

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

**Consolidated Financial Statements for the
Years Ended December 31, 2017 and 2016 and
Independent Auditors' Report**

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The entities that are required to be included in the combined financial statements of GEM Terminal Ind. Co., Ltd. as of and for the year ended December 31, 2017, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards No. 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, GEM Terminal Ind. Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

GEM Terminal Ind. Co., Ltd.

By

Su, Chung - Hong
Chairman of the board

March 23, 2018

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of GEM Terminal Ind. Co., Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of Accounts Receivable

As discussed in Note 8 to the consolidated financial statements, as of December 31, 2017, the Group's net consolidated accounts receivable amounted to New Taiwan Dollar (collectively) \$1,216,725 thousand, accounted for 19% of total assets. The Group's net consolidated accounts receivable were material and involved significant judgement on the estimation of the recoverable amount by management. As a result, the recoverability of accounts receivable was deemed to be a key audit matter.

Accounts receivable are assessed for impairment on a collective basis. The Group focused on assessment of delayed collections or irrecoverable receivables individually, then recognized the allowance for doubtful accounts receivable based on aging analysis.

To audit the recoverability of accounts receivable, procedures we performed included:

1. Obtained an understanding of the Group's control activities for monitoring customers' credit lines and the quality management of accounts receivable.
2. Audited the balance of accounts receivable to obtain assurance for its existence, including sampling and sending confirmation letters to the selected customers, examining collections subsequent reporting year, original sales orders, shipping orders, declaration forms and evidence or documentation of goods received.
3. Acquired aging analysis that management compiled, testing the validity of the aging analysis. For accounts receivable that were overdue, evaluated the adequacy of the allowance for doubtful account by understanding and weighing reasons for the overdue and taking historical collectability into consideration.

Impairment of Inventories

As discussed in Note 10 to the consolidated financial statements, as of December 31, 2017, the Group's consolidated inventories amounted to \$973,975 thousand, accounted for 15% of total assets. Impairment loss is the amount by which the carrying amount of inventories exceeds their net realizable value. The estimation of net realizable value is based on current market condition and historical experience of selling products of a similar nature. Due to the estimation involves significant judgement, the impairment of inventories was deemed to be a key audit matter.

We not only obtained an understanding of control activities for evaluation of inventories impairment, also performed the following audit procedures.

1. Obtained an inventory aging schedule and evaluation document to understand the estimation and information resource of net realizable value.
2. Tested the net realizable value of inventory items on a sample basis and calculated the appropriateness of net realizable value and the carry amount.
3. Participated in stock count in the year - end, obtained an understanding and analyzed the condition of inventory turnover, and evaluated the appropriateness of impairment recognized for damage and obsolescence.

Other Matter

We have also audited the parent company only financial statements of GEM Terminal Ind. Co., Ltd. as of and for the years ended December 31, 2017 and 2016 on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, or other regulations, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including supervisors, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chen-Li Chen and Chiu-Yen Wu

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 23, 2018

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. 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' report and consolidated financial statements shall prevail.

GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2017		December 31, 2016		LIABILITIES AND EQUITY	December 31, 2017		December 31, 2016	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,430,724	22	\$ 1,718,386	27	Short-term borrowings (Notes 16 and 25)	\$ 834,920	13	\$ 843,215	13
Available-for-sale financial assets - current (Notes 4 and 7)	113,167	2	-	-	Short-term bills payable (Note 16)	100,000	2	50,000	1
Notes receivable (Notes 4 and 8)	150,463	2	145,982	2	Notes payable (Note 14)	148,970	2	198,220	3
Accounts receivable, net (Notes 4, 5 and 8)	1,216,725	19	1,119,164	17	Accounts payable (Note 14)	590,422	9	530,916	8
Other receivables (Note 4)	1,774	-	1,792	-	Other payables (Notes 15 and 17)	185,507	3	193,170	3
Current tax assets (Notes 4 and 20)	1,250	-	294	-	Current tax liabilities (Notes 4 and 20)	7,636	-	13,353	-
Inventories (Notes 4, 5 and 10)	973,975	15	744,156	12	Long-term borrowings - current portion (Notes 16 and 25)	716,111	11	625,036	10
Other financial assets - current (Notes 4, 9 and 25)	269,963	4	313,061	5	Other current liabilities (Note 4)	3,528	-	4,490	-
Other current assets (Notes 13 and 25)	169,358	3	118,808	2					
Total current assets	4,327,399	67	4,161,643	65	Total current liabilities	2,587,094	40	2,458,400	38
NONCURRENT ASSETS					NONCURRENT LIABILITIES				
Property, plant and equipment (Notes 4, 12, 25 and 26)	1,933,646	30	1,988,977	31	Long-term borrowings (Notes 16 and 25)	1,057,653	16	1,007,366	16
Deferred tax assets (Notes 4 and 20)	116,795	2	112,739	2	Deferred tax liabilities (Notes 4 and 20)	89,965	1	105,086	1
Prepayments for equipment (Note 26)	22,753	-	39,540	1	Net defined benefit liabilities (Notes 4 and 17)	37,722	1	44,414	1
Other financial assets - noncurrent (Notes 4 and 9)	1,727	-	3,209	-					
Long-term prepayment for lease (Notes 13 and 25)	92,706	1	99,465	1	Total noncurrent liabilities	1,185,340	18	1,156,866	18
Other non-current assets	6,192	-	7,470	-					
Total noncurrent assets	2,173,819	33	2,251,400	35	Total liabilities	3,772,434	58	3,615,266	56
					EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
					(Note 18)				
					Ordinary shares	1,692,000	26	1,692,000	26
					Capital surplus	271,315	4	271,315	4
					Retained earnings				
					Legal reserve	343,170	5	338,662	6
					Unappropriated earnings	386,197	6	391,565	6
					Total retained earnings	729,367	11	730,227	12
					Other equity	36,102	1	104,235	2
					Total equity	2,728,784	42	2,797,777	44
TOTAL	\$ 6,501,218	100	\$ 6,413,043	100	TOTAL	\$ 6,501,218	100	\$ 6,413,043	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 Earnings (Net Loss) Per Share)

	2017		2016	
	Amount	%	Amount	%
OPERATING REVENUE, NET (Notes 4 and 29)	\$ 3,862,576	100	\$ 3,639,715	100
OPERATING COSTS (Notes 10, 19 and 24)	<u>3,436,653</u>	<u>89</u>	<u>3,148,965</u>	<u>87</u>
GROSS PROFIT	<u>425,923</u>	<u>11</u>	<u>490,750</u>	<u>13</u>
OPERATING EXPENSES (Notes 19 and 24)				
Marketing	149,843	4	149,783	4
General and administrative	196,091	5	213,527	6
Research and development	<u>33,433</u>	<u>1</u>	<u>33,535</u>	<u>1</u>
Total operating expenses	<u>379,367</u>	<u>10</u>	<u>396,845</u>	<u>11</u>
PROFIT FROM OPERATIONS	<u>46,556</u>	<u>1</u>	<u>93,905</u>	<u>2</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 19)				
Other income	22,078	-	20,032	-
Other gains and losses	(14,311)	-	20,044	1
Finance costs	<u>(49,655)</u>	<u>(1)</u>	<u>(45,386)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>(41,888)</u>	<u>(1)</u>	<u>(5,310)</u>	<u>-</u>
CONSOLIDATED INCOME BEFORE INCOME TAX	4,668	-	88,595	2
INCOME TAX EXPENSE (Notes 4 and 20)	<u>5,528</u>	<u>-</u>	<u>43,517</u>	<u>1</u>
CONSOLIDATED NET INCOME (LOSS)	<u>(860)</u>	<u>-</u>	<u>45,078</u>	<u>1</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 18 and 20)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	(1,034)	-	(633)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	176	-	107	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	(68,709)	(2)	(252,878)	(7)

(Continued)

GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

	2017		2016	
	Amount	%	Amount	%
Unrealized gain (loss) on available-for-sale financial assets	\$ (3,203)	-	\$ 288	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>4,637</u>	<u>-</u>	<u>2,979</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(68,133)</u>	<u>(2)</u>	<u>(250,137)</u>	<u>(7)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>\$ (68,993)</u>	<u>(2)</u>	<u>\$ (205,059)</u>	<u>(6)</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owner of the Company	<u>\$ (860)</u>	<u>-</u>	<u>\$ 45,078</u>	<u>1</u>
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:				
Owner of the Company	<u>\$ (68,993)</u>	<u>(2)</u>	<u>\$ (205,059)</u>	<u>(6)</u>
EARNINGS (NET LOSS) PER SHARE (Note 21)				
Basic	<u>\$ (0.01)</u>		<u>\$ 0.27</u>	
Diluted	<u>\$ (0.01)</u>		<u>\$ 0.27</u>	

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)

	Equity Attributable to Owners of the Company					Other Equity			Total	Total Equity
	Ordinary Shares	Capital Surplus	Legal Reserve	Retained Earnings		Unrealized Gain (Loss) on Available-for-sale Financial Assets	Exchange Differences on Translating Foreign Operations	Remeasurement of Defined Benefit Plans		
				Unappropriated Earnings	Total					
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 income in 2016	-	-	-	45,078	45,078	-	-	-	-	45,078
Other comprehensive income (loss) in 2016, net of income tax	-	-	-	-	-	278	(249,889)	(526)	(250,137)	(250,137)
Total comprehensive income (loss) in 2016	-	-	-	45,078	45,078	278	(249,889)	(526)	(250,137)	(205,059)
BALANCE, DECEMBER 31, 2016	1,692,000	271,315	338,662	391,565	730,227	-	97,341	6,894	104,235	2,797,777
Appropriation of 2016 earnings (Note 18) Legal reserve	-	-	4,508	(4,508)	-	-	-	-	-	-
Net loss in 2017	-	-	-	(860)	(860)	-	-	-	-	(860)
Other comprehensive loss in 2017, net of income tax	-	-	-	-	-	(3,166)	(64,109)	(858)	(68,133)	(68,133)
Total comprehensive loss in 2017	-	-	-	(860)	(860)	(3,166)	(64,109)	(858)	(68,133)	(68,993)
BALANCE, DECEMBER 31, 2017	\$ 1,692,000	\$ 271,315	\$ 343,170	\$ 386,197	\$ 729,367	\$ (3,166)	\$ 33,232	\$ 6,036	\$ 36,102	\$ 2,728,784

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)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated income before income tax	\$ 4,668	\$ 88,595
Adjustments for:		
Depreciation expense	247,122	248,118
Amortization expense	5,092	5,256
Allowance for doubtful accounts	3,905	969
Finance costs	49,655	45,386
Interest income	(11,386)	(14,013)
Dividend income	(781)	(252)
Loss on disposal of property, plant and equipment, net	7,917	9,862
Gain on sale of investments, net	(16,846)	(6,872)
Reversal of write-down of inventories	(9,344)	(1,704)
Other non-cash items	3,768	9,553
Changes in operating assets and liabilities		
Financial assets held for trading	(199)	-
Notes receivable	(4,481)	5,511
Accounts receivable	(101,749)	(136,875)
Other receivables	-	414
Inventories	(220,185)	(160,823)
Other current assets	(55,424)	(26,839)
Financial liabilities held for trading	136	-
Notes payable	(49,250)	(49,855)
Accounts payable	59,506	261,563
Other payables	3,676	(5,743)
Other current liabilities	(571)	199
Net defined benefit liabilities	(2,953)	(30,111)
Cash generated from (used in) operations	(87,724)	242,339
Interest received	11,404	15,012
Income tax paid	(19,080)	(50,140)
Net cash generated from (used in) operating activities	<u>(95,400)</u>	<u>207,211</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(574,906)	(384,962)
Proceeds from disposal of available-for-sale financial assets	475,556	404,862
Acquisition of property, plant and equipment	(268,295)	(287,926)
Proceeds from disposal of property, plant and equipment	785	1,050
Decrease in other financial assets	44,580	187,618
Increase in other noncurrent assets	(1,612)	(6,026)
Dividend received	781	252
Net cash used in investing activities	<u>(323,111)</u>	<u>(85,132)</u>

(Continued)

GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	\$ 1,174,100	\$ 820,117
Decrease in short-term borrowings	(1,148,216)	(597,961)
Increase in short-term bills payable	150,000	70,000
Decrease in short-term bills payable	(100,000)	(20,000)
Increase in long-term borrowings	770,000	944,160
Repayment of long-term borrowings	(623,259)	(773,750)
Interest paid	<u>(53,362)</u>	<u>(49,872)</u>
Net cash generated from financing activities	<u>169,263</u>	<u>392,694</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	<u>(38,414)</u>	<u>(119,703)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(287,662)	395,070
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,718,386</u>	<u>1,323,316</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,430,724</u>	<u>\$ 1,718,386</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 YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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 approved by the board of directors and authorized for issue on March 23, 2018.

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 of the Republic of China (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 accounting policies of the Company and its subsidiaries (collectively, the “Group”):

- 1) Amendment to IFRS 8 “Operating Segments”

IFRS 8 was amended by the Annual Improvements to IFRSs 2010-2012 Cycle to require the 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 judgments made in applying aggregation criteria should be disclosed retrospectively upon initial application of the amendment in 2017 (refer to Note 29).

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

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed and issued into effect by the FSC. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include an 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 of the Group, 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 relationships with whom the Group has significant transactions. If the transaction amount or balance with a specific related party is 10% or more of the Group's respective total transaction amount or balance, such transactions should be separately disclosed by the name of each related party.

When the amendments are applied retrospectively from January 1, 2017, the disclosures of related party transactions are enhanced. Refer to Note 24 for the related disclosures.

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

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

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

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

1) IFRS 9 “Financial Instruments” and related amendments

Classification, measurement and impairment of financial assets

With regard 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 contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with any impairment loss recognized in profit or loss. 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 collecting contractual cash flows and selling 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 gains or losses 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.

The Group analyzed the facts and circumstances of its financial assets that exist at December 31, 2017 and performed the assessment of the impact of IFRS 9 on the classification and measurement of financial assets. Under IFRS 9:

Listed shares classified as available-for-sale

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

IFRS 9 requires impairment loss on financial assets to be recognized by using the “Expected Credit Losses Model”. A loss allowance is required for financial assets measured at amortized cost, investments in debt instruments 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 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.

The Group has performed a preliminary assessment in which it will apply the simplified approach to recognize full-lifetime expected credit losses for trade receivables. In relation to debt instrument investments and financial guarantee contracts, the Group will assess whether there has been a significant increase in credit risk to determine whether to recognize 12-month or full-lifetime expected credit losses. In general, the Group anticipates that the application of the expected credit losses model of IFRS 9 will result in an earlier recognition of credit losses for financial assets.

The Group elects not to restate prior reporting periods when applying the requirements for the classification, measurement and impairment of financial assets under IFRS 9 with the cumulative effect of the initial application recognized at the date of initial application and will provide the disclosures related to the classification and the adjustment information upon initial application of IFRS 9.

The anticipated impact on assets, liabilities and equity of retrospective application of the requirements for the classification, measurement and impairment of financial assets as of January 1, 2018 is set out below:

	Carrying Amount as of December 31, 2017	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2018
<u>Impact on assets, liabilities and equity</u>			
Financial assets at fair value through other comprehensive income - current	\$ -	\$ 113,167	\$ 113,167
Available-for-sale financial assets - current	<u>113,167</u>	<u>(113,167)</u>	<u>-</u>
Total effect on assets	<u>\$ 113,167</u>	<u>\$ -</u>	<u>\$ 113,167</u>
Total effect on liabilities	<u>\$ 3,772,434</u>	<u>\$ -</u>	<u>\$ 3,772,434</u>
Total effect on equity	<u>\$ 2,728,784</u>	<u>\$ -</u>	<u>\$ 2,728,784</u>

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

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

When applying IFRS 15, the Group recognizes 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 Group satisfies a performance obligation.

The Group elects to retrospectively apply IFRS 15 to contracts that are not complete on January 1, 2018 and recognize the cumulative effect of the change in retained earnings on January 1, 2018. Retrospectively applying IFRS 15 will not have material impact on the Group's assets, liabilities and equity of January 1, 2018.

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

The Group assesses the application of IFRS 15 will not have the material impact on the Group's financial position and financial performance.

3) Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"

The amendments clarify that unless the tax law restricts the utilization of losses as deduction against income of a specific type, in which case, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. The amendments also stipulate 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 the higher amount, and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

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

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

c. The IFRSs in issue by IASB but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 16 "Leases"	January 1, 2019 (Note 3)
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 4)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty Over Income Tax Treatments"	January 1, 2019

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 FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

Note 4: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) IFRS 16 “Leases”

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

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

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

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

2) IFRIC 23 “Uncertainty Over Income Tax Treatments”

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

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

3) Annual Improvements to IFRSs 2015-2017 Cycle

Several standards, including IFRS 3, IFRS 11, IAS 12 and IAS 23 “Borrowing Costs”, were amended in this annual improvement. IAS 23 was amended to clarify that, if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings. The amendment shall be applied prospectively.

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

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, other regulations and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value and net defined liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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

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

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within twelve months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries).

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

See Note 11, table 5 and 6 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the year in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction, and not retranslated subsequently.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including subsidiaries, in other countries that use currency different from the currency of the Company) are translated into the presentation currency - New Taiwan dollars as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting year; income and expense items are translated at the average exchange rates for the year. The resulting currency translation differences are recognized in other comprehensive income.

f. Inventories

Inventories consist of raw materials, supplies, work-in-process and finished goods and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at standard cost and adjusted to approximate weighted-average cost on the balance sheet date.

g. Property, plant, and equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and subsequent accumulated impairment loss.

Property, plant and equipment in the course of construction are carried at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment

when completed and ready for intended use.

Depreciation is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting year, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Impairment of tangible assets

At the end of each reporting year, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount deducting depreciation that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

i. Financial instruments

Financial assets and financial liabilities are recognized when an entity in the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement category

Financial assets are classified into the following categories: Available-for-sale financial assets, and loans and receivables.

i Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when such investment are disposed of or are determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

ii Loans and receivables

Loans and receivables (including cash and cash equivalent, notes receivable, accounts receivable, other receivables, and other financial assets) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalent includes time deposits with original maturities within three months from the date of acquisition, highly liquid, readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting year. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, such as accounts receivable and other receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables, and other situation.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. When an accounts receivable and other receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible accounts receivables and other receivables that are written off against the allowance account.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

2) Equity instruments

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Company entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3) Financial liabilities

Subsequent measurement

The Group's financial liabilities are measured at amortized cost using the effective interest method.

Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

j. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowances for sales returns and liabilities for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

1) Sale of goods

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The amount of revenue can be measured reliably;
- d) It is probable that the economic benefits associated with the transaction will flow to the Group; and
- e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Group does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials ownership.

2) Dividend and interest income

Dividend income from investments is recognized when the stockholders' right to receive payment has been established provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

k. Leasing

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

When the Group is lessee, the operating lease payments are recognized as an expense on a straight-line basis over the lease term.

l. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in profit or loss in the year in which they are incurred.

m. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in other equity and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

n. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the stockholders' approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement

of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

a. Estimated impairment of accounts receivable

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. Information for accounts receivable and allowed for doubtful account was described in Note 8.

b. Write-down of inventory

Net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value was based on current market conditions and the historical experience of selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2017	2016
Cash on hand	\$ 2,677	\$ 1,500
Checking accounts and demand deposits	929,940	1,311,602
Cash equivalent		
Time deposits with original maturities less than 3 months	<u>498,107</u>	<u>405,284</u>
	<u>\$ 1,430,724</u>	<u>\$ 1,718,386</u>

The market interest rates of cash equivalents at the end of the reporting year ranged as follows:

	<u>December 31</u>	
	2017	2016
Time deposits (%)	0.55-1.98	0.55-1.44

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT - ONLY DECEMBER 31, 2017

	Amount
Domestic listed shares	\$ 29,730
Foreign listed shares	<u>83,437</u>
	<u>\$ 113,167</u>

8. NOTES AND ACCOUNTS RECEIVABLE, NET

	<u>December 31</u>	
	2017	2016
<u>Notes receivable</u>		
Notes receivable - operating	<u>\$ 150,463</u>	<u>\$ 145,982</u>
<u>Accounts receivable</u>		
Accounts receivable	\$ 1,232,198	\$ 1,132,152
Less: Allowance for doubtful accounts	<u>15,473</u>	<u>12,988</u>
	<u>\$ 1,216,725</u>	<u>\$ 1,119,164</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 trade receivable since the date credit was initially granted to the end of the reporting year. The Group recognized an allowance for doubtful accounts of 100% against all receivables over 360 days because historical experience had been that receivables that are past due beyond 360 days were not recoverable. Allowance for doubtful accounts is recognized against trade receivables between 0 days and 360 days based on estimated irrecoverable 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 year. Inspection on customers' credit was taken regularly and aging analysis was performed based on the past due date.

Aging analysis of accounts receivable was as follows:

	December 31	
	2017	2016
Not past due	\$ 1,129,514	\$ 1,042,293
Past due 1-60 days	90,972	81,935
Past due 61-90 days	4,000	3,629
Past due 91-180 days	4,414	377
Past due over 181 days	<u>3,298</u>	<u>3,918</u>
	<u>\$ 1,232,198</u>	<u>\$ 1,132,152</u>

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

	Collectively Assessed for Impairment	
	Year Ended December 31	
	2017	2016
Balance, beginning of year	\$ 12,988	\$ 12,720
Allowance for doubtful accounts	3,905	969
Amounts written off during the year as uncollectible	(1,137)	-
Effect of foreign currency exchange differences	<u>(283)</u>	<u>(701)</u>
Balance, end of year	<u>\$ 15,473</u>	<u>\$ 12,988</u>

b. Credit risk of notes and accounts receivable

The Group's receivables are significantly concentrated in certain individuals, most of which have similar business operations and economic features. 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.

As of December 31, 2017 and 2016, the balances of the notes and accounts receivable from customers with carrying amounts that were 10% or more of the account totals were as follows:

	December 31	
	2017	2016
Group A	<u>\$ 197,695</u>	<u>\$ 196,144</u>

9. OTHER FINANCIAL ASSETS

	December 31	
	2017	2016
Time deposits with original maturities more than 3 months	\$ 242,176	\$ 241,574
Pledge time deposits	23,459	71,353
Refundable deposits	<u>6,055</u>	<u>3,343</u>
	<u>\$ 271,690</u>	<u>\$ 316,270</u>

(Continued)

	December 31	
	2017	2016
Current	\$ 269,963	\$ 313,061
Non-current	<u>1,727</u>	<u>3,209</u>
	<u>\$ 271,690</u>	<u>\$ 316,270</u> (Concluded)

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

10. INVENTORIES

	December 31	
	2017	2016
Finished goods	\$ 288,951	\$ 254,907
Raw materials	373,110	240,218
Work in process	222,672	183,321
Supplies	<u>89,242</u>	<u>65,710</u>
	<u>\$ 973,975</u>	<u>\$ 744,156</u>

The cost of inventories recognized as costs of goods sold were \$3,436,653 thousand and \$3,148,965 thousand in 2017 and 2016, respectively, which included the following items:

	For the Year Ended December 31	
	2017	2016
Reversal of write-down	\$ (9,344)	\$ (1,704)
Fire damage	330	-
Others	<u>3,022</u>	<u>667</u>
	<u>\$ (5,992)</u>	<u>\$ (1,037)</u>

In October 2017, the premises of Subsidiary Gem (Suzhou) were damaged by fire which caused loss of inventories. As of March 23, 2018, Gem (Suzhou)'s claim for insurance compensation was still in progress, and the actual claims was pending for professional appraisal by the insurance company.

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	
			December 31, 2017	December 31, 2016
The Company	Global Electronics Terminal (Cayman) Co., Ltd. (Global Cayman)	Note 1	100	100
	Genius Terminal Co., Ltd. (Genius)	Notes 1 and 2	100	100
	GEM Terminal (Cayman) Co., Ltd. (GEM Cayman)	Note 1	100	100

(Continued)

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

(Concluded)

Note 1: International investment.

Note 2: International trading.

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

12. PROPERTY, PLANT, AND EQUIPMENT

The Company purchased land of \$7,908 thousand for the purpose of a resort constructed for the employees. However, a part of the land is agricultural land that cannot be transferred to the Company because of statutory limitations; thus, the Company registered the property rights in the name of chairman in December 2014. 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:

For the Year ended December 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	-	8,381	54,089	3,377	60,938	145,892	272,677
Disposal	-	(4,379)	(56,190)	(1,194)	(101,853)	-	(163,616)
Reclassification	-	29,316	34,964	-	28,278	(106,926)	(14,368)
Effect of foreign currency exchange differences	-	(35,573)	(80,107)	(1,282)	(28,678)	394	(145,246)
Balance at December 31, 2017	<u>\$ 146,218</u>	<u>\$ 1,046,950</u>	<u>\$ 1,629,392</u>	<u>\$ 57,436</u>	<u>\$ 690,093</u>	<u>\$ 176,368</u>	<u>\$ 3,746,457</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2017	\$ -	\$ (405,473)	\$ (956,901)	\$ (47,939)	\$ (397,720)	\$ -	\$ (1,808,033)
Depreciation expenses	-	(44,313)	(114,618)	(2,720)	(85,471)	-	(247,122)
Disposal	-	4,301	51,291	1,120	98,202	-	154,914
Effect of foreign currency exchange differences	-	14,950	48,056	1,113	23,311	-	87,430
Balance at December 31, 2017	<u>\$ -</u>	<u>\$ (430,535)</u>	<u>\$ (972,172)</u>	<u>\$ (48,426)</u>	<u>\$ (361,678)</u>	<u>\$ -</u>	<u>\$ (1,812,811)</u>
Carrying amounts at December 31, 2017	<u>\$ 146,218</u>	<u>\$ 616,415</u>	<u>\$ 657,220</u>	<u>\$ 9,010</u>	<u>\$ 328,415</u>	<u>\$ 176,368</u>	<u>\$ 1,933,646</u>

For the Year ended December 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	-	47,204	25,067	1,473	48,953	225,756	348,453
Disposal	-	(8,680)	(66,413)	(1,178)	(5,888)	-	(82,159)
Reclassification	-	255,960	118,701	-	80,720	(465,356)	(9,975)
Effect of foreign currency exchange differences	-	(51,065)	(201,956)	(3,670)	(61,897)	(21,915)	(340,503)
Balance at December 31, 2016	<u>\$ 146,218</u>	<u>\$ 1,049,205</u>	<u>\$ 1,676,636</u>	<u>\$ 56,535</u>	<u>\$ 731,408</u>	<u>\$ 137,008</u>	<u>\$ 3,797,010</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2016	\$ -	\$ (396,915)	\$ (988,068)	\$ (47,383)	\$ (371,758)	\$ -	\$ (1,804,124)
Depreciation expenses	-	(38,637)	(131,232)	(3,654)	(74,595)	-	(248,118)
Disposal	-	8,255	57,795	82	5,115	-	71,247
Effect of foreign currency exchange differences	-	21,824	104,604	3,016	43,518	-	172,962
Balance at December 31, 2016	<u>\$ -</u>	<u>\$ (405,473)</u>	<u>\$ (956,901)</u>	<u>\$ (47,939)</u>	<u>\$ (397,720)</u>	<u>\$ -</u>	<u>\$ (1,808,033)</u>
Carrying amounts at December 31, 2016	<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>

b. Estimated useful lives

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

Buildings

Factory	10-50 years
Main building	10-25 years
The major component part of the factory	10-20 years
The major component part of the office	10-55 years
Machinery and equipment	3-15 years
Transportation equipment	4-12 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 borrowing/general facilities granted to the Group.

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

	<u>For the Year Ended December 31</u>	
	<u>2017</u>	<u>2016</u>
Acquisition of in property, plant and equipment	\$ 272,677	\$ 348,453
Capitalized interest	(3,647)	(5,221)
Decrease in prepayments for equipment	(16,787)	(54,209)
Decrease (increase) in payable for purchased equipment	<u>16,052</u>	<u>(1,097)</u>
Cash paid for acquisition of property, plant and equipment	<u>\$ 268,295</u>	<u>\$ 287,926</u>

13. LONG-TERM PREPAYMENT FOR LEASE

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Current (included in other current assets)	\$ 2,283	\$ 1,983
Noncurrent (included in long-term prepayment for lease)	<u>92,706</u>	<u>99,465</u>
	<u>\$ 94,989</u>	<u>\$ 101,448</u>

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

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

14. NOTES PAYABLE AND ACCOUNTS PAYABLE

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

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

15. OTHER PAYABLES

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Payable for purchase of equipment	\$ 47,277	\$ 63,329
Payable for salaries and bonus	44,315	52,315
Payable for shipping expense	14,019	12,798
Payable for utilities expense	8,579	7,440
Payable for professional service fees	8,129	6,035
Payable for employee welfare	3,741	4,892
Payable for tax	3,298	4,287
Payable for employees' compensation and remuneration of directors and supervisors	2,539	3,504
Payable for pension	7,906	3,110
Others	<u>45,704</u>	<u>35,460</u>
	<u>\$ 185,507</u>	<u>\$ 193,170</u>

Other payables - others were payables for labor and health insurance, rent, and payable for purchase of parts.

16. BORROWINGS

a. Short-term borrowings

	December 31	
	2017	2016
Unsecured borrowings	\$ 274,774	\$ 436,025
Secured borrowings	<u>560,146</u>	<u>407,190</u>
	<u>\$ 834,920</u>	<u>\$ 843,215</u>

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

	December 31	
	2017	2016
Unsecured borrowings (%)	1.23-2.26	1.26-4.35
Secured borrowings (%)	2.42-4.35	3.92-4.35

b. Short - term bills payable

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

	December 31	
	2017	2016
Short-term bills payable (%)	1.10-1.16	1.15

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

c. Long-term borrowings

	December 31	
	2017	2016
Unsecured borrowings	\$ 1,730,084	\$ 1,556,750
Secured borrowings	<u>43,680</u>	<u>75,652</u>
	1,773,764	1,632,402
Less: Current portion	<u>716,111</u>	<u>625,036</u>
	<u>\$ 1,057,653</u>	<u>\$ 1,007,366</u>

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

	December 31	
	2017	2016
Unsecured borrowings (%)	1.49-2.09	1.49-2.09
Secured borrowings (%)	2.85	2.70-2.93

Under the loan agreements with partial bank, the Group should maintain certain financial ratios based on reviewed semiannual and audited annual consolidated financial statements. As of December 31, 2017 and 2016, the Group was in compliance with the above mentioned financial ratio requirements

stated in the loan agreements with the banks.

17. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (the “LPA”), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages. Except the foreign subsidiaries: GEM (Dongguan), GEM (Suzhou) and GEM (Vietnam) of the Group make contributions in accordance with the local regulations, which is a defined contribution plan; the other subsidiaries of the Group do not have retirement regulations.

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contribute amounts equal to 4% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee’s name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (“the Bureau”); the Company has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Company’s defined benefit plans were as follows:

	December 31	
	2017	2016
Present value of defined benefit obligation	\$ 87,089	\$ 88,340
Fair value of plan assets	<u>(42,277)</u>	<u>(41,609)</u>
Deficit	44,812	46,731
Classified under other payables	<u>(7,090)</u>	<u>(2,317)</u>
Net defined benefit liability	<u>\$ 37,722</u>	<u>\$ 44,414</u>

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2016	<u>\$ 93,117</u>	<u>\$ (16,908)</u>	<u>\$ 76,209</u>
Service cost			
Current service cost	1,042	-	1,042
Net interest expense (income)	<u>1,164</u>	<u>(222)</u>	<u>942</u>
Recognized in profit or loss	<u>2,206</u>	<u>(222)</u>	<u>1,984</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	\$ -	\$ (33)	\$ (33)
Actuarial loss - experience adjustments	1,787	-	1,787
Actuarial gain - changes in financial assumptions	<u>(1,121)</u>	<u>-</u>	<u>(1,121)</u>
Recognized in other comprehensive income	<u>666</u>	<u>(33)</u>	<u>633</u>
Contributions from the employer	<u>-</u>	<u>(32,095)</u>	<u>(32,095)</u>
Benefits paid	<u>(7,649)</u>	<u>7,649</u>	<u>-</u>
Balance at December 31, 2016	<u>88,340</u>	<u>(41,609)</u>	<u>46,731</u>
Service cost			
Current service cost	859	-	859
Net interest expense (income)	<u>1,237</u>	<u>(612)</u>	<u>625</u>
Recognized in profit or loss	<u>2,096</u>	<u>(612)</u>	<u>1,484</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	229	229
Actuarial gain - experience adjustments	(476)	-	(476)
Actuarial loss - changes in financial assumptions	<u>1,281</u>	<u>-</u>	<u>1,281</u>
Recognized in other comprehensive income	<u>805</u>	<u>229</u>	<u>1,034</u>
Contributions from the employer	<u>-</u>	<u>(4,437)</u>	<u>(4,437)</u>
Benefits paid	<u>(4,152)</u>	<u>4,152</u>	<u>-</u>
Balance at December 31, 2017	<u>\$ 87,089</u>	<u>\$ (42,277)</u>	<u>\$ 44,812</u>

(Concluded)

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

1) Investment risk

The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk

A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk

The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2017	2016
Discount rate (%)	1.20	1.40
Expected rate of salary increase (%)	1.20	1.20

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase / decrease as follows:

	December 31	
	2017	2016
Discount rate		
0.25% increase	<u>\$ (1,596)</u>	<u>\$ (1,809)</u>
0.25% decrease	<u>\$ 1,657</u>	<u>\$ 1,883</u>
Expected rate of salary increase		
1% increase	<u>\$ 6,946</u>	<u>\$ 7,947</u>
1% decrease	<u>\$ (6,103)</u>	<u>\$ (6,904)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2017	2016
The expected contributions to the plan for the next year	<u>\$ 8,841</u>	<u>\$ 4,094</u>
The average duration of the defined benefit obligation	11 years	13 years

18. EQUITY

a. Share capital

	December 31	
	2017	2016
Number of shares authorized (in thousands)	<u>221,000</u>	<u>221,000</u>
Shares authorized	<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>
Shares issued	<u>\$ 1,692,000</u>	<u>\$ 1,692,000</u>

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

b. Capital Surplus

	December 31	
	2017	2016
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital		
Arising from issuance of common shares	\$ 266,411	\$ 266,411
Arising from treasury share transactions	<u>4,904</u>	<u>4,904</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 (f) Employee's compensation and remuneration of directors and supervisors in Note 19.

The Company's dividend policy is in line with the Company's operating scale and research and development needs as well as the status of the economy and industry in order to maintain sound management and promote stockholders' long-term interests. Thus, the Company adopted Residual dividend policy as its 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.

Items referred to 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 the deficit compensation for 2015 had been approved in the stockholders' meeting on June 14, 2017 and June 22, 2016, respectively. The appropriations of earnings for 2016 were as follows:

	Appropriation of Earnings
Legal reserve	<u>\$ 4,508</u>

The deficit compensation for 2017 are subject to the resolution of the stockholders' meeting to be held on June 13, 2018.

d. Other Equity Items

1) Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2017	2016
Balance at January 1	\$ 97,341	\$ 347,230
Exchange differences arising on translating the of foreign operations, net	(68,709)	(252,878)
Related income tax	<u>4,600</u>	<u>2,989</u>
Balance at December 31	<u>\$ 33,232</u>	<u>\$ 97,341</u>

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

	For the Year Ended December 31	
	2017	2016
Balance at January 1	\$ -	\$ (278)
Unrealized gain arising on revaluation of available-for-sale financial assets	13,643	7,160
Related income tax	(4,189)	(1,621)
Cumulative gain reclassified to profit or loss on sale of available-for-sale financial assets	(16,846)	(6,872)
Related income tax	<u>4,226</u>	<u>1,611</u>
Balance at December 31	<u>\$ (3,166)</u>	<u>\$ -</u>

3) Remeasurement of defined benefit plans

	For the Year Ended December 31	
	2017	2016
Balance at January 1	\$ 6,894	\$ 7,420
Remeasurement of defined benefit plans	(1,034)	(633)
Related income tax	<u>176</u>	<u>107</u>
Balance at December 31	<u>\$ 6,036</u>	<u>\$ 6,894</u>

19. CONSOLIDATED INCOME BEFORE INCOME TAX

Consolidated income before income tax was attributed to as follows:

a. Other income

	For the Year Ended December 31	
	2017	2016
Interest income	\$ 11,386	\$ 14,013
Dividend income	781	252
Others	<u>9,911</u>	<u>5,767</u>
	<u>\$ 22,078</u>	<u>\$ 20,032</u>

b. Other gains and losses

	For the Year Ended December 31	
	2017	2016
Foreign exchange gains (losses), net	\$ (20,099)	\$ 24,408
Loss on disposal of property, plant and equipment, net	(7,917)	(9,862)
Gain on sale of investments, net	16,846	6,872
Others	<u>(3,141)</u>	<u>(1,374)</u>
	<u>\$ (14,311)</u>	<u>\$ 20,044</u>

c. Finance costs

	For the Year Ended December 31	
	2017	2016
Interest expense of borrowings	\$ 53,302	\$ 50,607
Less: Amounts included in the cost of qualifying assets	<u>3,647</u>	<u>5,221</u>
	<u>\$ 49,655</u>	<u>\$ 45,386</u>

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2017	2016
Capitalized interest (classified under property, plant and equipment and prepayments for equipment)	\$ 3,647	\$ 5,221
Capitalization rate (%)	1.63-6.46	1.72-5.19

d. Depreciation and amortization

	For the Year Ended December 31	
	2017	2016
Property, plant and equipment	\$ 247,122	\$ 248,118
Prepayments for lease (current/noncurrent)	2,296	2,521
Other assets	<u>2,796</u>	<u>2,735</u>
	<u>\$ 252,214</u>	<u>\$ 253,374</u>

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

	For the Year Ended December 31	
	2017	2016
Analysis of depreciation by function		
Operating costs	\$ 207,485	\$ 207,242
Operating expenses	<u>39,637</u>	<u>40,876</u>
	<u>\$ 247,122</u>	<u>\$ 248,118</u>
Analysis of amortization by function		
Operating costs	\$ 289	\$ 378
Operating expenses	<u>4,803</u>	<u>4,878</u>
	<u>\$ 5,092</u>	<u>\$ 5,256</u>

e. Employee benefits expense

	For the Year Ended December 31	
	2017	2016
Short-term employee benefits		
Salary	\$ 505,321	\$ 517,680
Labor and health insurance	23,947	25,573
Others	<u>28,594</u>	<u>28,353</u>
	<u>557,862</u>	<u>571,606</u>
Post-employment benefits		
Defined contribution plans	33,888	36,866
Defined benefit plans (Note 17)	<u>1,484</u>	<u>1,984</u>
	<u>35,372</u>	<u>38,850</u>
	<u>\$ 593,234</u>	<u>\$ 610,456</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 446,716	\$ 462,289
Operating expenses	<u>146,518</u>	<u>148,167</u>
	<u>\$ 593,234</u>	<u>\$ 610,456</u>

f. Employees' compensation and remuneration of directors and supervisors

The stockholders held their meeting in June 2016 and resolved amendments to the Company's Articles; the amendments stipulate distribution of employees' compensation and remuneration to directors and supervisors in 2016 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. The stockholders held their meeting in June 2017 and resolved amendments to the Company's Articles again; the amendments stipulate distribution of employees' compensation and remuneration of directors and supervisors in 2017 at the rates no less than 3% and \$2,100 thousand, respectively, of the net profit before income tax, employees' compensation, and remuneration of directors and supervisors. The employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2017 and 2016, which have been approved by the Company's board of directors on March 23, 2018 and March 23, 2017, respectively were as follows:

Accrual rate and amount

	For the Year Ended December 31	
	2017	2016
Employees' compensation (%)	3	3
Remuneration of directors and supervisors	\$ 2,100	\$ 2,100

Amount

	Cash For the Year Ended December 31	
	2017	2016
Employees' compensation	\$ 439	\$ 1,404
Remuneration of directors and supervisors	2,100	2,100

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

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

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

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

g. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2017	2016
Foreign exchange gains	\$ 25,813	\$ 63,806
Foreign exchange losses	<u>(45,912)</u>	<u>(39,398)</u>
Foreign exchange gains (losses), net	<u>\$ (20,099)</u>	<u>\$ 24,408</u>

20. INCOME TAX

a. The major components of income tax recognized in profit or loss

	For the Year Ended December 31	
	2017	2016
Current tax		
In respect of the current year	\$ 7,836	\$ 36,470
Income tax on unappropriated earnings	3,841	-
Adjustments for prior years	<u>730</u>	<u>13,451</u>
	<u>12,407</u>	<u>49,921</u>

(Continued)

	For the Year Ended December 31	
	2017	2016
Deferred tax		
In respect of the current year	\$ (14,364)	\$ (7,103)
Exchange rate influence	<u>7,485</u>	<u>699</u>
	<u>(6,879)</u>	<u>(6,404)</u>
Income tax expense recognized in profit or loss	<u>\$ 5,528</u>	<u>\$ 43,517</u> (Concluded)

A reconciliation of accounting profit and income tax expense and the applicable tax rate was as follows:

	For the Year Ended December 31	
	2017	2016
Profit before income tax	<u>\$ 4,668</u>	<u>\$ 88,595</u>
Income tax expense (income) calculated at the statutory rate	\$ (2,164)	\$ 31,100
Nondeductible expenses in determining taxable income	158	127
Temporary differences	2,963	(1,161)
Income tax on unappropriated earnings	3,841	-
Adjustments for prior years	<u>730</u>	<u>13,451</u>
Income tax expense recognized in profit	<u>\$ 5,528</u>	<u>\$ 43,517</u>

The applicable tax rate used above is the corporate tax rate of 17% payable by the Company in ROC, while the applicable tax rate used by subsidiaries in China is 25%, and the applicable tax rate used by subsidiaries in Vietnam is 22%. Under the laws of the British Virgin Islands, the income of Genius, Global (Cayman) and GEM (Cayman) is exempt from income tax. The subsidiaries in Hong Kong - Genius (HK), Vibo and Global (HK) have no operations on local area, these subsidiaries are also exempt from income tax in accordance with Hong Kong's laws. If these subsidiaries have any separate tax on interest income or withholding tax on dividends, the amount of this tax is recorded as current year's tax provision.

In February 2018, it was announced by the President that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets and deferred tax liabilities recognized as at December 31, 2017 are expected to be adjusted and would increase by \$15,139 thousand and \$25 thousand in 2018, respectively.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2017	2016
Deferred tax		
<hr/>		
In respect of the current year		
Translation of foreign operations	\$ 4,600	\$ 2,989
Remeasurement on defined benefit plan	176	107
Unrealized gain or loss of available-for-sale financial assets	<u>37</u>	<u>(10)</u>
Total income tax recognized in other comprehensive income	<u>\$ 4,813</u>	<u>\$ 3,086</u>

c. Current tax assets and liabilities

	December 31	
	2017	2016
Current tax assets		
Tax refund receivable	\$ <u>1,250</u>	\$ <u>294</u>
Current tax liabilities		
Income tax payable	\$ <u>7,636</u>	\$ <u>13,353</u>

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the Year ended December 31, 2017

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of Year
<u>Deferred Tax Assets</u>				
Temporary differences				
Unrealized deferred profit	\$ 29,386	\$ (1,723)	\$ -	\$ 27,663
Defined benefit obligation	7,944	(502)	176	7,618
Translation of foreign operations and investment losses	33,927	(12,168)	4,600	26,359
Financial and taxation differences on property, plant and equipment	8,935	1,025	-	9,960
Unrealized loss on inventories	6,814	(2,593)	-	4,221
Others	<u>4,166</u>	<u>3,957</u>	<u>37</u>	<u>8,160</u>
	91,172	(12,004)	4,813	83,981
Loss carryforwards	<u>21,567</u>	<u>11,247</u>	<u>-</u>	<u>32,814</u>
	<u>\$ 112,739</u>	<u>\$ (757)</u>	<u>\$ 4,813</u>	<u>\$ 116,795</u>
<u>Deferred Tax liabilities</u>				
Temporary differences				
Foreign investment gains	\$ 89,328	\$ (17,363)	\$ -	\$ 71,965
Land value increment tax	7,398	-	-	7,398
Others	<u>8,360</u>	<u>2,242</u>	<u>-</u>	<u>10,602</u>
	<u>\$ 105,086</u>	<u>\$ (15,121)</u>	<u>\$ -</u>	<u>\$ 89,965</u>

For the Year ended December 31, 2016

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of Year
<u>Deferred Tax Assets</u>				
Temporary differences				
Unrealized deferred profit	\$ 31,344	\$ (1,958)	\$ -	\$ 29,386
Defined benefit obligation	12,957	(5,120)	107	7,944
Translation of foreign operation and investment losses	19,140	11,798	2,989	33,927
Financial and taxation differences on property, plant and equipment	8,105	830	-	8,935
Unrealized loss on inventories	7,526	(712)	-	6,814
Others	<u>3,827</u>	<u>349</u>	<u>(10)</u>	<u>4,166</u>
	82,899	5,187	3,086	91,172
Loss carryforwards	<u>12,542</u>	<u>9,025</u>	<u>-</u>	<u>21,567</u>
	<u>\$ 95,441</u>	<u>\$ 14,212</u>	<u>\$ 3,086</u>	<u>\$ 112,739</u>
<u>Deferred Tax liabilities</u>				
Temporary differences				
Foreign investment gains	\$ 82,522	\$ 6,806	\$ -	\$ 89,328
Land value increment tax	7,398	-	-	7,398
Others	<u>8,057</u>	<u>303</u>	<u>-</u>	<u>8,360</u>
	<u>\$ 97,977</u>	<u>\$ 7,109</u>	<u>\$ -</u>	<u>\$ 105,086</u>

e. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2017 comprised of:

Unused Amount	Expiry Year
\$ 27,320	2022
10,471	2024
55,604	2025
60,851	2026
<u>25,922</u>	2027
<u>\$ 180,168</u>	

f. The aggregate amount of temporary difference associated with investments for which deferred tax liabilities have not been recognized

As of December 31, 2017 and 2016, the taxable temporary differences associated with investment in subsidiaries for which no deferred tax liabilities have been recognized were \$91,044 thousand and \$120,517 thousand, respectively.

g. Integrated income tax

	<u>December 31</u>	
	2017	2016
Unappropriated earnings		
Unappropriated earnings generated before January 1, 1998		
Unappropriated earnings generated on and after January 1, 1998	\$ -	\$ 6,684
	<u>-</u>	<u>384,881</u>
	<u>\$ -</u> (Note)	<u>\$ 391,565</u>
Imputation credits account	<u>\$ -</u>	<u>\$ 37,779</u>
	<u>For the Year Ended December 31</u>	
	2017	2016
Creditable ratio for distribution of earnings (%)	Note	9.82

Note: Since the amended Income Tax Act announced in February 2018 abolished the imputation tax system, related information for 2017 is not applicable.

h. Income tax assessments

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

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

21. EARNINGS (NET LOSS) PER SHARE (EPS)

There's no diluted effect for the year ended December 31, 2017 for net loss incurred in the reporting year.

The net profit (loss) and weighted average number of ordinary shares outstanding in the computation of basic earnings / net loss per share were as follows:

Net profit (loss) for the year ended - attributable to owner of the Company

	<u>For the Year Ended December 31</u>	
	2017	2016
Net profit (loss) used in the computation of basic / diluted earnings (net loss) per share	\$ <u>(860)</u>	\$ <u>45,078</u>

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

	<u>For the Year Ended December 31</u>	
	2017	2016
Weighted average number of ordinary shares in computation of basic earnings / net loss per share	169,200	169,200
Effect of diluted potential ordinary shares		
Employees' compensation	<u>-</u>	<u>135</u>
Weighted average number of ordinary shares used in the computation of diluted earnings / net loss per share	<u>169,200</u>	<u>169,335</u>

If the Company offered to settle compensation paid to employees in cash or shares, the Company 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. The Group balance its entire capital structure based on recommendations of the key management personnel.

23. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

The management considers that the carrying amounts of financial assets and financial liabilities recognized in the condensed consolidated financial statements approximate their fair values.

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

December 31, 2017

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Domestic listed shares	\$ 29,730	\$ -	\$ -	\$ 29,730
Overseas listed shares	<u>83,437</u>	<u>-</u>	<u>-</u>	<u>83,437</u>
	<u>\$ 113,167</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 113,167</u>

December 31, 2016: None

There were no transfers between Level 1 and Level 2 in 2017 and 2016.

c. Categories of financial instruments

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
<u>Financial assets</u>		
Loans and receivables (Note 1)	\$ 3,071,376	\$ 3,301,594
Available-for-sale financial assets	113,167	-

(Continued)

	December 31	
	2017	2016
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	\$ 3,633,583	\$ 3,447,923 (Concluded)

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

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

d. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, notes receivable, accounts receivable, other financial assets, borrowings, short-term bills payable, notes payable and accounts payable. The Group's 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 Treasury function reports monthly to the Group's management.

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 (including the denominated monetary items in consolidated financial statements which were eliminated) of the Group's foreign currency denominated monetary assets and monetary liabilities exposing to foreign currency risk at the end of the reporting year are set out in Note 27.

Sensitivity analysis

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

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

	USD impact		HKD impact	
	For the Year Ended December 31		For the Year Ended December 31	
	2017	2016	2017	2016
Profit or loss	\$ 2,011	\$ 2,466	\$ 2,047	\$ 791

b) Interest rate risk

The Group was exposed to interest rate risk because 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 year were as follows:

	December 31	
	2017	2016
Fair value interest rate risk		
Financial assets	\$ 763,742	\$ 718,211
Financial liabilities	1,540,597	1,684,268
Cash flow interest rate risk		
Financial assets	929,808	1,311,499
Financial liabilities	1,168,087	841,349

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 year. For floating rate assets and liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting year was outstanding for the whole year.

If interest rates had been 1% higher/lower and all other variables were held constant, the Group's pre-tax profit for the year ended December 31, 2017 and 2016 would have been lower/higher by \$2,383 thousand and higher/lower by \$4,702 thousand, respectively, which was mainly a result of the changes in the floating interest 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. As 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 obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

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 monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

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

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment date.

The maturity dates for non-derivative financial liabilities based on the agreed repayment dates were as follows:

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
<u>December 31, 2017</u>					
Fixed interest rate liabilities	1.10-4.35	\$ 346,945	\$ 269,475	\$ 575,877	\$ 375,316
Variable interest rate liabilities	1.35-2.85	37,255	56,989	403,491	699,845
Non-interest bearing		<u>556,375</u>	<u>303,099</u>	<u>63,314</u>	<u>-</u>
		<u>\$ 940,575</u>	<u>\$ 629,563</u>	<u>\$ 1,042,682</u>	<u>\$ 1,075,161</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>

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 accordance 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 year.

24. TRANSACTIONS WITH RELATED PARTIES

Balances, transactions and revenues and expenses among the Company and its subsidiaries, which are related parties of the Company have been eliminated on consolidation, so the information is not disclosed in this note. Transactions of the consolidated companies and other related parties were as follows:

a. Related party name and its relationship with the Group

<u>Related Party Name</u>	<u>The Relationship with the Group</u>
Su, Chung-Hong	Chairman of the Company
Su, Tun-Li	Second immediate family of the Company's chairman
Su, Tun-Jen	General manager
Su, Tun-Yi	Second immediate family of the Company's chairman

b. Compensation of key management personnel

	<u>For the Year Ended December 31</u>	
	<u>2017</u>	<u>2016</u>
Short-term benefits	\$ 7,973	\$ 8,699
Post-employment benefits	<u>272</u>	<u>276</u>
	<u>\$ 8,245</u>	<u>\$ 8,975</u>

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

c. Property lease

The Company leased its Taipei office, factories and storehouse from general manager, Su, Tun-Jen, second immediate family of the company's chairman, Su, Tun-Li, second immediate family of the company's chairman, Su, Tun-Yi, under one-year operating lease contracts. The rentals for the years ended December 31, 2017 and 2016 were both \$1,658 thousand, respectively, 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.

d. Guarantees

The Company's chairman, Su, Chung-Hong, and second immediate family of the company's chairman, Su, Tun-Li jointly provided the guarantee for the loans of GEM. 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 borrowings:

	December 31	
	2017	2016
Property, plant and equipment	\$ 326,890	\$ 418,103
Pledge deposits (under other financial assets- current)	23,459	71,353
Prepaid rent (including current portion)	<u>18,318</u>	<u>36,141</u>
	<u>\$ 368,667</u>	<u>\$ 525,597</u>

26. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The Group's significant contingent liabilities and unrecognized commitments as of December 31, 2017 were as follows:

- a. The amounts of contracts for the Group's purchases of properties and materials were \$320,582 thousand, of which \$101,194 thousand had not been paid.
- b. Under unused letters of credit for the Group's purchases of equipment and materials amounted to \$24,049 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>December 31, 2017</u>				
Financial assets				
Monetary items				
USD	\$ 8,068	29.8	(USD:NTD)	\$ 240,433
USD	7,604	6.518	(USD:RMB)	226,620
USD	15,669	7.811	(USD:HKD)	466,937
USD	2,835	22,713	(USD:VND)	84,480
HKD	7,350	3.815	(HKD:NTD)	28,041
HKD	62,060	0.834	(HKD:RMB)	236,760
HKD	950	0.128	(HKD:USD)	<u>3,622</u>
				<u>\$ 1,286,893</u>
Financial liabilities				
Monetary items				
USD	1,032	29.8	(USD:NTD)	\$ 30,750
USD	4,809	6.518	(USD:RMB)	143,303
USD	6,237	7.811	(USD:HKD)	185,863
USD	15,351	22,713	(USD:VND)	457,467

(Continued)

	Foreign Currencies	Exchange Rate		Carrying Amount
HKD	\$ 16,550	3.815	(HKD:NTD)	\$ 63,137
HKD	154	0.834	(HKD:RMB)	<u>588</u>
				<u>\$ 881,108</u>
<u>December 31, 2016</u>				
Financial assets				
Monetary items				
USD	4,848	32.25	(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	32.25	(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>
				(Concluded)

For the year ended December 31, 2017 and 2016, realized and unrealized net foreign exchange gains (losses) were net losses \$20,099 thousand and net gains \$24,408 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign transactions and functional currencies of the Group's entities.

28. ADDITIONAL DISCLOSURES

a. Information about significant transactions and investees

- 1) Financing provided: Table 1 (attached).
- 2) Endorsement/guarantee provided: None.
- 3) Marketable securities held (excluding investment in subsidiaries): 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 year, 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 year: Table 7 (attached).
- 2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year: Table 3 and 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 year and the purposes: None.
- 5) The highest balance, the end of year balance, the interest rates range, and total current year 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 year or on the financial position, such as the rendering or receiving of services: Table 7 and 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:

a. Segment revenues and results

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

	The Company	GEM (Dongguan)& Genius (HK)	GEM (Suzhou)& Global (HK)	Others	Adjustment and Elimination	Consolidated Amount
<u>For the Year ended December 31, 2017</u>						
Revenues from external customers	\$ 510,093	\$ 1,554,232	\$ 1,797,525	\$ 726	\$ -	\$ 3,862,576
Inter-segment revenues	<u>153,373</u>	<u>550,033</u>	<u>1,622,884</u>	<u>418,546</u>	<u>(2,744,836)</u>	<u>-</u>
Segment revenues	<u>\$ 663,466</u>	<u>\$ 2,104,265</u>	<u>\$ 3,420,409</u>	<u>\$ 419,272</u>	<u>\$ (2,744,836)</u>	<u>\$ 3,862,576</u>
Segment income (loss)	<u>\$ (12,963)</u>	<u>\$ (12,144)</u>	<u>\$ 25,892</u>	<u>\$ 8,873</u>	<u>\$ 36,898</u>	\$ 46,556
Other income						22,078
Other gains and losses						(14,311)
Finance costs						<u>(49,655)</u>
Consolidated income before income tax						4,668
Income tax						<u>(5,528)</u>
Consolidated net loss						<u>\$ (860)</u>
<u>December 31, 2017</u>						
Total segment assets	<u>\$ 4,909,003</u>	<u>\$ 1,860,455</u>	<u>\$ 3,301,588</u>	<u>\$ 998,242</u>	<u>\$ (4,568,070)</u>	<u>\$ 6,501,218</u>
Total segment liabilities	<u>\$ 2,180,219</u>	<u>\$ 845,120</u>	<u>\$ 1,251,211</u>	<u>\$ 555,022</u>	<u>\$ (1,059,138)</u>	<u>\$ 3,772,434</u>
<u>For the Year ended December 31, 2016</u>						
Revenues from external customers	\$ 492,907	\$ 1,529,198	\$ 1,617,606	\$ 4	\$ -	\$ 3,639,715
Inter-segment revenues	<u>125,829</u>	<u>400,525</u>	<u>1,422,567</u>	<u>162,211</u>	<u>(2,111,132)</u>	<u>-</u>
Segment revenues	<u>\$ 618,736</u>	<u>\$ 1,929,723</u>	<u>\$ 3,040,173</u>	<u>\$ 162,215</u>	<u>\$ (2,111,132)</u>	<u>\$ 3,639,715</u>
Segment income (loss)	<u>\$ (19,424)</u>	<u>\$ (8,493)</u>	<u>\$ 104,963</u>	<u>\$ (5,535)</u>	<u>\$ 22,394</u>	\$ 93,905
Other income						20,032
Other gains and losses						20,044
Finance costs						<u>(45,386)</u>
Consolidated income before income tax						88,595
Income tax						<u>(43,517)</u>
Consolidated net income						<u>\$ 45,078</u>
<u>December 31, 2016</u>						
Total segment assets	<u>\$ 4,645,036</u>	<u>\$ 2,067,279</u>	<u>\$ 3,186,512</u>	<u>\$ 827,240</u>	<u>\$ (4,313,024)</u>	<u>\$ 6,413,043</u>
Total segment liabilities	<u>\$ 1,847,259</u>	<u>\$ 1,028,240</u>	<u>\$ 1,129,681</u>	<u>\$ 367,453</u>	<u>\$ (757,367)</u>	<u>\$ 3,615,266</u>

b. Revenue from major products

The following is an analysis of the Group's revenue from its major products.

	For the Year Ended December 31	
	2017	2016
Terminals	\$ 3,852,193	\$ 3,628,245
Others	<u>10,383</u>	<u>11,470</u>
	<u>\$ 3,862,576</u>	<u>\$ 3,639,715</u>

c. Geographical information

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2017	2016	2017	2016
Taiwan	\$ 221,665	\$ 206,748	\$ 321,241	\$ 341,147
China	3,498,292	3,325,120	1,208,912	1,325,629
Vietnam	38,825	7,568	525,144	468,676
Others	<u>103,794</u>	<u>100,279</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,862,576</u>	<u>\$ 3,639,715</u>	<u>\$ 2,055,297</u>	<u>\$ 2,135,452</u>

Non-current assets exclude financial assets-non current and deferred income tax assets.

d. Information about major customers

For 2017 and 2016, the customer from which sales revenue accounted for over 10% of the Group's consolidated operating revenue is shown below:

	For the Year Ended December 31			
	2017		2016	
	Amount	% to Operating Revenue, Net	Amount	% to Operating Revenue, Net
Group A	<u>\$ 385,190</u>	<u>10</u>	<u>\$ 385,557</u>	<u>11</u>

TABLE 1**GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES****FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2017****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Financing Company	Borrowing Company	Financial Statement Account	Related Parties	Highest Balance for the Year	Ending Balance (Note 2)	Actual Borrowing Amount (Notes 2 and 3)	Interest Rate	Type of Financing	Reason for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Financing Amount Limit
												Item	Value		
0	The Company	GEM (VN)	Other receivables - related parties	Yes	\$ 91,260	\$ 89,400	\$ 59,600	2.1	Short-term financing	Operating capital	\$ -	-	\$ -	\$ 545,757 (Note 1)	\$ 1,091,514 (Note 1)
0	The Company	GEM (Suzhou)	Other receivables - related parties	Yes	152,100	149,000	-	2.1	Short-term financing	Operating capital	-	-	-	545,757 (Note 1)	1,091,514 (Note 1)
1	Vibo	GEM (Dongguan)	Other receivables - related parties	Yes	30,420	29,800	29,800	2.0	Short-term financing	Operating capital	-	-	-	601,019 (Note 1)	1,202,038 (Note 1)
2	Global (Cayman)	Global (HK)	Other receivables - related parties	Yes	12,168	11,920	11,920	2.0	Short-term financing	Operating capital	-	-	-	605,581 (Note 1)	1,211,163 (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 rate on December 29, 2017 was US\$1: NT\$29.8.

Note 3: It was eliminated on consolidation.

GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

December 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	December 31, 2017				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
The Company	<u>Stock</u>							
	Eson Precision Ind. Co., Ltd.	-	Available-for-sale financial assets - current	84,000	\$ 3,809	-	\$ 3,809	
	Tai Tung Communication Co., Ltd.	-	Available-for-sale financial assets - current	405,000	7,857	-	7,857	
	Innolux Corporation	-	Available-for-sale financial assets - current	800,000	9,920	-	9,920	
	Microelectronics Technology Inc.	-	Available-for-sale financial assets - current	271,000	8,144	-	8,144	
					<u>29,730</u>		<u>29,730</u>	
GEM (Suzhou)	<u>Stock</u>							
	Tsingtao Brewery Co., Ltd	-	Available-for-sale financial assets - current	15,500	2,787	-	2,787	
	Yantai Changyu Pioneer Wine Co., Ltd.	-	Available-for-sale financial assets - current	15,000	2,572	-	2,572	
	Ningbo Boway Alloy Material Co., Ltd.	-	Available-for-sale financial assets - current	405,200	21,341	-	21,341	
	Zhejiang Gu Yue Long Shan Shaoxing Wine Co., Ltd.	-	Available-for-sale financial assets - current	52,000	2,232	-	2,232	
	Industrial Bank Co., Ltd.	-	Available-for-sale financial assets - current	148,000	11,496	-	11,496	
	China Minsheng Banking Corp., Ltd.	-	Available-for-sale financial assets - current	170,000	6,521	-	6,521	
	Bank of Beijing Co., Ltd.	-	Available-for-sale financial assets - current	216,000	7,061	-	7,061	
	Jiugui Liquor Co., Ltd.	-	Available-for-sale financial assets - current	130,216	16,324	-	16,324	
	Bank of Communications	-	Available-for-sale financial assets - current	200,000	5,678	-	5,678	
	Shanghai Pudong Development Bank Co., Ltd.	-	Available-for-sale financial assets - current	129,000	7,425	-	7,425	
				<u>83,437</u>			<u>83,437</u>	
					<u>\$ 113,167</u>		<u>\$ 113,167</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 YEAR ENDED DECEMBER 31, 2017

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

Buyer	Related Party	Relationship	Transaction Details				Non-arm's Length Transaction		Notes/Accounts (Payable) or Receivable		Note
			Purchases/Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Term	Ending Balance	% to Total	
GEM (Dongguan)	Genius (HK)	Affiliate	Sales	\$ 759,899 (HK\$183,601 thousand and US\$1,411 thousand)	40	120 days after monthly closing	Note 2	Note 3	\$ 194,192 (HK\$47,405 thousand and US\$436 thousand)	31	Note 1
	GEM (Suzhou)	Affiliate	Sales	129,131 (RMB\$28,565 thousand)	7	120 days after monthly closing	Note 2	Note 3	47,129 (RMB\$10,308 thousand)	7	Note 1
GEM (VN)	Genius (HK)	Affiliate	Sales	388,515 (US\$12,842 thousand)	93	120 days after monthly closing	Note 2	Note 3	21,258 (US\$ 713 thousand)	41	Note 1
GEM (Suzhou)	GEM (Dongguan)	Affiliate	Sales	1,268,203 (RMB\$281,263 thousand)	37	120 days after monthly closing	Note 2	Note 3	369,173 (RMB\$80,749 thousand)	34	Note 1
	Global (HK)	Affiliate	Sales	393,012 (HK\$15,134 thousand and US\$10,961 thousand)	12	120 days after monthly closing	Note 2	Note 3	80,110 (HK\$4,035 thousand and US\$2,166 thousand)	7	Note 1
Genius (HK)	GEM (Dongguan)	Affiliate	Sales	403,153 (HK\$2,064 thousand and US\$13,014 thousand)	30	120 days after monthly closing	Note 2	Note 3	31,786 (US\$1,067 thousand)	8	Note 1
	The Company	Subsidiary	Sales	220,621 (HK\$56,520 thousand and US\$12 thousand)	16	120 days after monthly closing	Note 2	Note 3	46,975 (HK\$12,233 thousand and US\$10 thousand)	11	Note 1
	GEM (VN)	Affiliate	Sales	220,273 (US\$6,626 thousand)	15	120 days after monthly closing	Note 2	Note 3	142,263 (US\$4,774 thousand)	34	Note 1
Global (HK)	GEM (VN)	Affiliate	Sales	212,633 (US\$6,994 thousand)	48	120 days after monthly closing	Note 2	Note 3	58,408 (US\$1,960 thousand)	46	Note 1
	The Company	Subsidiary	Sales	112,769 (US\$3,700 thousand)	25	120 days after monthly closing	Note 2	Note 3	10,225 (US\$ 343 thousand)	8	Note 1

Note 1: It was eliminated on consolidation.

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

Note 3: There were no significant difference in the payment terms of intercompany sales compared with 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

DECEMBER 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 Year	Allowance for Impairment Loss
					Amount	Actions Taken		
GEM (Suzhou)	GEM (Dongguan)	Affiliate	\$ 369,173 (RMB\$ 80,749 thousand)	3.96	\$ -	-	\$ 369,173	\$ -
GEM (Dongguan)	Genius (HK)	Affiliate	194,192 (HK\$ 47,405 thousand and US\$ 436 thousand)	5.82	-	-	101,162	-
Genius (HK)	GEM (VN)	Affiliate	142,263 (US\$ 4,774 thousand)	2.76	-	-	123,629	-

Note : It was eliminated on consolidation.

GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES

FOR THE YEAR ENDED DECEMBER 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 December 31, 2017			Net Income (Loss) of the Investee	Share of profit (Loss)	Note
				December 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	\$ 2,910,178	\$ 16,959	\$ 16,425	Notes 1 and 2
	GEM (Cayman)	Grand Cayman, Cayman Islands	International investment	392,669	392,669	12,598,333	100	339,142	8,250	8,236	Notes 1 and 2
	Genius	British Virgin Islands	International investment and trading, etc.	23,282	23,282	750,000	100	75,576	7,237	7,237	Note 1
Genius	Genius (HK)	Hong Kong	International trading	90,134	90,134	21,999,998	100	79,994	7,122	7,192	Notes 1 and 2
Global (Cayman)	Vibo	Hong Kong	Investment and trading	1,541,063	1,541,063	359,972,616	100	3,005,086	16,564	16,564	Note 1
	Global (HK)	Hong Kong	International trading	3,747	3,747	1,000,000	100	7,851	(6)	322	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	339,521	8,885	8,395	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 YEAR ENDED DECEMBER 31, 2017

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

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (RMB in Thousands)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2017	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 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 December 31, 2017 (Notes 1 and 3)	Accumulated Repatriation of Investment Income as of December 31, 2017
					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.	\$ 774,801	The investment was made through a corporation established in a third country to invest in companies located in Mainland China.	\$ 452,130	\$ -	\$ -	\$ 452,130	\$ (13,069)	100	\$ (11,127)	\$ 883,347	\$ -
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.	1,146,103	The investment was made through a corporation established in a third country to invest in companies located in Mainland China.	741,320	-	-	741,320	15,315	100	17,631	2,035,174	-

Investor Company	Accumulated Outward Remittance for Investment in Mainland China as of December 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	\$1,689,660 (US\$56,700 thousand)	\$1,637,270

Note 1: Amount was recognized based on the audited 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 YEAR ENDED DECEMBER 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	\$ 78,918	120 days after monthly closing	No significant difference with those to third parties	\$ 3,749	2	\$ 5,521	
		Purchase	29,279	120 days after monthly closing	No significant difference with those to third parties	(16,392)	11	-	
		Property, plant, and equipment for sale	31,544	120 days after monthly closing	No comparable transactions with those in the market	4,600	7	16,393	
	GEM (Dongguan)	Sales	1,340	120 days after monthly closing	No significant difference with those to third parties	588	-	333	
Genius (HK)	GEM (Dongguan)	Sales	403,153	120 days after monthly closing	No significant difference with those to third parties	31,786	8	-	
		Purchase	759,899	120 days after monthly closing	No comparable transactions with those in the market	(194,192)	75	370	
Global (HK)	GEM (Suzhou)	Sales	33,435	120 days after monthly closing	No significant difference with those to third parties	29,967	23	-	
		Purchase	393,012	120 days after monthly closing	No comparable transactions with those in the market	(80,110)	73	384	

GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

INTERCOMPANY BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 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	Note
				Financial Statement Item	Amount	Terms		
0	The Company	Genius (HK)	1	Sales	\$ 7,998	Payment terms are four months	-	Note 1
		Genius (HK)	1	Accounts receivable	790	Payment terms are four months	-	Note 1
		Genius (HK)	1	Property, plant and equipment for sale - current	100	Payment terms are four months	-	Note 1
		GEM (Suzhou)	1	Sales	78,918	Payment terms are four months	2	Note 1
		GEM (Suzhou)	1	Accounts receivable	3,749	Payment terms are four months	-	Note 1
		GEM (Suzhou)	1	Property, plant and equipment for sale - current	31,544	Payment terms are four months	1	Note 1
		GEM (Suzhou)	1	Other receivables	4,600	Payment terms are four months	-	Note 1
		GEM (VN)	1	Sales	62,391	Payment terms are four months	2	Note 1
		GEM (VN)	1	Accounts receivable	28,473	Payment terms are four months	-	Note 1
		GEM (VN)	1	Property, plant and equipment for sale - current	6,578	Payment terms are four months	-	Note 1
		GEM (VN)	1	Other receivables	596	Payment terms are four months	-	Note 1
		GEM (VN)	1	Other receivables	59,833	According to working, capital conditions to change payment deeding	1	Note 1
		GEM (VN)	1	Interest income	744	Interest rate P.A. 2.1%	-	Note 1
		Global (HK)	1	Sales	2,726	Payment terms are four months	-	Note 1
		Global (HK)	1	Property, plant and equipment for sale - current	4,430	Payment terms are four months	-	Note 1
		Global (HK)	1	Other receivables	3,990	Payment terms are four months	-	Note 1
		GEM (Dongguan)	1	Sales	1,340	Payment terms are four months	-	Note 1
		GEM (Dongguan)	1	Accounts receivable	588	Payment terms are four months	-	Note 1
		GEM (Dongguan)	1	Property, plant and equipment for sale - current	38	Payment terms are four months	-	Note 1
		1	GEM (Dongguan)	The Company	2	Sales	8	Payment terms are four months
Genius (HK)	3			Sales	759,899	Payment terms are four months	20	Note 1
Genius (HK)	3			Accounts receivable	194,192	Payment terms are four months	3	Note 1
Genius (HK)	3			Property, plant and equipment	11,248	Payment terms are four months	-	Note 1
Genius (HK)	3			Other receivables	6,985	Payment terms are four months	-	Note 1
Genius (HK)	3			Other income	8,010	Payment terms are four months	-	Note 1
GEM (Suzhou)	3			Sales	129,131	Payment terms are four months	3	Note 1
GEM (Suzhou)	3			Accounts receivable	47,129	Payment terms are four months	1	Note 1
GEM (Suzhou)	3			Property, plant and equipment	25,553	Payment terms are four months	1	Note 1
GEM (Suzhou)	3			Other receivables	30,656	Payment terms are four months	-	Note 1
GEM (Suzhou)	3			Other income	1,199	Payment terms are four months	-	Note 1
2	Genius (HK)	The Company	2	Sales	220,621	Payment terms are four months	6	Note 1
		The Company	2	Accounts receivable	46,975	Payment terms are four months	1	Note 1
		The Company	2	Other receivables	16,466	Payment terms are four months	-	Note 1
		GEM (Dongguan)	3	Sales	403,153	Payment terms are four months	10	Note 1
		GEM (Dongguan)	3	Accounts receivable	31,786	Payment terms are four months	-	Note 1
		GEM (Dongguan)	3	Other receivable	424	Payment terms are four months	-	Note 1
		GEM (VN)	3	Sales	200,273	Payment terms are four months	5	Note 1
		GEM (VN)	3	Accounts receivable	142,263	Payment terms are four months	2	Note 1

(Continued)

No.	Investee Company	Counterparty	Nature of Relationship (Note 2)	Intercompany Transactions			Percentage of Consolidated Total Gross Sales or Total Assets	Note
				Financial Statement Item	Amount	Terms		
3	Global (HK)	The Company	2	Sales	\$ 112,769	Payment terms are four months	3	Note 1
		The Company	2	Accounts receivable	10,225	Payment terms are four months	-	Note 1
		GEM (Suzhou)	3	Sales	33,435	Payment terms are four months	1	Note 1
		GEM (Suzhou)	3	Accounts receivable	29,967	Payment terms are four months	-	Note 1
		GEM (VN)	3	Sales	212,633	Payment terms are four months	6	Note 1
		GEM (VN)	3	Accounts receivable	58,408	Payment terms are four months	1	Note 1
4	GEM (Suzhou)	The Company	2	Sales	29,279	Payment terms are four months	1	Note 1
		The Company	2	Accounts receivable	16,432	Payment terms are four months	-	Note 1
		Global (HK)	3	Sales	393,012	Payment terms are four months	10	Note 1
		Global (HK)	3	Accounts receivable	80,110	Payment terms are four months	1	Note 1
		Global (HK)	3	Property, plant and equipment for sale	19,746	Payment terms are four months	1	Note 1
		Global (HK)	3	Other receivables	504	Payment terms are four months	-	Note 1
		Global (HK)	3	Other income	302	Payment terms are four months	-	Note 1
		GEM (Dongguan)	3	Sales	1,268,203	Payment terms are four months	33	Note 1
		GEM (Dongguan)	3	Accounts receivable	369,173	Payment terms are four months	6	Note 1
		GEM (Dongguan)	3	Property, plant and equipment	1,344	Payment terms are four months	-	Note 1
		GEM (Dongguan)	3	Other income	93	Payment terms are four months	-	Note 1
5	Vibo	GEM (Dongguan)	1	Other receivables	30,141	According to working, capital conditions to change payment deeding	-	Note 1
		GEM (Dongguan)	1	Interest income	541	Interest rate P.A. 2.0%	-	Note 1
6	Global (Cayman)	Global (HK)	1	Other receivables	12,083	According to working, capital conditions to change payment deeding	-	Note 1
		Global (HK)	1	Interest income	242	Interest rate P.A. 2.0%	-	Note 1
7	GEM (Cayman)	GEM (VN)	1	Interest income	532	Interest rate P.A. 2.1%	-	Note 1
8	GEM (VN)	Genius (HK)	3	Sales	388,515	Payment terms are four months	10	Note 1
		Genius (HK)	3	Accounts receivables	21,258	Payment terms are four months	-	Note 1
		Global (HK)	3	Sales	26,169	Payment terms are four months	1	Note 1
		Global (HK)	3	Accounts receivables	25,979	Payment terms are four months	-	Note 1
		The Company	2	Sales	3,862	Payment terms are four months	-	Note 1
		The Company	2	Accounts receivables	3,834	Payment terms are four months	-	Note 1

(Concluded)

Note 1: It was eliminated on consolidation.

Note 2: 1) Parent to subsidiary

2) Subsidiary to parent

3) Subsidiary to subsidiary