$ 145,982	\$ 129,081
<u>Accounts receivable</u>			
Accounts receivable	\$ 936,673	\$ 1,132,152	\$ 796,426
Less: Allowance for doubtful accounts	<u>13,461</u>	<u>12,988</u>	<u>10,124</u>
	<u>\$ 923,212</u>	<u>\$ 1,119,164</u>	<u>\$ 786,302</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 preformed based on the past due date.

Aging analysis of accounts receivable was as follows:

	March 31, 2017	December 31, 2016	March 31, 2016
Not past due	\$ 851,435	\$ 1,042,293	\$ 722,647
Past due 1-60 days	79,064	81,935	67,170
Past due 61-90 days	1,462	3,629	3,792
Past due 91-180 days	238	377	8
Past due over 181 days	<u>4,474</u>	<u>3,918</u>	<u>2,809</u>
	<u>\$ 936,673</u>	<u>\$ 1,132,152</u>	<u>\$ 796,426</u>

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

	Collectively Assessed for Impairment	
	For the Three Months Ended March 31	
	2017	2016
Balance, beginning of period	\$ 12,988	\$ 12,720

(Continued)

	Collectively Assessed for Impairment	
	For the Three Months Ended March 31	
	2017	2016
Allowance (reversal of allowance) for doubtful accounts	\$ 1,098	\$ (2,534)
Effect of foreign currency exchange differences	<u>(625)</u>	<u>(62)</u>
Balance, end of period	<u>\$ 13,461</u>	<u>\$ 10,124</u> (Concluded)

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:

	March 31, 2017	December 31, 2016	March 31, 2016
Group A	<u>\$ 180,293</u>	<u>\$ 196,144</u>	<u>\$ 170,822</u>

9. OTHER FINANCIAL ASSET

	March 31, 2017	December 31, 2016	March 31, 2016
Time deposits with original maturities more than 3 months	\$ 240,485	\$ 241,574	\$ 270,890
Pledge time deposits	192,940	71,353	88,000
Refundable deposits	<u>3,266</u>	<u>3,343</u>	<u>3,472</u>
	<u>\$ 436,691</u>	<u>\$ 316,270</u>	<u>\$ 362,362</u>
Current	\$ 433,553	\$ 313,061	\$ 359,034
Non-current	<u>3,138</u>	<u>3,209</u>	<u>3,328</u>
	<u>\$ 436,691</u>	<u>\$ 316,270</u>	<u>\$ 362,362</u>

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

10. INVENTORIES

	March 31, 2017	December 31, 2016	March 31, 2016
Finished goods	\$ 302,508	\$ 254,907	\$ 243,901
Work in process	253,943	240,218	156,954
Raw materials	219,414	183,321	109,778
Supplies	<u>64,958</u>	<u>65,710</u>	<u>57,745</u>
	<u>\$ 840,823</u>	<u>\$ 744,156</u>	<u>\$ 568,378</u>

The cost of inventories recognized as costs of goods sold were \$710,494 thousand and \$679,787 thousand for the three months ended March 31, 2017 and 2016, respectively, which included the following items:

	For the Three Months Ended March 31	
	2017	2016
Write-down of inventories	\$ 6,445	\$ 1,134
Others	<u>41</u>	<u>860</u>
	<u>\$ 6,486</u>	<u>\$ 1,994</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		
			March 31, 2017	December 31, 2016	March 31, 2016
The Company	Global Electronics Terminal (Cayman) Co., Ltd. (Global (Cayman))	Note 1	100	100	100
	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

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 an individual temporarily, and in December 2014, its registration is transferred to chairman's name. 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:

Three months ended March 31, 2017

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Others	Construction in Progress and Equipment to be Inspected	Total
<u>Cost</u>							
Balance at January 1, 2017	\$ 146,218	\$ 1,049,205	\$ 1,676,636	\$ 56,535	\$ 731,408	\$ 137,008	\$ 3,797,010
Additions	-	821	6,576	109	8,817	20,211	36,534
Disposal	-	(152)	(7,928)	(827)	(1,443)	-	(10,350)
Reclassification	-	-	11,272	-	4,862	(16,156)	(22)
Effect of foreign currency exchange differences	-	(47,370)	(56,352)	(2,064)	(33,756)	(10,374)	(149,916)
Balance at March 31, 2017	<u>\$ 146,218</u>	<u>\$ 1,002,504</u>	<u>\$ 1,630,204</u>	<u>\$ 53,753</u>	<u>\$ 709,888</u>	<u>\$ 130,689</u>	<u>\$ 3,673,256</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2017	\$ -	\$ (405,473)	\$ (956,901)	\$ (47,939)	\$ (397,720)	\$ -	\$ (1,808,033)
Depreciation expenses	-	(11,058)	(29,486)	(757)	(19,921)	-	(61,222)
Disposal	-	138	6,975	789	1,368	-	9,270
Effect of foreign currency exchange differences	-	16,529	16,517	1,705	18,897	-	53,648
Balance at March 31, 2017	<u>\$ -</u>	<u>\$ (399,864)</u>	<u>\$ (962,895)</u>	<u>\$ (46,202)</u>	<u>\$ (397,376)</u>	<u>\$ -</u>	<u>\$ (1,806,337)</u>
Carrying amounts at 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 March 31, 2017	<u>\$ 146,218</u>	<u>\$ 602,640</u>	<u>\$ 667,309</u>	<u>\$ 7,551</u>	<u>\$ 312,512</u>	<u>\$ 130,689</u>	<u>\$ 1,866,919</u>

Three months ended March 31, 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	-	-	22,536	82	8,132	118,360	149,110
Disposal	-	(300)	(5,722)	-	(1,922)	-	(7,944)
Reclassification	-	623	15,067	-	9,336	(29,138)	(4,112)
Effect of foreign currency exchange differences	-	(5,819)	4,732	(263)	(3,914)	(7,633)	(12,897)
Balance at March 31, 2016	<u>\$ 146,218</u>	<u>\$ 800,290</u>	<u>\$ 1,837,850</u>	<u>\$ 59,729</u>	<u>\$ 681,152</u>	<u>\$ 480,112</u>	<u>\$ 4,005,351</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2016	\$ -	\$ (396,915)	\$ (988,068)	\$ (47,383)	\$ (371,758)	\$ -	\$ (1,804,124)
Depreciation expenses	-	(9,124)	(36,590)	(987)	(18,271)	-	(64,972)
Disposal	-	271	4,949	-	1,594	-	6,814
Effect of foreign currency exchange differences	-	4,028	(16,332)	209	2,399	-	(9,696)
Balance at March 31, 2016	<u>\$ -</u>	<u>\$ (401,740)</u>	<u>\$ (1,036,041)</u>	<u>\$ (48,161)</u>	<u>\$ (386,036)</u>	<u>\$ -</u>	<u>\$ (1,871,978)</u>
Carrying amounts at March 31, 2016	<u>\$ 146,218</u>	<u>\$ 398,550</u>	<u>\$ 801,809</u>	<u>\$ 11,568</u>	<u>\$ 295,116</u>	<u>\$ 480,112</u>	<u>\$ 2,133,373</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

	For the Three Months Ended March 31	
	2017	2016
Acquisition of property, plant and equipment	\$ 36,534	\$ 149,110
Capitalized interest	(956)	(1,759)
Increase (decrease) in prepayments for equipment	14,645	(59,148)
Decrease (increase) in payable for purchased equipment	<u>15,464</u>	<u>(5,957)</u>
Cash paid for acquisition of property, plant and equipment	<u>\$ 65,687</u>	<u>\$ 82,246</u>

13. LONG-TERM PREPAYMENT FOR LEASE

	March 31, 2017	December 31, 2016	March 31, 2016
Current (included in other current assets)	\$ 1,879	\$ 1,983	\$ 2,035
Noncurrent (included in long-term prepayment for lease)	<u>93,514</u>	<u>99,465</u>	<u>99,337</u>
	<u>\$ 95,393</u>	<u>\$ 101,448</u>	<u>\$ 101,372</u>

Prepayments for lease are for land use rights and property use rights in Mainland China and Vietnam, as of March 31, 2017, the remaining amortization year of land use rights in Mainland China is 30-44 years, the remaining amortization year of land use rights and property use rights in Vietnam is 37-48 years. 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

	March 31, 2017	December 31, 2016	March 31, 2016
Payable for purchase of equipment	\$ 47,865	\$ 63,329	\$ 68,189
Payable for salaries and bonus	36,605	47,771	38,632
Payable for VAT and personal income tax	7,797	4,287	4,049
Payable for utilities expense	6,608	7,440	8,457
Payable for professional service fees	6,477	6,035	3,934
Payable for welfare	4,741	4,892	5,957
Payable for compensation to employees and remuneration to directors and supervisors	3,504	3,504	-
Others	<u>40,587</u>	<u>55,912</u>	<u>56,216</u>
	<u>\$ 154,184</u>	<u>\$ 193,170</u>	<u>\$ 185,434</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

	March 31, 2017	December 31, 2016	March 31, 2016
Unsecured borrowings	\$ 486,040	\$ 436,025	\$ 407,602
Secured borrowings	<u>293,599</u>	<u>407,190</u>	<u>337,349</u>
	<u>\$ 779,639</u>	<u>\$ 843,215</u>	<u>\$ 744,951</u>

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

	March 31, 2017	December 31, 2016	March 31, 2016
Unsecured borrowings (%)	1.50-4.35	1.26-4.35	1.25-5.35
Secured borrowings (%)	2.28-4.35	3.92-4.35	3.92-4.35

b. Short-term bills payable

	March 31, 2017	December 31, 2016	March 31, 2016
Commercial paper payable	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>

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

	March 31, 2017	December 31, 2016	March 31, 2016
Short-term bills payable (%)	1.16	1.15	1.15

The commercial paper of \$50,000 thousand and one year revolving credit facilities was issued and granted by DAH CHUNG Bills Finance Corporation.

c. Long-term borrowings

	March 31, 2017	December 31, 2016	March 31, 2016
Unsecured borrowings	\$ 1,458,000	\$ 1,556,750	\$ 1,549,335
Secured borrowings	<u>71,147</u>	<u>75,652</u>	<u>-</u>
	1,529,147	1,632,402	1,549,335
Less: Current portion	<u>656,990</u>	<u>625,036</u>	<u>412,000</u>
	<u>\$ 872,157</u>	<u>\$ 1,007,366</u>	<u>\$ 1,137,335</u>

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

	March 31, 2017	December 31, 2016	March 31, 2016
Unsecured borrowings (%)	1.49-2.09	1.49-2.09	1.66-2.75
Secured borrowings (%)	2.75	2.70-2.93	-

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 December 31, 2016 and 2015 were in compliance with the requirements stated in the loan agreements.

The Group had sufficient long term credit facility obtained before March 31, 2016, to refinance a portion of the loans on a long-term basis. Therefore, \$238,000 thousand was not classified as current portion of long-term borrowings as of March 31, 2016.

17. RETIREMENT BENEFIT PLANS

For the three months ended March 31, 2017 and 2016, employee benefit expenses in respect of the Group's defined benefit retirement plans were \$371 thousand and \$496 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

	March 31, 2017	December 31, 2016	March 31, 2016
Number of shares authorized (in thousands)	<u>221,000</u>	<u>221,000</u>	<u>221,000</u>

(Continued)

	March 31, 2017	December 31, 2016	March 31, 2016
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> (Concluded)

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

	March 31, 2017	December 31, 2016	March 31, 2016
<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 distribution of employees' compensation and remuneration to directors and supervisors before and after amendment, please refer to (e) Employee benefits expense 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 stockholders 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 NT\$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 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 shareholders 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 2015 had been approved in the board of directors on March 23, 2017 and the stockholders' meeting on June 22, 2016, respectively. The appropriations of earnings for 2016 and 2015 were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Legal reserve	\$ 4,508	\$ 8,784		
Cash dividends	-	34,320	\$ -	\$ 0.2

The appropriations of earnings for 2016 are subject to the resolution of the stockholders' meeting to be held on June 14, 2017.

d. Other Equity Items

1) Exchange differences on translating foreign operations

	<u>For the Three Months Ended March 31</u>	
	<u>2017</u>	<u>2016</u>
Balance, beginning of period	\$ 97,341	\$ 347,230
Exchange differences arising on translating the foreign operations	(166,748)	(21,514)
Related income tax	<u>3,668</u>	<u>3,657</u>
Balance, end of period	<u>\$ (65,739)</u>	<u>\$ 329,373</u>

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

	<u>For the Three Months Ended March 31</u>	
	<u>2017</u>	<u>2016</u>
Balance, beginning of period	\$ -	\$ (278)
Unrealized gain (loss) arising on revaluation of available-for-sale financial assets	(99)	824
Related income tax	33	478
Cumulative gain reclassified to profit or loss on sale of available-for-sale financial assets	(488)	(996)
Related income tax	<u>115</u>	<u>(416)</u>
Balance, end of period	<u>\$ (439)</u>	<u>\$ (388)</u>

19. CONSOLIDATED LOSS BEFORE INCOME TAX

Consolidated loss before income tax was as follows:

a. Other income

	For the Three Months Ended March 31	
	2017	2016
Interest income	\$ 3,344	\$ 3,505
Others	<u>3,714</u>	<u>2,893</u>
	<u>\$ 7,058</u>	<u>\$ 6,398</u>

b. Other gains and losses

	For the Three Months Ended March 31	
	2017	2016
Foreign exchange losses, net	\$ (4,823)	\$ (747)
Loss on disposal of property, plant and equipment, net	(432)	(1,106)
Gain on disposal of investments, net	488	996
Others	<u>(175)</u>	<u>(378)</u>
	<u>\$ (4,942)</u>	<u>\$ (1,235)</u>

c. Finance costs

	For the Three Months Ended March 31	
	2017	2016
Interest expense of borrowings	\$ 13,749	\$ 12,252
Less: Amounts included in the cost of qualifying assets	<u>956</u>	<u>1,759</u>
	<u>\$ 12,793</u>	<u>\$ 10,493</u>

Information about capitalized interest was as follows:

	For the Three Months Ended March 31	
	2017	2016
Capitalized interest (classified under property, plant and equipment and prepayments for equipment)	\$ 956	\$ 1,759
Capitalization rate (%)	1.63-4.08	1.79-5.10

d. Depreciation and amortization

	For the Three Months Ended March 31	
	2017	2016
Property, plant and equipment	\$ 61,222	\$ 64,972
Prepayments for lease (current/noncurrent)	593	626
Other assets	<u>765</u>	<u>647</u>
	<u>\$ 62,580</u>	<u>\$ 66,245</u>

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

	For the Three Months Ended March 31	
	2017	2016
Analysis of depreciation by function		
Operating costs	\$ 51,104	\$ 54,878
Operating expenses	<u>10,118</u>	<u>10,094</u>
	<u>\$ 61,222</u>	<u>\$ 64,972</u>
Analysis of amortization by function		
Operating costs	\$ 89	\$ 100
Operating expenses	<u>1,269</u>	<u>1,173</u>
	<u>\$ 1,358</u>	<u>\$ 1,273</u>

e. Employee benefits expense

	For the Three Months Ended March 31	
	2017	2016
Short-term employee benefits		
Salary	\$ 115,969	\$ 113,443
Labor and health insurance	5,533	6,243
Others	<u>7,500</u>	<u>5,823</u>
	<u>129,002</u>	<u>125,509</u>
Post-employment benefits		
Defined contribution plans	7,731	8,937
Defined benefit plans (Note 17)	<u>371</u>	<u>496</u>
	<u>8,102</u>	<u>9,433</u>
	<u>\$ 137,104</u>	<u>\$ 134,942</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 102,501	\$ 99,560
Operating expenses	<u>34,603</u>	<u>35,382</u>
	<u>\$ 137,104</u>	<u>\$ 134,942</u>

In compliance with the amended articles of incorporation of company approved by the stockholders in the meeting in June, 2016 the company accrued 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 ended March 31, 2017 and 2016, the Group 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 proposed amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate.

The bonus to employees and remuneration to directors and supervisors for 2016 which were approved in the board of directors' meeting on March 23, 2017 were as follows:

	For the Year Ended December 31, 2016
Employees' compensation	\$ 1,404
Remuneration to directors and supervisors	2,100

There was no difference between the amounts of employees' compensation and the 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 is available on the Market Observation Post System website of the Taiwan Stock Exchange.

f. Gain or loss on foreign currency exchange

	For the Three Months Ended March 31	
	2017	2016
Foreign exchange gains	\$ 16,628	\$ 13,638
Foreign exchange losses	<u>(21,451)</u>	<u>(14,385)</u>
Foreign exchange losses, net	<u>\$ (4,823)</u>	<u>\$ (747)</u>

20. INCOME TAX

a. Income tax recognized in profit or loss

The major components of tax expense (income) were as follows:

	For the Three Months Ended March 31	
	2017	2016
Current tax		
In respect of the current period	\$ 1,396	\$ 6,911

(Continued)

	For the Three Months Ended March 31	
	2017	2016
Adjustments for prior periods	\$ <u>-</u> <u>1,396</u>	\$ <u>839</u> <u>7,750</u>
Deferred tax		
In respect of the current period	(6,363)	(8,216)
Exchange rate influence	<u>4,955</u> <u>(1,408)</u>	<u>1,624</u> <u>(6,592)</u>
Income tax expense (income) recognized in profit or loss	<u>\$ (12)</u>	<u>\$ 1,158</u> (Concluded)

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

	For the Three Months Ended March 31	
	2017	2016
Deferred tax		
Translation of foreign operations	\$ 3,668	\$ 3,657
Unrealized loss (gain) on available-for-sale financial asset	<u>148</u>	<u>62</u>
	<u>\$ 3,816</u>	<u>\$ 3,719</u>

c. Integrated income tax

	March 31, 2017	December 31, 2016	March 31, 2016
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>366,753</u>	<u>384,881</u>	<u>323,813</u>
	<u>\$ 373,437</u>	<u>\$ 391,565</u>	<u>\$ 330,497</u>
Imputation credits accounts	<u>\$ 37,779</u>	<u>\$ 37,779</u>	<u>\$ 25,469</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 9.81% (estimated).

d. Income tax assessments

The tax returns of the Company as of 2014 have been assessed by the tax authorities.

GEM (Dongguan) and GEM (Suzhou) had completed the filing of their income tax returns through 2015 with the tax authorities.

21. NET LOSS PER SHARE (EPS)

There is no diluted effect for the three months ended March 31, 2017 and 2016 for net loss incurred in the reporting period.

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

Net loss for the periods ended

	For the Three Months Ended March 31	
	2017	2016
Net loss used in the computation of basic/diluted net loss per share	<u>\$ (18,128)</u>	<u>\$ (15,990)</u>

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

	For the Three Months Ended March 31	
	2017	2016
Weighted average number of ordinary shares in computation of diluted net loss per share	<u>169,200</u>	<u>169,200</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. Fair value - fair value of financial instruments not measured at fair value

The Group's management believes that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

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

March 31, 2017

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Domestic listed shares	\$ 369	\$ -	\$ -	\$ 369
Overseas listed shares	<u>19,372</u>	<u>-</u>	<u>-</u>	<u>19,372</u>
	<u>\$ 19,741</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,741</u>

December 31, 2016: None.

March 31, 2016

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Domestic listed shares	\$ 2,385	\$ -	\$ -	\$ 2,385
Overseas listed shares	<u>4,904</u>	<u>-</u>	<u>-</u>	<u>4,904</u>
	<u>\$ 7,289</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,289</u>

There were no transfers between Level 1 and Level 2 for the three months ended March 31, 2017 and 2016.

- c. Categories of financial instruments

	March 31, 2017	December 31, 2016	March 31, 2016
<u>Financial assets</u>			
Loans and receivables (Note 1)	\$ 2,679,919	\$ 3,301,594	\$ 3,000,877
Available-for-sale financial assets	19,741	-	7,289
<u>Financial liabilities</u>			
Measured at amortized cost (Note 2)	3,038,181	3,447,923	2,933,193

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-current and non-current.

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, 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 and of the derivatives exposing to foreign currency risk 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 fluctuations 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 decrease in pre-tax loss associated with the functional currency.

	USD impact		HKD impact	
	For the Three Months		For the Three Months	
	Ended March 31		Ended March 31	
	2017	2016	2016	2015
Profit or loss	\$ 2,561	\$ 4,509	\$ 1,017	\$ 480

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:

	March 31, 2017	December 31, 2016	March 31, 2016
Fair value interest rate risk			
Financial liabilities	\$ 435,000	\$ 478,750	\$ 662,500
Cash flow interest rate risk			
Financial assets	845,717	1,311,499	1,303,621
Financial liabilities	815,532	841,349	399,335

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 loss for the three months ended March 31, 2017 and 2016 would have been higher/lower by \$75 thousand and \$2,261 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.

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
<u>March 31, 2017</u>					
Fixed interest rate liabilities	1.16-4.35	\$ 83,184	\$ 218,043	\$ 833,147	\$ 440,956
Variable interest rate liabilities	1.49-2.75	1,611	46,863	342,005	443,498
Non-interest bearing	-	<u>358,529</u>	<u>253,457</u>	<u>62,858</u>	<u>525</u>
		<u>\$ 443,324</u>	<u>\$ 518,363</u>	<u>\$ 1,238,010</u>	<u>\$ 884,979</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>March 31, 2016</u>					
Fixed interest rate liabilities	1.15-5.35	\$ 242,712	\$ 129,582	\$ 773,117	\$ 842,214
Variable interest rate liabilities	1.69-2.57	974	1,229	97,573	309,767
Non-interest bearing	-	<u>345,530</u>	<u>206,694</u>	<u>34,692</u>	<u>-</u>
		<u>\$ 589,216</u>	<u>\$ 337,505</u>	<u>\$ 905,382</u>	<u>\$ 1,151,981</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

	For the Three Months Ended March 31	
	2017	2016
Short-term benefits	\$ 2,192	\$ 2,253
Post-employment benefits	<u>68</u>	<u>69</u>
	<u>\$ 2,260</u>	<u>\$ 2,322</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 March 31, 2017 and 2016 were both \$415 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 FOR SECURITY

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

	March 31, 2017	December 31, 2016	March 31, 2016
Property, plant and equipment	\$ 389,231	\$ 418,103	\$ 393,135
Deposit account (under other financial assets-current)	192,940	71,353	88,000
Prepaid rent (including current portion)	<u>34,246</u>	<u>36,141</u>	<u>39,721</u>
	<u>\$ 616,417</u>	<u>\$ 525,597</u>	<u>\$ 520,856</u>

26. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The Group's significant commitments and contingencies as of March 31, 2017 were as follows:

- a. The amounts of contracts for the Group's purchases of properties and materials were \$321,753 thousand, of which \$120,027 thousand had not been paid.
- b. Unused letters of credit for purchasing raw materials amounts to \$11,904 thousand.

27. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group entities' significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

	Foreign Currencies	Exchange Rate		Carrying Amount
<u>March 31, 2017</u>				
Financial assets				
Monetary items				
USD	\$ 5,559	30.330	(USD:NTD)	\$ 168,610
USD	10,280	6.882	(USD:RMB)	311,803
USD	10,623	7.765	(USD:HKD)	322,198
USD	2,458	22,753	(USD:VND)	74,560
HKD	4,477	3.906	(HKD:NTD)	17,489
HKD	34,747	0.886	(HKD:RMB)	135,720
HKD	947	0.129	(HKD:USD)	<u>3,697</u>
				<u>\$ 1,034,077</u>
Financial liabilities				
Monetary items				
USD	545	30.330	(USD:NTD)	\$ 16,519
USD	6,588	6.882	(USD:RMB)	199,802
USD	4,165	7.765	(USD:HKD)	126,316
USD	9,182	22,753	(USD:VND)	278,480
HKD	14,026	3.906	(HKD:NTD)	54,784
HKD	111	0.886	(HKD:RMB)	<u>435</u>
				<u>\$ 676,336</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
HKD	27,986	0.901	(HKD:RMB)	116,452
HKD	944	0.129	(HKD:USD)	<u>3,928</u>
				<u>\$ 1,013,658</u>
Financial liabilities				
Monetary items				
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>

(Continued)

	Foreign Currencies	Exchange Rate		Carrying Amount
<u>March 31, 2016</u>				
Financial assets				
Monetary items				
USD	\$ 5,120	32.180	(USD:NTD)	\$ 164,761
USD	10,012	6.476	(USD:RMB)	322,205
USD	9,319	7.751	(USD:HKD)	299,891
USD	1,180	22,301	(USD:VND)	37,979
HKD	8,049	4.152	(HKD:NTD)	33,420
HKD	32,844	0.836	(HKD:RMB)	136,370
HKD	940	0.129	(HKD:USD)	<u>3,902</u>
				<u>\$ 998,528</u>
Financial liabilities				
Monetary items				
USD	617	32.180	(USD:NTD)	\$ 19,862
USD	4,103	6.476	(USD:RMB)	132,040
USD	3,289	7.751	(USD:HKD)	105,832
USD	3,609	22,301	(USD:VND)	116,166
HKD	29,923	4.152	(HKD:NTD)	124,239
HKD	342	0.836	(HKD:RMB)	<u>1,419</u>
				<u>\$ 499,558</u>

(Concluded)

For the three months ended March 31, 2017 and 2016, realized and unrealized net foreign exchange losses were \$4,823 thousand and 747 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 Three months ended March 31, 2017</u>						
Revenues from external customers	\$ 111,703	\$ 321,649	\$ 360,831	\$ 196	\$ -	\$ 794,379
Inter - segment revenues	<u>37,369</u>	<u>66,385</u>	<u>358,615</u>	<u>67,774</u>	<u>(530,143)</u>	<u>-</u>
Segment revenues	<u>\$ 149,072</u>	<u>\$ 388,034</u>	<u>\$ 719,446</u>	<u>\$ 67,970</u>	<u>\$ (530,143)</u>	<u>\$ 794,379</u>
Segment income (loss)	<u>\$ (4,232)</u>	<u>\$ 267</u>	<u>\$ (10,937)</u>	<u>\$ 4,570</u>	<u>\$ 2,869</u>	\$ (7,463)
Other income						7,058
Other gains and losses						(4,942)
Finance cost						<u>(12,793)</u>
Consolidated loss before income tax						(18,140)
Income tax						<u>(12)</u>
Consolidated net loss						<u>\$ (18,128)</u>
<u>March 31, 2017</u>						
Segment assets	<u>\$ 4,344,975</u>	<u>\$ 1,854,142</u>	<u>\$ 2,820,425</u>	<u>\$ 774,689</u>	<u>\$ (3,990,413)</u>	<u>\$ 5,803,818</u>
Segment liabilities	<u>\$ 1,728,845</u>	<u>\$ 862,279</u>	<u>\$ 868,477</u>	<u>\$ 379,352</u>	<u>\$ (651,265)</u>	<u>\$ 3,187,688</u>
<u>For the Three months ended March 31, 2016</u>						
Revenues from external customers	\$ 123,807	\$ 319,517	\$ 318,229	\$ -	\$ -	\$ 761,553
Inter-segment revenues	<u>18,820</u>	<u>78,591</u>	<u>256,099</u>	<u>2,278</u>	<u>(355,788)</u>	<u>-</u>
Segment revenues	<u>\$ 142,627</u>	<u>\$ 398,108</u>	<u>\$ 574,328</u>	<u>\$ 2,278</u>	<u>\$ (355,788)</u>	<u>\$ 761,553</u>
Segment income (loss)	<u>\$ (3,766)</u>	<u>\$ (27,187)</u>	<u>\$ 30,720</u>	<u>\$ (3,038)</u>	<u>\$ (6,231)</u>	\$ (9,502)
Other income						6,398
Other gains and losses						(1,235)
Finance costs						<u>(10,493)</u>
Consolidated loss before income tax						(14,832)
Income tax						<u>1,158</u>
Consolidated net loss						<u>\$ (15,990)</u>
<u>March 31, 2016</u>						
Segment assets	<u>\$ 4,795,110</u>	<u>\$ 2,051,398</u>	<u>\$ 2,856,246</u>	<u>\$ 475,330</u>	<u>\$ (4,120,199)</u>	<u>\$ 6,057,885</u>
Segment liabilities	<u>\$ 1,826,231</u>	<u>\$ 841,016</u>	<u>\$ 707,000</u>	<u>\$ 222,291</u>	<u>\$ (507,532)</u>	<u>\$ 3,089,006</u>

GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

**FINANCING PROVIDED TO OTHERS
FOR THE THREE MONTHS ENDED MARCH 31, 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	\$ 90,990	\$ 30,330	2.10	Short-term financing	\$ -	Business development	\$ -	-	\$ -	\$ 523,226	\$ 1,046,452	Note 1
0	The Company	GEM (VN)	Other receivables - related parties	Yes	90,990	90,990	-	2.10	Short-term financing	-	Business development	-	-	-	523,226	1,046,452	Note 1
0	The Company	GEM (Suzhou)	Other receivables - related parties	Yes	151,650	151,650	-	2.10	Short-term financing	-	Business development	-	-	-	523,226	1,046,452	Note 1
1	Vibo	GEM (Dongguan)	Other receivables - related parties	Yes	32,615	30,330	30,330	2.00	Short-term financing	-	Business development	-	-	-	575,174	1,150,348	Note 1
2	Global (Cayman)	Global (HK)	Other receivables - related parties	Yes	13,046	12,132	12,132	2.00	Short-term financing	-	Business development	-	-	-	579,808	1,159,617	Note 1
3	GEM (Cayman)	GEM (VN)	Other receivables - related parties	Yes	32,250	30,330	30,330	2.10	Short-term financing	-	Business development	-	-	-	67,205	134,410	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 March 31, 2017 were US\$ 1: NT\$30.33.

Note 3: It was eliminated on consolidation.

GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

MARCH 31, 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	March 31, 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	20,000	\$ 369	-	\$ 369	
GEM (Suzhou)	<u>Stock</u> Shanxi Xinghuacun Fen Wine Factory Co., Ltd.	-	Available-for-sale financial assets - current	27,000	3,485	-	3,485	
	China Minsheng Banking Corp., Ltd.	-	Available-for-sale financial assets - current	84,000	3,139	-	3,139	
	Bank of Beijing Co., Ltd.	-	Available-for-sale financial assets - current	68,000	2,880	-	2,880	
	Jiugui Liquor Co., Ltd.	-	Available-for-sale financial assets - current	29,000	2,827	-	2,827	
	Shanghai Pudong Development Bank Co., Ltd.	-	Available-for-sale financial assets - current	28,000	1,976	-	1,976	
	Industrial Bank Co., Ltd.	-	Available-for-sale financial assets - current	19,000	1,357	-	1,357	
	Ningbo Boway Alloy Material Co., Ltd.	-	Available-for-sale financial assets - current	20,000	1,200	-	1,200	
	Yantai Changyu Pioneer Wine Co., Ltd.	-	Available-for-sale financial assets - current	7,000	1,138	-	1,138	
	Zhejiang Gu Yue Long Shan Shaoxing Wine Co., Ltd.	-	Available-for-sale financial assets - current	24,000	1,080	-	1,080	
	Tsingtao Brewery Co., Ltd	-	Available-for-sale financial assets - current	2,000	290	-	290	
					<u>19,372</u>		<u>19,372</u>	
					<u>\$ 19,741</u>		<u>\$ 19,741</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 THREE MONTHS ENDED MARCH 31, 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	\$ 148,880 (HK\$35,604 thousand and US\$183 thousand)	39	120 days after monthly closing	Note 2	Note 3	\$ 118,685 (HK\$29,173 thousand and US\$149 thousand)	26	Note 1
GEM (Suzhou)	GEM (Dongguan)	Affiliate	Sales	281,577 (RMB\$62,179 thousand)	39	120 days after monthly closing	Note 2	Note 3	221,805 (RMB\$50,329 thousand)	30	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

MARCH 31, 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	\$ 221,805 (RMB\$ 50,329 thousand)	4.57	\$ -	-	\$ 151,883	\$ -
GEM (Dongguan)	Genius (HK)	Affiliate	118,685 (HK\$ 29,173 thousand and US\$ 149 thousand)	6.41	-	-	37,901	-

Note: It was eliminated on consolidation.

GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES

FOR THE THREE MONTHS ENDED MARCH 31, 2017

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of March 31, 2017			Net Income (Loss) of the Investee	Share of profit (Loss)	Note
				March 31, 2017	December 31, 2016	Shares / Units	%	Carrying Amount			
The Company	Global (Cayman)	Grand Cayman, Cayman Islands	International investment	\$ 1,295,208	\$ 1,295,208	40,137,184	100	\$ 2,774,604	\$ (5,926)	\$ (5,637)	Notes 1 and 2
The Company	GEM (Cayman)	Grand Cayman, Cayman Islands	International investment	392,669	392,669	12,598,333	100	332,035	(3,964)	(4,081)	Notes 1 and 2
The Company	Genius Terminal	British Virgin Islands	International investment and trading, etc.	23,282	23,282	750,000	100	69,422	2,359	2,359	Note 1
Genius Terminal	Genius (HK)	Hong Kong	International trading	90,134	90,134	21,999,998	100	77,040	2,324	2,337	Notes 1 and 2
Global (Cayman)	Vibo	Hong Kong	Trading and investment	1,541,063	1,541,063	359,972,616	100	2,875,860	(6,220)	(6,220)	Note 1
Global (Cayman)	Global (HK)	Hong Kong	International trading	3,747	3,747	1,000,000	100	8,115	304	389	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	332,720	4,257	(3,832)	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 THREE MONTHS ENDED MARCH 31, 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 March 31, 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 March 31, 2017 (Notes 1 and 3)	Accumulated Repatriation of Investment Income as of March 31, 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.	\$ 746,841	The investment was made through a corporation established in a third country to invest in companies located in Mainland China.	\$ 452,130	\$ -	\$ -	\$ 452,130	\$ (368)	100	\$ 4,396	\$ 864,077	\$ -	
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.	1,104,742	The investment was made through a corporation established in a third country to invest in companies located in Mainland China.	741,320	-	-	741,320	(10,203)	100	(10,558)	1,933,398	-	

Investor Company	Accumulated Outward Remittance for Investment in Mainland China as of March 31, 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	\$1,719,711 (US\$56,700 thousand)	\$1,569,678

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 THREE MONTHS ENDED MARCH 31, 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	\$ 22,588	120 days after monthly closing	No significant difference with those to third parties	\$ 6,933	4	\$ 11,671	
		Purchase	2,349	120 days after monthly closing	No significant difference with those to third parties	(2,285)	2	24	
		Property, plant, and equipment for sale	10,887	120 days after monthly closing	No comparable transactions with those in the market	6,034	16	3,740	
Genius (HK)	GEM (Dongguan)	Sales	70,731	120 days after monthly closing	No significant difference with those to third parties	43,261	18	-	
		Purchase	148,880	120 days after monthly closing	No comparable transactions with those in the market	(118,685)	77	(672)	
Global (HK)	GEM (Suzhou)	Sales	909	120 days after monthly closing	No significant difference with those to third parties	-	-	-	
		Purchase	96,175	120 days after monthly closing	No comparable transactions with those in the market	(85,456)	100	263	

GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

INTERCOMPANY BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE THREE MONTHS ENDED MARCH 31, 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	\$ 2,026	Payment terms are four months	-
		Genius (HK)	1	Accounts receivable	1,955	Payment terms are four months	-
		GEM (Suzhou)	1	Sales	22,588	Payment terms are four months	3
		GEM (Suzhou)	1	Accounts receivable	6,933	Payment terms are four months	-
		GEM (Suzhou)	1	Property, plant and equipment for sale - current	10,887	Payment terms are four months	1
		GEM (Suzhou)	1	Other receivables	6,034	Payment terms are four months	-
		GEM (VN)	1	Sales	12,250	Payment terms are four months	2
		GEM (VN)	1	Accounts receivable	11,899	Payment terms are four months	-
		GEM (VN)	1	Property, plant and equipment for sale - current	5,902	Payment terms are four months	1
		GEM (VN)	1	Other receivables	5,726	Payment terms are four months	-
		GEM (VN)	1	Interest income	152	Interest rate P.A. 2.1%	-
		GEM (VN)	1	Other receivables	30,566	According to working, capital conditions to change payment deeding	1
		Global (HK)	1	Sales	505	Payment terms are four months	-
		Global (HK)	1	Property, plant and equipment for sale - current	400	Payment terms are four months	-
1	GEM (Dongguan)	Genius (HK)	3	Sales	148,880	Payment terms are four months	19
		Genius (HK)	3	Accounts receivable	118,685	Payment terms are four months	2
		Genius (HK)	3	Property, plant and equipment	110	Payment terms are four months	-
		Genius (HK)	3	Other income	422	Payment terms are four months	-
		GEM (Suzhou)	3	Sales	15,473	Payment terms are four months	2
		GEM (Suzhou)	3	Accounts receivable	25,487	Payment terms are four months	-
2	Genius (HK)	The Company	2	Sales	40,279	Payment terms are four months	5
		The Company	2	Accounts receivable	41,281	Payment terms are four months	1
		The Company	2	Other receivables	13,503	Payment terms are four months	-
		GEM (Dongguan)	3	Sales	70,731	Payment terms are four months	9
		GEM (Dongguan)	3	Accounts receivable	43,261	Payment terms are four months	1
		GEM (Dongguan)	3	Other receivables	429	Payment terms are four months	-
		GEM (VN)	3	Sales	10,633	Payment terms are four months	1
		GEM (VN)	3	Accounts receivable	10,361	Payment terms are four months	-
3	Global (HK)	The Company	2	Sales	32,229	Payment terms are four months	4
		The Company	2	Accounts receivable	14,239	Payment terms are four months	-
		GEM (Suzhou)	3	Sales	909	Payment terms are four months	-
		GEM (VN)	3	Sales	42,460	Payment terms are four months	5
		GEM (VN)	3	Accounts receivable	59,661	Payment terms are four months	1
4	GEM (Suzhou)	The Company	2	Sales	2,349	Payment terms are four months	-
		The Company	2	Accounts receivable	2,285	Payment terms are four months	-
		Global (HK)	3	Sales	92,591	Payment terms are four months	12
		Global (HK)	3	Accounts receivable	81,963	Payment terms are four months	1
		Global (HK)	3	Property, plant and equipment	3,584	Payment terms are four months	-
		Global (HK)	3	Other receivables	3,493	Payment terms are four months	-
		Global (HK)	3	Other income	107	Payment terms are four months	-

(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	
		GEM (Dongguan)	3	Sales	\$ 281,577	Payment terms are four months	35
		GEM (Dongguan)	3	Accounts receivable	221,805	Payment terms are four months	4
		GEM (Dongguan)	3	Property, plant and equipment	739	Payment terms are four months	-
		GEM (Dongguan)	3	Other receivables	842	Payment terms are four months	-
5	Vibo	GEM (Dongguan)	1	Other receivables	30,827	According to working, capital conditions to change payment deeding	1
		GEM (Dongguan)	1	Interest income	154	Interest rate P.A. 2.0%	-
6	Global (Cayman)	Global (HK)	1	Other receivables	12,339	According to working, capital conditions to change payment deeding	-
		Global (HK)	1	Interest income	61	Interest rate P.A. 2.0%	-
7	GEM (Cayman)	GEM (VN)	1	Other receivables	30,508	According to working, capital conditions to change payment deeding	1
		GEM (VN)	1	Interest income	161	Interest rate P.A. 2.1%	-
8	GEM (VN)	Genius (HK)	3	Sales	67,774	Payment terms are four months	9
		Genius (HK)	3	Accounts receivable	27,454	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