GCS HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

JUNE 30, 2018 AND 2017

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

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REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

PWCR18000037

To GCS Holdings, Inc.

Introduction

We have reviewed the accompanying consolidated balance sheets of GCS Holdings, Inc. and subsidiaries (the "Group") as of June 30, 2018 and 2017, and the related consolidated statements of comprehensive income for the three-month and six-month periods then ended, as well as the consolidated statements of changes in equity and of cash flows for the six-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of our review

We conducted our reviews in accordance with the Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity" in the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2018 and 2017, and of its consolidated financial performance for the three-month and six-month periods then ended and its consolidated cash flows for the six-month periods then ended in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission.

LI, TIEN-YI

Li, Tien-Yi

Chih-Cheng Hsieh

Hsieh, Chih-Cheng

For and on behalf of PricewaterhouseCoopers, Taiwan

August 3, 2018

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

資誠聯合會計師事務所 PricewaterhouseCoopers, Taiwan
11012 臺北市信義區基隆路一段 333 號 27 樓
27F, No. 333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei 11012, Taiwan
T: +886 (2) 2729 6666, F:+ 886 (2) 2729 6686, www.pwc.tw

GCS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(THE BALANCE SHEETS AS OF JUNE 30, 2018 AND 2017 ARE REVIEWED, NOT AUDITED)

	Assets	Notes	June 30, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%	June 30, 2017 AMOUNT	%
	Current assets							
1100	Cash and cash equivalents	6(1)	$ 1,365,587	42	$ 1,119,712	38	$ 1,288,575	45
1125	Available-for-sale financial assets - current	12(4)	-	-	-	-	42,711	2
1150	Notes receivable, net		40	-	594	-	-	-
1170	Accounts receivable, net	6(2)	256,662	8	296,921	10	242,033	8
1200	Other receivables		21,599	1	15,254	-	26,767	1
1220	Current income tax assets		20,240	-	1,791	-	7,227	-
130X	Inventories	6(3)	350,986	11	329,834	11	342,131	12
1410	Prepayments		7,165	-	7,590	-	6,174	-
1470	Other current assets	8	91,788	3	29,760	1	30,420	1
11XX	**Total current assets**		2,114,067	65	1,801,456	60	1,986,038	69
	Non-current assets							
1550	Investment accounted for using equity method	6(4)	14,620	-	14,520	-	14,906	1
1600	Property, plant and equipment	6(5) and 8	688,444	21	700,655	24	505,528	17
1780	Intangible assets	6(6)(27)	183,026	6	183,654	6	10,470	-
1840	Deferred income tax assets		146,946	5	164,924	6	200,743	7
1900	Other non-current assets	6(7) and 8	93,763	3	116,146	4	178,976	6
15XX	**Total non-current assets**		1,126,799	35	1,179,899	40	910,623	31
1XXX	**Total assets**		$ 3,240,866	100	$ 2,981,355	100	$ 2,896,661	100

(Continued)

GCS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(THE BALANCE SHEETS AS OF JUNE 30, 2018 AND 2017 ARE REVIEWED, NOT AUDITED)

	Liabilities and Equity	Notes	June 30, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%	June 30, 2017 AMOUNT	%
	Current liabilities							
2100	Short-term borrowings	6(8)	$ 20,000	1	$ 20,000	1	$ 20,000	1
2120	Financial liabilities at fair value through profit or loss, current	6(9)	-	-	31,204	1	58,671	2
2130	Current contract liabilities	6(20)	21,109	1	-	-	-	-
2170	Accounts payable		36,494	1	17,867	-	8,394	-
2200	Other payables	6(12)	213,664	6	139,249	5	193,743	7
2230	Current income tax liabilities		-	-	2,469	-	-	-
2320	Long-term borrowings, current portion	6(10)(11)	20,224	1	79,372	3	273,052	9
2399	Other current liabilities	6(13)	8,977	-	33,498	1	36,732	1
21XX	**Total current liabilities**		320,468	10	323,659	11	590,592	20
	Non-current liabilities							
2540	Long-term borrowings	6(11)	67,352	2	75,797	3	87,461	3
2570	Deferred income tax liabilities		37,929	1	39,466	1	71,792	3
2600	Other non-current liabilities	6(13)	2,667	-	4,864	-	8,750	-
25XX	**Total non-current liabilities**		107,948	3	120,127	4	168,003	6
2XXX	**Total liabilities**		428,416	13	443,786	15	758,595	26
	Equity							
	Equity attributable to owners of the parent							
	Share capital	6(16)						
3110	Common stock		821,441	25	804,389	27	760,699	26
	Capital surplus	6(17)						
3200	Capital surplus		1,079,835	34	958,751	32	728,349	25
	Retained earnings	6(18)						
3320	Special reserve		6,821	-	6,821	-	6,821	-
3350	Unappropriated retained earnings		999,779	31	902,702	30	709,914	25
	Other equity interest	6(19)						
3400	Other equity interest		(4,556)	-	(44,224)	(1)	23,153	1
3500	**Treasury stocks**	6(16)	(90,870)	(3)	(90,870)	(3)	(90,870)	(3)
31XX	**Equity attributable to owners of the parent**		2,812,450	87	2,537,569	85	2,138,066	74
3XXX	**Total equity**		2,812,450	87	2,537,569	85	2,138,066	74
	Significant contingent liabilities and unrecognised contract commitments	9						
	Significant events after the reporting period	11						
3X2X	**Total liabilities and equity**		$ 3,240,866	100	$ 2,981,355	100	$ 2,896,661	100

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

GCS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE AMOUNTS)
(UNAUDITED)

			Three months ended June 30				Six months ended June 30			
			2018		2017		2018		2017	
	Items	Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000	**Operating revenue**	6(20)	$ 522,665	100	$ 458,228	100	$ 1,001,685	100	$ 869,920	100
5000	**Cost of operating revenue**	6(3)(23)	(266,448)	(51)	(210,153)	(46)	(531,164)	(53)	(434,533)	(50)
5900	**Net operating margin**		256,217	49	248,075	54	470,521	47	435,387	50
	Operating expenses	6(23)(24)								
6100	Selling and marketing expenses		(13,335)	(3)	(14,345)	(3)	(26,461)	(3)	(27,490)	(3)
6200	General and administrative expenses		(73,508)	(14)	(51,723)	(11)	(141,694)	(14)	(108,968)	(13)
6300	Research and development expenses		(49,114)	(9)	(41,281)	(9)	(90,916)	(9)	(82,790)	(9)
6450	Net impairment loss on financial assets	12(2)	477	-	-	-	(810)	-	-	-
6000	**Total operating expenses**		(135,480)	(26)	(107,349)	(23)	(259,881)	(26)	(219,248)	(25)
6900	**Operating profit**		120,737	23	140,726	31	210,640	21	216,139	25
	Non-operating income and expenses									
7010	Other income		2,060	1	1,208	-	3,756	-	2,174	-
7020	Other gains and losses	6(21)	1,844	-	(49,779)	(11)	576	-	(14,608)	(2)
7050	Finance costs	6(22)	(1,128)	-	(6,989)	(1)	(3,045)	-	(13,910)	(1)
7060	Share of net profit of associates and joint ventures accounted for using equity method	6(4)	278	-	-	-	9	-	-	-
7000	**Total non-operating income and expenses**		3,054	1	(55,560)	(12)	1,296	-	(26,344)	(3)
7900	**Profit before income tax**		123,791	24	85,166	19	211,936	21	189,795	22
7950	Income tax expense	6(25)	(31,309)	(6)	(19,171)	(4)	(35,799)	(3)	(25,536)	(3)
8200	**Net income for the period**		$ 92,482	18	$ 65,995	15	$ 176,137	18	$ 164,259	19
	Other comprehensive income (loss)									
	Other comprehensive income (loss) components that will not be reclassified to profit or loss									
8361	Financial statements translation differences of foreign operations	6(19)	$ 117,472	22	$ 5,047	1	$ 60,341	6	($ 118,151)	(14)
	Other comprehensive income (loss) components that will be reclassified to profit or loss									
8362	Unrealised gain on valuation of available-for-sale financial assets	6(19)	-	-	(21,942)	(5)	-	-	11,839	1
8399	Income tax related to other comprehensive income component that will be reclassified to profit or loss	6(19)(25)	-	-	8,739	2	-	-	(4,716)	-
8300	**Total other comprehensive income (loss), net**		$ 117,472	22	($ 8,156)	(2)	$ 60,341	6	($ 111,028)	(13)
8500	**Total comprehensive income for the period**		$ 209,954	40	$ 57,839	13	$ 236,478	24	$ 53,231	6
	Profit attributable to:									
8610	Owners of the parent		$ 92,482	18	$ 65,995	14	$ 176,137	18	$ 164,259	19
	Total comprehensive income attributable to:									
8710	Owners of the parent		$ 209,954	40	$ 57,839	13	$ 236,478	24	$ 53,231	6
	Earnings per share	6(26)								
9750	**Basic earnings per share (in dollars)**		$ 1.16		$ 0.91		$ 2.22		$ 2.25	
9850	**Diluted earnings per share (in dollars)**		$ 1.15		$ 0.90		$ 2.20		$ 2.22	

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

GCS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED)

		Equity Attributable To Owners of The Parent								
				Retained Earnings		Other Equity Interest				
	Notes	Common Stock	Capital Surplus	Special Reserve	Unappropriated Retained Earnings	Financial Statement Translation Differences of Foreign Operations	Unrealised Gains on Available-for-Sale Financial Assets	Unearned Compensation Costs	Treasury Stocks	Total
Six-month period ended June 30, 2017										
Balance at January 1, 2017		$ 744,023	$ 644,626	$ 6,821	$ 618,930	$ 122,002	$ 14,166	($ 3,548)	($ 77,915)	$ 2,069,105
Consolidated net income for the period		-	-	-	164,259	-	-	-	-	164,259
Other comprehensive (loss) income for the period	6(19)	-	-	-	-	(118,151)	7,123	-	-	(111,028)
Total comprehensive income (loss) for the period		-	-	-	164,259	(118,151)	7,123	-	-	53,231
Distribution of 2016 earnings:										
Cash dividends	6(18)	-	-	-	(73,275)	-	-	-	-	(73,275)
Compensation costs of share-based payment	6(15)(17)(19)	-	10,198	-	-	-	-	1,561	-	11,759
Exercise of employee stock options	6(15)(16)(17)	350	1,751	-	-	-	-	-	-	2,101
Conversion of convertible bonds	6(16)(17)	16,326	71,774	-	-	-	-	-	-	88,100
Purchase of treasury stock	6(16)	-	-	-	-	-	-	-	(12,955)	(12,955)
Balance at June 30, 2017		$ 760,699	$ 728,349	$ 6,821	$ 709,914	$ 3,851	$ 21,289	($ 1,987)	($ 90,870)	$ 2,138,066
Six-month period ended June 30, 2018										
Balance at January 1, 2018		$ 804,389	$ 958,751	$ 6,821	$ 902,702	($ 35,464)	$ -	($ 8,760)	($ 90,870)	$ 2,537,569
Consolidated net income for the period		-	-	-	176,137	-	-	-	-	176,137
Other comprehensive income for the period	6(19)	-	-	-	-	60,341	-	-	-	60,341
Total comprehensive income for the period		-	-	-	176,137	60,341	-	-	-	236,478
Distribution of 2017 earnings:										
Cash dividends	6(18)	-	-	-	(79,060)	-	-	-	-	(79,060)
Compensation costs of share-based payment	6(15)(17)(19)	-	11,191	-	-	-	-	12,805	-	23,996
Issuance of restricted stocks to employees	6(14)(15)(16)(17)(19)	3,980	29,639	-	-	-	-	(33,619)	-	-
Retirement of restricted stocks to employees	6(16)(17)(19)	(20)	(121)	-	-	-	-	141	-	-
Exercise of employee stock options	6(15)(16)(17)	2,231	3,660	-	-	-	-	-	-	5,891
Conversion of convertible bonds	6(16)(17)	10,861	76,715	-	-	-	-	-	-	87,576
Balance at June 30, 2018		$ 821,441	$1,079,835	$ 6,821	$ 999,779	$ 24,877	$ -	($ 29,433)	($ 90,870)	$ 2,812,450

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

GCS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED)

	Notes	Six months ended June 30, 2018	Six months ended June 30, 2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 211,936	$ 189,795
Adjustments			
Adjustments to reconcile profit (loss)			
Bad debt expense	12(4)	-	353
Net impairment loss on financial assets	12(2)	810	-
Depreciation	6(5)(23)	55,604	32,920
Amortisation	6(23)	2,809	3,860
Interest expense	6(22)	3,045	13,910
Interest income		(2,920)	(2,174)
Compensation cost of share-based payment	6(15)	23,996	11,759
Net gain on financial liabilities at fair value through profit or loss	6(9)(21)	(2,322)	(7,811)
Gain on disposal of investments	12(4)	-	(1,357)
Share of net profit of associates and joint ventures accounted for using equity method	6(4)	(9)	-
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		554	-
Accounts receivable		47,257	(56,812)
Other receivables		(5,810)	(8,094)
Inventories		(13,566)	(13,581)
Prepayments		544	(300)
Other current assets		(395)	-
Changes in operating liabilities			
Contract liabilities		(3,499)	-
Accounts payable		17,828	3,726
Other payables		(9,763)	(12,956)
Other current liabilities		1,497	5,355
Cash inflow generated from operations		327,596	158,593
Interest received		2,931	2,174
Interest paid		(2,297)	(2,878)
Income tax paid		(37,533)	(48,161)
Net cash flows from operating activities		290,697	109,728
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investment accounted for using equity method		-	(14,906)
Acquisition of property, plant and equipment	6(29)	(68,637)	(100,222)
Acquisition of intangible assets		(1,652)	(421)
Proceeds from disposal of available-for-sale financial assets		-	1,635
Increase in other current assets		-	(30,420)
Increase (decrease) in other non-current assets		130	(260)
Net cash flows used in investing activities		(70,159)	(144,594)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings		20,000	20,000
Payments of short-term borrowings		(20,000)	-
Repayments of bonds payable	6(10)(30)	(2,800)	-
Repayments of long-term borrowings	6(30)	(9,529)	(9,508)
Proceeds from exercise of employee stock options		5,891	2,101
Treasury stocks repurchased		-	(12,955)
Net cash flows used in financing activities		(6,438)	(362)
Effect of changes in exchange rates		31,775	(58,091)
Net increase (decrease) in cash and cash equivalents		245,875	(93,319)
Cash and cash equivalents at beginning of period	6(1)	1,119,712	1,381,894
Cash and cash equivalents at end of period	6(1)	$ 1,365,587	$ 1,288,575

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

GCS HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)
(UNAUDITED)

1. HISTORY AND ORGANISATION

GCS Holdings Inc. (the "Company") was incorporated in the Cayman Islands on November 30, 2010, as a holding company for the purpose of registering its shares with the Taipei Exchange (formerly GreTai Securities Market). The Company was approved by the Financial Supervisory Commission to be listed on the Taipei Exchange. The Company's common shares have been traded on the Taipei Exchange since September 15, 2014.

The Company and subsidiaries (collectively referred herein as the "Group") are engaged in the manufacturing of compound semiconductor wafer and foundry related services as well as licensing of intellectual property. The Company and its subsidiaries are also engaged in the research, development, manufacture and sales of advanced optoelectronics technology products.

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

These consolidated financial statements were reported to the Board of Directors for issuance on August 3, 2018.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board ("IASB")
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9, Financial instruments with IFRS 4, Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	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
Amendments to International Accounting Standards ("IASs") 7, 'Disclosure initiative'	January 1, 2017

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses'	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
International Financial Reporting Interpretations Committee ("IFRICs") 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

A. IFRS 9, 'Financial instruments' ("IFRS 9")

(a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

(b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e., net of credit allowance). The Group shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

(c) The Group has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. Since the Group does not hold any debt instruments or equity instruments, the application of this requirement is not expected to materially impact the Group's financial condition and financial performance. Further, the Group has a completed assessment in respect of the expected credit loss for trade receivables under IFRS 9, and the application of this requirement has no material impact on the Group's accounts receivable and unappropriated retained earnings as of January 1, 2018.

B. IFRS 15, 'Revenue from contracts with customers' ("IFRS 15") and amendments

(a) IFRS 15, 'Revenue from contracts with customers' replaces IAS 11, 'Construction contracts', IAS 18, 'Revenue' and relevant interpretations. According to IFRS 15, revenue is recognised when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer.

Step 2: Identify separate performance obligations in the contract(s).

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price.

Step 5: Recognise revenue when the performance obligation is satisfied.

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

(b) The Group has elected not to restate prior period financial statements and recognised the cumulative effect of initial application as retained earnings at January 1, 2018, using the modified retrospective approach under IFRS 15. In line with the regulations of IFRS 15, the Group changed the presentation of certain accounts in the balance sheets as of January 1, 2018 as follows:

i. Under IFRS 15, refund liabilities in relation to expected sales discounts and allowances were previously presented as accounts receivable - allowance for sales discounts in the balance sheet. As of January 1, 2018, the balance amounted to $888.

ii.Under IFRS 15, liabilities in relation to contracts with customers are recognised as contract liabilities, but were previously presented as advance sales receipts in the balance sheet. As of January 1, 2018, the balance amounted to $24,149.

(c) Please refer to Note 12(5) for other disclosures in relation to the first application of IFRS 15.

C. Amendments to IAS 7, 'Disclosure initiative'

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

Please refer to Note 6(30) for additional disclosures to explain the changes in liabilities arising from financing activities.

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

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
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
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

IFRS 16, 'Leases'

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

In the first quarter of 2018, the Group reported to the Board of Directors that IFRS 16 has no material impact to the Group.

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

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

New Standards, Interpretations and Amendments	Effective date by IASB
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 17, 'Insurance contracts'	January 1, 2021

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

A. The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Accounting Standard 34, 'Interim financial reporting' as endorsed by the FSC.

B. These consolidated financial statements are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2017.

(2) Basis of preparation

A. Except for the financial liabilities at fair value through profit or loss and available-for-sale financial assets measured at fair value, the consolidated financial statements have been prepared under the historical cost convention.

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

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%) June 30, 2018	Ownership (%) December 31, 2017	Ownership (%) June 30, 2017	Note
The Company	Global Communication Semiconductors, LLC	1. Manufacturing of compound semiconductor wafer and foundry related services as well as granting royalty rights for intellectual property 2. Manufacturing and selling of advanced optoelectronics technology products	100%	100%	100%	-
The Company	Global Device Technologies, Co., Ltd.	Product design and research development services	100%	100%	100%	-
Global Communication Semiconductors, LLC	D-Tech Optoelectronics, Inc.	Developing, manufacturing and selling of positive, intrinsic, negative components and avalanche photo diodes for telecommunication systems and data communication networks	100%	100%	-	(Note)
D-Tech Optoelectronics, Inc.	D-Tech Optoelectronics (Taiwan) Corporation	Manufacturing and selling of optical chips	100%	100%	-	(Note)

Note: In July 2017, Global Communication Semiconductors, LLC completed the acquisition of 100% shareholding of D-tech Optoelectronics, Inc. and its wholly owned subsidiary, D-Tech Optoelectronics (Taiwan) Corporation.

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

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

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Accounts and notes receivable

A. In accordance with contracts, accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(5) Impairment of financial assets

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

(6) Income tax

A. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

B. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income or equity while the effect of the change on items recognised in profit or loss is recognised in profit or loss.

(7) Revenue recognition

Sales of goods

(a) The Group engages in the manufacturing and selling of compound semiconductor wafer and advanced optoelectronics technology products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(b) Revenue from these sales is recognised based on the price specified in the contract. A refund liability is recognised for expected sales discounts and allowances payable to customers in relation to sales made through the end of the reporting period.

(c) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Service revenue

(a) The Group provides transfer services of wafer manufacturing process to the customers. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the actual cost relative to the total expected cost. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

(b) Some contracts include multiple deliverables. As the services provided by the Group are highly correlated and not distinct, they are identified to be one performance obligation.

(c) The Group's estimate about revenue, costs and progress towards completion of a performance obligation is subject to revision whenever there is a change in circumstances. Any increase or decrease in revenue or costs due to an estimate revision is reflected in profit or loss during the period when management becomes aware of the changes in circumstances.

Royalty revenue

Some contracts require sales-based royalty in exchange for a licence of intellectual property. The Group recognises revenue when the performance obligation has been satisfied and the subsequent sale occurs.

Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

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

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

The Group makes estimates and assumptions based on the expectation of future events that are believed to be reasonable under the circumstances at the end of the reporting period. The resulting accounting estimates might be different from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

A. Realisability of deferred income tax assets

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. Assessment of the realisability of deferred tax assets involves critical accounting judgments and estimates of the management, including the assumptions of expected future sales revenue growth rate, profit rate, and etc. Any variations in global economic environment, industrial environment, and laws and regulations might cause material adjustments to deferred income tax assets.

As of June 30, 2018, the Group recognised deferred income tax assets amounting to $146,946.

B. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the selling prices of sales orders. Therefore, there might be material changes to the evaluation.

As of June 30, 2018, the carrying amount of inventories was $350,986.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	June 30, 2018	December 31, 2017	June 30, 2017
Cash on hand	$ 121	$ 117	$ 111
Checking accounts and demand deposits	1,365,466	1,119,595	1,288,464
	$ 1,365,587	$ 1,119,712	$ 1,288,575

A. The Group transacts with a variety of financial institutions with high credit quality to disperse credit risk and expects that the probability of counterparty default is remote. The Group's maximum exposure to credit risk at balance sheet date is the carrying amount of all cash and cash equivalents.

B. The Group has no cash and cash equivalents pledged to others.

(2) Accounts receivable

	June 30, 2018	December 31, 2017	June 30, 2017
Accounts receivable	$ 258,640	$ 298,926	$ 244,377
Less: Allowance for uncollectible accounts	(1,978)	(1,117)	(350)
Allowance for sales returns and discounts	-	(888)	(1,994)
	$ 256,662	$ 296,921	$ 242,033

Information relating to credit risk of accounts receivable is provided in Note 12(2).

(3) Inventories

	June 30, 2018		
	Cost	Allowance	Book value
Raw materials	$ 158,568	($ 24,385)	$ 134,183
Work in progress	199,407	(42,829)	156,578
Finished goods	66,910	(6,685)	60,225
	$ 424,885	($ 73,899)	$ 350,986

	December 31, 2017		
	Cost	Allowance	Book value
Raw materials	$ 146,696	($ 33,957)	$ 112,739
Work in progress	197,836	(37,208)	160,628
Finished goods	67,519	(11,052)	56,467
	$ 412,051	($ 82,217)	$ 329,834

	June 30, 2017		
	Cost	Allowance	Book value
Raw materials	$ 130,437	($ 31,473)	$ 98,964
Work in progress	239,170	(45,038)	194,132
Finished goods	57,505	(8,470)	49,035
	$ 427,112	($ 84,981)	$ 342,131

Expenses and costs incurred as cost of operating revenue for the three-month and six-month periods ended June 30, 2018 and 2017 were as follows:

	Three-month periods ended June 30,	
	2018	2017
Cost of inventories sold	$ 285,779	$ 219,448
Loss on (recovery of) market price decline	418	(403)
Revenue from sale of scraps	(19,749)	(8,892)
	$ 266,448	$ 210,153

	Six-month periods ended June 30,	
	2018	2017
Cost of inventories sold	$ 561,965	$ 441,447
(Recovery of) loss on market price decline	(10,943)	11,110
Revenue from sale of scraps	(19,858)	(18,024)
	$ 531,164	$ 434,533

The Group recognised recovery of loss on market price decline for the six-month period ended June 30, 2018 and for the three-month period ended June 30, 2017 because some of the inventories previously written down were sold.

(4) Investment accounted for using equity method

	2018	2017
At January 1	$ 14,520	$ -
Acquisition of investment accounted for using equity method	-	14,906
Share of net profit of investments accounted for using equity method	9	-
Translation differences of foreign operation	91	-
At June 30	$ 14,620	$ 14,906

A. The basic information of the joint venture that is material to the Group is as follows:

Company name	Principal place of business	Shareholding ratio (Note)			Nature of relationship	Method of measuremen
		June 30, 2018	December 31, 2017	June 30, 2017		
Xiamen Global Advanced Semiconductor Co., Ltd.	Xiamen City, Fujian Province, China	49%	49%	49%	Joint venture	Equity method

Note: Xiamen Global Advanced Semiconductor Co., Ltd. is a joint venture company, which was established by the Company and Xiamen San'an Integrated Circuit Co., Ltd.

B. The summarised financial information of the joint venture that is material to the Group is as follows:

Balance sheet

	Xiamen Global Advanced Semiconductor Co., Ltd.		
	June 30, 2018	December 31, 2017	June 30, 2017
Cash and cash equivalents	$ 29,943	$ 29,642	$ 30,528
Current assets	29,943	29,642	30,528
Total assets	29,943	29,642	30,528
Other current liabilities	106	10	8
Current liabilities	106	10	8
Total liabilities	106	10	8
Total net assets	$ 29,837	$ 29,632	$ 30,520
Share in joint venture's net assets	$ 14,620	$ 14,520	$ 14,955
Carrying amount of the joint venture	$ 14,620	$ 14,520	$ 14,906

Statement of comprehensive income

	Xiamen Global Advanced Semiconductor Co., Ltd.	
	Three-month period ended June 30, 2018	Three-month period ended June 30, 2017
Administrative expenses	$ 186	$ 8
Interest income	(14)	-
Net foreign exchange (gains) losses	(742)	105
Other losses	2	-
Net (profit) loss / total comprehensive income	($ 568)	$ 113
Dividends received from joint venture	$ -	$ -

	Xiamen Global Advanced Semiconductor Co., Ltd.	
	Six-month period ended June 30, 2018	Six-month period ended June 30, 2017
Administrative expenses	$ 186	$ 8
Interest income	(27)	-
Net foreign exchange (gains) losses	(186)	105
Other losses	8	-
Net (profit) loss / total comprehensive income	($ 19)	$ 113
Dividends received from joint venture	$ -	$ -

(5) Property, plant and equipment

	Land	Buildings	Machinery equipment	Computer and communication equipment	Research equipment	Office equipment	Leased assets	Leasehold improvements	Total
At January 1, 2018									
Cost	$ 137,045	$ 91,363	$ 1,020,035	$ 10,103	$ 116,587	$ 11,545	$ 41,826	$ 292,911	$ 1,721,415
Accumulated depreciation	-	(6,308)	(725,444)	(7,081)	(33,730)	(8,156)	(23,265)	(216,776)	(1,020,760)
	$ 137,045	$ 85,055	$ 294,591	$ 3,022	$ 82,857	$ 3,389	$ 18,561	$ 76,135	$ 700,655
Six-month period ended June 30, 2018									
Opening net book amount	$ 137,045	$ 85,055	$ 294,591	$ 3,022	$ 82,857	$ 3,389	$ 18,561	$ 76,135	$ 700,655
Additions	-	-	25,944	367	2,137	-	-	-	28,448
Reclassifications	-	-	41,800	-	(41,800)	-	-	-	-
Depreciation charges	-	(1,296)	(38,208)	(637)	(3,781)	(550)	(2,965)	(8,167)	(55,604)
Net exchange differences	3,223	1,960	7,307	57	474	52	343	1,529	14,945
Closing net book amount	$ 140,268	$ 85,719	$ 331,434	$ 2,809	$ 39,887	$ 2,891	$ 15,939	$ 69,497	$ 688,444
June 30, 2018									
Cost	$ 140,268	$ 93,512	$ 1,103,889	$ 10,624	$ 78,231	$ 11,757	$ 42,809	$ 297,967	$ 1,779,057
Accumulated depreciation	-	(7,793)	(772,455)	(7,815)	(38,344)	(8,866)	(26,870)	(228,470)	(1,090,613)
	$ 140,268	$ 85,719	$ 331,434	$ 2,809	$ 39,887	$ 2,891	$ 15,939	$ 69,497	$ 688,444

	Land	Buildings	Machinery equipment	Computer and communication equipment	Research equipment	Office equipment	Leased assets	Leasehold improvements	Total
At January 1, 2017									
Cost	$ 148,511	$ 99,008	$ 780,103	$ 11,852	$ 57,524	$ 5,346	$ 45,325	$ 218,033	$ 1,365,702
Accumulated depreciation	-	(4,008)	(620,858)	(7,356)	(29,790)	(3,468)	(18,736)	(194,183)	(878,399)
	$ 148,511	$ 95,000	$ 159,245	$ 4,496	$ 27,734	$ 1,878	$ 26,589	$ 23,850	$ 487,303
Six-month period ended June 30, 2017									
Opening net book amount	$ 148,511	$ 95,000	$ 159,245	$ 4,496	$ 27,734	$ 1,878	$ 26,589	$ 23,850	$ 487,303
Additions	-	-	67,466	39	11,199	-	-	-	78,704
Depreciation charges	-	(1,346)	(19,087)	(709)	(2,713)	(227)	(3,080)	(5,758)	(32,920)
Net exchange differences	(8,427)	(5,379)	(9,421)	(214)	(1,242)	(91)	(1,484)	(1,301)	(27,559)
Closing net book amount	$ 140,084	$ 88,275	$ 198,203	$ 3,612	$ 34,978	$ 1,560	$ 22,025	$ 16,791	$ 505,528
At June 30, 2017									
Cost	$ 140,084	$ 93,389	$ 798,754	$ 10,745	$ 65,849	$ 4,993	$ 42,753	$ 205,693	$ 1,362,260
Accumulated depreciation	-	(5,114)	(600,551)	(7,133)	(30,871)	(3,433)	(20,728)	(188,902)	(856,732)
	$ 140,084	$ 88,275	$ 198,203	$ 3,612	$ 34,978	$ 1,560	$ 22,025	$ 16,791	$ 505,528

A. Amount of borrowing costs capitalised as part of property, plant and equipment for the six-month periods ended June 30, 2018 and 2017: None.

B. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

(6) Intangible assets

	Software	Goodwill	Total
At January 1, 2018			
Cost	$ 56,744	$ 176,569	$ 233,313
Accumulated amortisation and impairment	(49,659)	-	(49,659)
	$ 7,085	$ 176,569	$ 183,654
2018			
At January 1	$ 7,085	$ 176,569	$ 183,654
Additions	1,652	-	1,652
Amortisation charge	(2,809)	-	(2,809)
Net exchange differences	122	407	529
June 30	$ 6,050	$ 176,976	$ 183,026
At June 30, 2018			
Cost	$ 59,737	$ 176,976	$ 236,713
Accumulated amortisation and impairment	(53,687)	-	(53,687)
	$ 6,050	$ 176,976	$ 183,026

	Software
At January 1, 2017	
Cost	$ 58,774
Accumulated amortisation and impairment	(44,103)
	$ 14,671
2017	
At January 1	$ 14,671
Additions	421
Amortisation charge	(3,860)
Net exchange differences	(762)
June 30	$ 10,470
At June 30, 2017	
Cost	$ 55,912
Accumulated amortisation and impairment	(45,442)
	$ 10,470

Details of amortisation on intangible assets are as follows:

	Three-month period ended June 30, 2018	Three-month period ended June 30, 2017
Operating costs	$ 1,320	$ 1,862
Administrative expenses	49	49
	$ 1,369	$ 1,911

	Six-month period ended June 30, 2018	Six-month period ended June 30, 2017
Operating costs	$ 2,711	$ 3,762
Administrative expenses	98	98
	$ 2,809	$ 3,860

(7) Non-current assets

Item	June 30, 2018	December 31, 2017	June 30, 2017
Time deposits (Note)	$ 311	$ 59,828	$ 60,840
Prepayments for equipment	88,850	52,857	116,486
Other non-current assets	4,602	3,461	1,650
	$ 93,763	$ 116,146	$ 178,976

Note: Please refer to Note 8 for the information of the Group's pledged assets.

(8) Short-term borrowings

Type of borrowings	June 30, 2018	December 31, 2017	June 30, 2017	Interest rate range	Collateral
Bank borrowings					
Secured borrowings	$ 20,000	$ 20,000	$ 20,000	Floating interest rate	Time deposit (Note)

Note: Please refer to Note 8 for the information of the Group's assets pledged to secured borrowings.

(9) Financial liabilities at fair value through profit or loss

Item	June 30, 2018	December 31, 2017	June 30, 2017
Current items:			
Financial liabilities held for trading			
Call options, put options and conversion options embedded in convertible bonds	$ -	$ 10,565	$ 45,006
Valuation adjustment	-	20,639	13,665
	$ -	$ 31,204	$ 58,671

A. The Group recognised net gains (losses) of $0, ($51,639), $2,332 and $7,811, respectively, on financial liabilities at fair value through profit or loss for the three-month and six-month periods ended June 30, 2018 and 2017.

B. In accordance with Article 9 of the "Regulations For Issuance of Secured Convertible Bonds in the R.O.C." and Article 9 of the "Regulations For Issuance of Unsecured Convertible Bonds in the R.O.C.", the Group announced that the last conversion date for bondholders to exercise conversion right was March 15, 2018 due to the pretreatment of holding the Group's 2018 shareholders' meeting. As of June 30, 2018, the Group recognised the remaining unconverted balances of financial liabilities at fair value through profit or loss by last conversion date as net profit (loss).

(10) Bonds payable

Item	June 30, 2018	December 31, 2017	June 30, 2017
Convertible bonds			
First secured convertible bonds	$ 300,000	$ 300,000	$ 300,000
Second unsecured convertible bonds	300,000	300,000	300,000
	600,000	600,000	600,000
Less: Bonds converted	(597,200)	(538,500)	(331,600)
Less: Repayment of principal at maturity	(2,800)	-	-
Less: Discount on bonds payable	-	(1,494)	(14,745)
	-	60,006	253,655
Less: Current portion (Note)	-	(60,006)	(253,655)
	$ -	$ -	$ -

Note: The bondholders may request the Company to redeem the bonds, in whole or in part, with an added interest rate on the carrying amount as the premium after two years from the issue date. As a result, the convertible bonds are recognised as "Long-term borrowings, current portion".

A. On May 13, 2015, the Company issued the first secured domestic convertible bonds. Key terms and conditions of bonds are as follows:

(a) Issue amount: $300,000

(b) Issue price: Issued at 100% of par value; $100

(c) Issue period: Three years; from May 13, 2015 to May 13, 2018

(d) Coupon rate: 0% per annum

(e) Repayment date and method: The bonds will be redeemed at par at maturity if the bonds are not converted into common stocks at maturity, or redeemed early by the Company, or resold early to the Company by the bondholders, or redeemed from the Company's underwriter and cancelled by the Company.

(f) Conversion period: Except that the bonds are in the lock-up period, or redeemed early by the Company, the conversion right can be exercised at any time from June 14, 2015 through May 13, 2018 in accordance with the terms of the bonds and relevant regulations.

(g) Conversion price and price reset: The conversion price was set at NT$79.3 (in dollars) per share on the issue date. The conversion price is subject to adjustments on the ex-right date of new shares issuance based on the formula specified in the terms of the bonds, due to changes in the number of the Company's common shares. The conversion price was subsequently adjusted to NT$53.6 (in dollars) per share due to aforementioned rationale.

(h) The converted shares have the same rights as common shares.

(i) Call options of the Company: The bonds may be called, in whole or in part, at the option of the Company after one month from the issue date (June 14, 2015) to forty days before the maturity date (April 3, 2018) at 100% of their principal amount, provided the closing price of the Company's common shares on the Taipei Exchange exceeds 130% (inclusive) of the then-current conversion price of the bonds over 30 (inclusive) trading days during 30 consecutive trading days, or when over 90% (inclusive) of the bonds have been redeemed, converted, called and retired.

(j) Put options of the holders: The bondholders may request the Company to redeem the bonds, in whole or in part, with an added interest rate on the carrying amount as the premium, which is equivalent to 102.516% (real yield rate is 1.25%) of their principal amount, after two years from the issue date. The non-equity conversion options, call options, put options embedded in bonds payable were separated from their host contracts and were recognised in "financial assets or liabilities at fair value through profit or loss" in net amount in accordance with IAS 39 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The effective interest rate of the bonds payable after such separation was 7.2%.

(k) Through June 30, 2018, convertible bonds amounting to $297,600 was converted to 5,300,002 ordinary shares.

(l) Please refer to Note 8 for the information of the Group's assets pledged for secured domestic convertible bonds.

B. On May 14, 2015, the Company issued the second unsecured domestic convertible bonds. Key terms and conditions of bonds are as follows:

(a) Issue amount: $300,000

(b) Issue price: Issued at 100% of par value; $100

(c) Issue period: Three years; from May 14, 2015 to May 14, 2018

(d) Coupon rate: 0% per annum

(e) Repayment date and method: The bonds will be redeemed at par at maturity if the bonds are not converted into common stocks at maturity, or redeemed early by the Company, or resold early to the Company by the bondholders, or redeemed from the Company's underwriter and cancelled by the Company.

(f) Conversion period: Except that the bonds are in the lock-up period, or redeemed early by the Company, the conversion right can be exercised at any time from June 15, 2015 through May 14, 2018 in accordance with the terms of the bonds and relevant regulations.

(g) Conversion price and price reset: The conversion price was set at NT$81.2 (in dollars) per share on the issue date. The conversion price is subject to adjustments on the ex-right date of new shares issuance based on the formula specified in the terms of the bonds, due to changes in the number of the Company's common shares. The conversion price was subsequently adjusted to NT$54.9 (in dollars) per share due to the aforementioned rationale.

(h) The converted shares have the same rights as common shares.

(i) Call options of the Company: The bonds may be called, in whole or in part, at the option of the Company after one month from the issue date (June 15, 2015) to forty days before the maturity date (April 4, 2018) at 100% of their principal amount, provided the closing price of the Company's common shares on the Taiwan Exchange exceeds 130% (inclusive) of the then-current conversion price of the bonds during 30 consecutive trading days, or when over

90% (inclusive) of the bonds have been redeemed, converted, called and retired.

(j) Put options of the holders: The bondholders may request the Company to redeem the bonds, in whole or in part, with an added interest rate on the carrying amount as the premium, which is equivalent to 103.023% (real yield rate is 1.5%) of their principal amount, after two years from the issue date. The non-equity conversion options, call options, and put options embedded in bonds payable were separated from their host contracts and were recognised in "financial assets or liabilities at fair value through profit or loss" in net amount in accordance with IAS 39 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The effective interest rate of the bonds payable after such separation was 5.66%.

(k) Through June 30, 2018, convertible bonds amounting to $299,600 was converted to 4,948,016 ordinary shares.

(11) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	June 30, 2018	December 31, 2017	June 30, 2017
Long-term bank borrowings Secured borrowings (Note 1)	(Note 2)	4%	Land and buildings (Note 3)	$ 87,576	$ 95,163	$ 106,858
Less: Current portion				(20,224)	(19,366)	(19,397)
				$ 67,352	$ 75,797	$ 87,461

Note 1: According to the secured loan contract, the Group was required to comply with certain financial covenants by maintaining certain financial ratios, such as debt coverage ratio, on an annual basis. As of June 30, 2018, December 31, 2017 and June 30, 2017, the Group had not violated any of the required financial covenants.

Note 2: Borrowing period is from August 6, 2015 to August 6, 2022; interest and principal are repayable monthly.

Note 3: Please refer to Note 8 for the information of the Group's assets pledged for secured borrowings.

(12) Other payables

	June 30, 2018	December 31, 2017	June 30, 2017
Accrued salaries and bonuses	$ 33,867	$ 46,811	$ 31,735
Accrued employees' compensation and directors' remuneration	32,661	31,761	20,475
Accrued unused compensated absences	25,142	25,171	20,240
Dividends payable	79,060	-	73,275
Payables for equipment	6,618	5,703	10,617
Accrued outsourcing manufacturing services charges	5,142	7,373	8,688
Accrued utilities	2,619	2,101	-
Accrued professional service fees	1,576	464	2,231
Accrued rental expenses	416	269	103
Accrued miscellaneous tools	106	1,611	2,950
Other accrued expenses	26,457	17,985	23,429
	$ 213,664	$ 139,249	$ 193,743

(13) Finance lease liabilities

The Group leases machinery equipment under finance lease. Based on the terms of the lease contracts, the Group has the option to purchase the leased machinery equipment at a price which is expected to be sufficiently lower than fair value at the date the option becomes exercisable when the leases expire. Future minimum lease payments are as follows:

	June 30, 2018		
	Total finance lease liabilities	Future finance charges	Present value of finance lease liabilities
Current			
No later than one year (shown as "Other current liabilities")	$ 6,617	($ 206)	$ 6,411
Non-current			
Later than one year but not later than five years (shown as "Other non-current liabilities")	2,376	(26)	2,350
	$ 8,993	($ 232)	$ 8,761

	December 31, 2017		
	Total finance lease liabilities	Future finance charges	Present value of finance lease liabilities
Current			
No later than one year (shown as "Other current liabilities")	$ 9,684	($ 360)	$ 9,324
Non-current			
Later than one year but not later than five years (shown as "Other non-current liabilities")	4,643	(95)	4,548
	$ 14,327	($ 455)	$ 13,872

	June 30, 2017		
	Total finance lease liabilities	Future finance charges	Present value of finance lease liabilities
Current			
No later than one year (shown as "Other current liabilities")	$ 11,537	($ 580)	$ 10,957
Non-current			
Later than one year but not later than five years (shown as "Other non-current liabilities")	8,981	(231)	8,750
	$ 20,518	($ 811)	$ 19,707

(14) Pension plan

A. The Company's US subsidiary has established a 401(K) pension plan (the "Plan") covering substantially all employees. The Plan provides voluntary salary reduction contributions by eligible participants in accordance with Section 401(K) of the Internal Revenue Code (IRC), as well as discretionary matching contributions below 15% of employees' salaries from the Company's subsidiary to its employees' individual pension accounts.

B. The Company's Taiwan subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company's Taiwan subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

C. The pension costs under the above pension plans of the Group for the three-month and six-month periods ended June 30, 2018 and 2017 amounted to $4,160, $3,146, $9,854 and $7,854, respectively.

(15) Share-based payment-employee compensation plan

A. Through June 30, 2018 and 2017, the Company's share-based payment transactions are set forth below:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting condition
Employee stock options	April 2013	1,538,000 shares	10 years	(Note 1)
Employee stock options	August 2013	7,830 shares	10 years	(Note 1)
Employee stock options	October 2013	538,000 shares	10 years	(Note 1)
Employee stock options	February 2014	60,000 shares	10 years	(Note 1)
Employee stock options	November 2014	75,000 shares	10 years	(Note 1)
Employee stock options	January 2015	30,000 shares	10 years	(Note 1)
Employee stock options	February 2015	652,200 shares	10 years	(Note 1)
Employee stock options	March 2016	5,000 shares	10 years	(Note 1)
Employee stock options	August 2016	895,000 shares	10 years	(Note 1)
Employee stock options	November 2016	34,000 shares	10 years	(Note 1)
Employee stock options	February 2017	15,000 shares	10 years	(Note 1)
Employee stock options	August 2017	215,000 shares	10 years	(Note 1)
Employee stock options	January 2018	13,000 shares	10 years	(Note 1)
Employee stock options	Febuary 2018	355,000 shares	10 years	(Note 1)
Restricted stocks to employees (Note 3)	July 2015	297,300 shares	2 years	(Note 2)
Restricted stocks to employees (Note 3)	November 2015	22,000 shares	2 years	(Note 2)
Restricted stocks to employees (Note 3)	January 2016	93,700 shares	2 years	(Note 2)
Restricted stocks to employees (Note 3)	March 2016	8,000 shares	2 years	(Note 2)
Restricted stocks to employees (Note 3)	August 2017	180,000 shares	2 years	(Note 2)
Restricted stocks to employees (Note 3)	Febuary 2018	398,000 shares	2 years	(Note 2)

Note 1: Some employee stock options shall be vested and become exercisable as to 50% of the

shares after fulfilling two years of service, and in accordance with the agreement, the remaining 50% of such options will be vested ratably in equal installments as of the last day of each of the succeeding 24 months.

Note 2: Some restricted stocks to employees shall be vested as to 50% of the shares after one year of service, and the remaining 50% of such shares to be vested after fulfilling two years of service.

Note 3: The restricted stocks to employees are restricted from transferring within vesting period, but are allowed for voting rights and rights to receive dividends. The Company will recover restricted stocks at no consideration and cancel registration if employees resign or die not due to occupational hazards. However, employees do not need to return dividends already received.

B. Details of the employee stock options are set forth below:

	Six-month period ended June 30, 2018		
	No. of options	Currency	Weighted average exercise price
			(in dollars)
Options outstanding at beginning of the period	1,912,541	NTD	$ 50.44
Options granted	368,000	NTD	83.71
Options exercised	(223,084)	NTD	26.49
Options forfeited	(50,000)	NTD	80.03
Options outstanding at end of the period	2,007,457	NTD	58.46
Options exercisable at end of the period	528,524	NTD	29.42

	Six-month period ended June 30, 2017		
	No. of options	Currency	Weighted average exercise price
			(in dollars)
Options outstanding at beginning of the period	2,178,139	NTD	$ 44.84
Options granted	15,000	NTD	57.10
Options exercised	(35,041)	NTD	39.95
Options forfeited	(16,000)	NTD	65.07
Options outstanding at end of the period	2,142,098	NTD	44.85
Options exercisable at end of the period	912,039	NTD	25.50

C. The weighted-average stock price of stock options at exercise dates for the six-month periods ended June 30, 2018 and 2017 was $77.64 (in dollars) and $58.24 (in dollars), respectively.

D. As of June 30, 2018, December 31, 2017 and June 30, 2017, the range of exercise prices of stock options outstanding are as follows:

		June 30, 2018		
Grant date	Expiry date	No. of Shares	Currency	Stock options exercise price (in dollars)
April 2013	April 2023	170,396	NTD	$ 11.35
October 2013	October 2023	33,335	NTD	17.63
November 2014	November 2024	54,188	NTD	32.65
January 2015	January 2025	7,500	NTD	42.09
February 2015	February 2025	313,038	NTD	41.21
March 2016	March 2026	5,000	NTD	71.01
August 2016	August 2026	840,000	NTD	65.73
November 2016	November 2026	26,000	NTD	64.40
February 2017	February 2027	15,000	NTD	57.10
August 2017	August 2027	215,000	NTD	66.50
January 2018	January 2028	13,000	NTD	86.70
February 2018	February 2028	315,000	NTD	83.60
		2,007,457		

		December 31, 2017		
Grant date	Expiry date	No. of Shares	Currency	Stock options exercise price (in dollars)
April 2013	April 2023	224,896	NTD	$ 11.35
October 2013	October 2023	95,002	NTD	17.63
February 2014	February 2024	7,500	NTD	19.20
November 2014	November 2024	58,667	NTD	32.65
January 2015	January 2025	10,000	NTD	42.09
February 2015	February 2025	405,476	NTD	41.21
March 2016	March 2026	5,000	NTD	71.01
August 2016	August 2026	850,000	NTD	65.73
November 2016	November 2026	26,000	NTD	64.40
February 2017	February 2027	15,000	NTD	57.10
August 2017	August 2027	215,000	NTD	66.50
		1,912,541		

		June 30, 2017		
Grant date	Expiry date	No. of Shares	Currency	Stock options exercise price
				(in dollars)
April 2013	April 2023	316,730	NTD	$ 11.35
August 2013	August 2023	1,957	NTD	17.37
October 2013	October 2023	187,398	NTD	17.63
February 2014	February 2024	22,500	NTD	19.20
November 2014	November 2024	62,000	NTD	32.65
January 2015	January 2025	12,500	NTD	42.09
February 2015	February 2025	606,013	NTD	41.21
March 2016	March 2026	5,000	NTD	71.01
August 2016	August 2026	887,000	NTD	65.73
November 2016	November 2026	26,000	NTD	64.40
February 2017	February 2027	15,000	NTD	57.10
		2,142,098		

E. Details of the restricted stocks to employees are set forth below:

	Six-month periods ended June 30,	
Employee restricted stocks	2018	2017
	No. of shares	No. of shares
Outstanding at beginning of the period	215,850	244,850
Granted (Notes 1 and 2)	398,000	-
Vested	(35,850)	(43,850)
Retired	(3,000)	-
Outstanding at end of the period	575,000	201,000

Note 1: For the restricted stocks granted with the compensation cost accounted for using the fair value method, the fair values on the grant date are calculated based on the closing price on the grant date.

Note 2: The fair value of restricted stocks granted in February 2018 was $83.60 (in dollars).

F. For the stock options granted with the compensation cost accounted for using the fair value method, their fair value on the grant date is estimated using the Black-Scholes option-pricing model and discounted cash flow valuation. The parameters used in the estimation of the fair value are as follows:

Type of arrangement	Grant date	Currency	Fair value	Exercise price	Expected price volatility	Expected option period	Expected dividend yield rate	Risk-free interest rate	Weighted average fair value
			(in dollars)	(in dollars)		(years)			(in dollars)
Employee stock options	February 2017	NTD	57.98	57.10	34.41%	6.26	1.00%	1.19%	29.14
Employee stock options	August 2017	NTD	64.90	66.50	36.37%	6.26	1.00%	1.10%	32.53
Employee stock options	January 2018	NTD	86.43	86.70	42.83%	6.26	1.00%	0.97%	45.74
Employee stock options	February 2018	NTD	84.61	83.60	45.43%	6.26	1.00%	0.97%	46.31

G. Expenses incurred on share-based payment transactions are shown below:

	Three-month periods ended June 30,	
	2018	2017
Equity-settled	$ 14,236	$ 5,800

	Six-month periods ended June 30,	
	2018	2017
Equity-settled	$ 23,996	$ 11,759

(16) Common stock

A. As of June 30, 2018, the Company's paid-in capital was $821,441, consisting of 82,144,126 shares with a par value of $10 (in dollars) per share.

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

Unit: Numbers of shares

	2018	2017
At January 1	79,059,886	73,275,266
Exercise of employee stock options	223,084	35,041
Conversion of convertible bonds	1,086,156	1,632,602
Issuance of restricted stocks to employees	398,000	-
Retrive of restricted stocks to employees, which have not been deregistered	(3,000)	-
Purchase of treasury stocks	-	(250,000)
At June 30	80,764,126	74,692,909

B. On May 15, 2015, the shareholders adopted a resolution to issue 600,000 employee restricted stocks with par value of $10 (in dollars) per share, with the effective date set on July 13, 2015. The subscription price is $0 (in dollar) per share. The employee restricted stocks issued are subject to certain transfer restrictions before their vesting conditions are met. Other than these restrictions, the rights and obligations of these shares issued are the same as other issued ordinary shares. On July 27, 2015, November 5, 2015, January 14, 2016 and March 2, 2016, the Board of

Directors adopted resolutions to grant 297,300, 22,000, 93,700 and 8,000 employee restricted stocks, respectively. For the years ended December 31, 2017 and 2016, the Company had retrieved 13,000 and 16,000 employee restricted stocks, respectively, due to the employees' resignation and the retrieved shares have been retired.

C. On June 1, 2017, the shareholders adopted a resolution to reserve 1,000,000 shares for the purpose of granting employee restricted stocks with par value of $10 (in dollars) per shares, with the effective date filed with the regulator on August 8, 2017. The subscription price is $0 (in dollar) per share. The employee restricted stocks issued are subject to certain transfer restrictions before their vesting conditions are met. Other than these restrictions, the rights and obligations of these shares issued are the same as other issued ordinary shares. On August 21, 2017 and February 27, 2018, the Board of Directors adopted a resolution to grant 180,000 and 398,000 employee restricted stocks, respectively. Further, in April 2018, the Company retrieved additional 3,000 employee restricted stocks due to the employees' resignation, which have not been retired.

D. Treasury stocks

(a) Reason for share repurchase and the number of the Company's treasury stocks are as follows:

		June 30, 2018	
Name of company holding the shares	Reason for repurchase	Number of shares	Carrying amount
The Company	To be reissued to employees	1,377,000	$ 90,870

		December 31, 2017	
Name of company holding the shares	Reason for repurchase	Number of shares	Carrying amount
The Company	To be reissued to employees	1,377,000	$ 90,870

		June 30, 2017	
Name of company holding the shares	Reason for repurchase	Number of shares	Carrying amount
The Company	To be reissued to employees	1,377,000	$ 90,870

(b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares repurchased as treasury shares should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.

(c) Pursuant to the R.O.C. Securities and Exchange Act, treasury stocks should not be pledged as collateral and is not entitled to dividends before it is reissued.

(d) Pursuant to the R.O.C. Securities and Exchange Act, treasury stocks should be reissued to the employees within three years from the date of repurchase, and shares not reissued within the three-year period are to be retired. Treasury stocks to enhance the Company's credit rating and the shareholders' equity should be retired within six months of repurchase.

(17) Capital surplus

Capital surplus can be used to cover accumulated deficit or distributed as dividend as proposed by the Board of Directors and resolved by the shareholders.

2018	Share premium	Employee stock options	Employee restricted stocks	Others	Total
At January 1	$ 843,765	$ 46,693	$ 37,550	$ 30,743	$ 958,751
Compensation costs of share-based payment	-	11,191	-	-	11,191
Issuance of restricted stocks to employees	-	-	29,639	-	29,639
Restricted stocks to employees vested	24,027	-	(24,027)	-	-
Retrive of restricted stocks to employees	-	-	(121)	-	(121)
Exercise of employee stock options	12,593	(8,933)	-	-	3,660
Conversion of convertible bonds	76,715	-	-	-	76,715
Forfeiture of employee stock options	-	(793)	-	793	-
At June 30	$ 957,100	$ 48,158	$ 43,041	$ 31,536	$ 1,079,835

2017	Share premium	Employee stock options	Employee restricted stocks	Others	Total
At January 1	$ 541,476	$ 46,850	$ 26,588	$ 29,712	$ 644,626
Compensation costs of share-based payment	-	10,198	-	-	10,198
Exercise of employee stock options	3,859	(2,108)	-	-	1,751
Conversion of convertible bonds	71,774	-	-	-	71,774
Forfeiture of employee stock options	-	(118)	-	118	-
At June 30	$ 617,109	$ 54,822	$ 26,588	$ 29,830	$ 728,349

(18) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset losses incurred in previous years and then a special reserve as required by the applicable securities authority under the applicable public company rules in Taiwan. After combining accumulated undistributed earnings in the previous years and setting aside a certain amount of remaining profits of such financial year as a reserve or reserves for development purposes as the Board of Directors may from time to time deem appropriate, subject to the compliance with the Cayman Islands Companies Law, the Company shall distribute no less than 10% of the remaining profit as dividends to the shareholders.

B. The Company's dividend policy is as follows: As the Company operates in a capital intensive industry and in the stable growth stage, the residual dividend policy is adopted taking into consideration the Company's operation scale, cash flow demand and future expansion plans, and cash dividends shall account for at least 10% of the total dividends distributed.

C. On May 15, 2018 and June 1, 2017, the shareholders at the annual shareholders' meetings resolved the appropriations of 2017 and 2016 earnings, respectively. Details are summarised below:

	2017		2016	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Cash dividends	$ 79,060	$ 1.00	$ 73,275	$ 1.00

D. For the information relating to employees' compensation and directors' remuneration, please refer to Note 6(24).

(19) Other equity interest

	2018		
	Currency translation differences	Unearned employee compensation	Total
At January 1	($ 35,464)	($ 8,760)	($ 44,224)
Currency translation differences	60,341	-	60,341
Compensation costs of share-based payment	-	12,805	12,805
Issuance of restricted stocks to employees	-	(33,619)	(33,619)
Retirement of restricted stocks to employees	-	141	141
At June 30	$ 24,877	($ 29,433)	($ 4,556)

	2017			
	Currency translation differences	Unearned employee compensation	Available-for-sale financial assets	Total
At January 1	$ 122,002	($ 3,548)	$ 14,166	$ 132,620
Currency translation differences	(118,151)	-	-	(118,151)
Compensation costs of share-based payment	-	1,561	-	1,561
Changes of fair value in financial instruments				-
- Transfer out of revaluation - gross	-	-	(849)	(849)
- Transfer out of revaluation - tax	-	-	337	337
- Revaluation - gross	-	-	12,688	12,688
- Revaluation - tax	-	-	(5,053)	(5,053)
At June 30	$ 3,851	($ 1,987)	$ 21,289	$ 23,153

(20) Operating revenue

	Three-month period ended June 30, 2018	Six-month period ended June 30, 2018
Revenue from contracts with customers	$ 522,665	$ 1,001,685

A. Disaggregation of revenue from contracts with customers

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

	Three-month period ended June 30, 2018			
	Sales revenue	Service revenue	Royalty revenue	Total
China	$ 256,405	$ 3,722	$ 1,448	$ 261,575
United States	197,824	-	-	197,824
Taiwan	43,430	-	9,608	53,038
Others	10,228	-	-	10,228
	$ 507,887	$ 3,722	$ 11,056	$ 522,665

	Six-month period ended June 30, 2018			
	Sales revenue	Service revenue	Royalty revenue	Total
China	$ 504,220	$ 7,385	$ 1,448	$ 513,053
United States	343,299	-	-	343,299
Taiwan	104,987	-	17,518	122,505
Others	22,828	-	-	22,828
	$ 975,334	$ 7,385	$ 18,966	$ 1,001,685

B. Contract liabilities

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

	June 30, 2018
Contract liabilities – advance sales receipts	$ 21,109

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

	Three-month period ended June 30, 2018	Six-month period ended June 30, 2018
Contract liabilities – advance sales receipts	$ 6,949	$ 13,456

C. Related disclosures for operating revenue for the three-month and six-month periods ended June 30, 2017 are provided in Note 12(5) B.

(21) Other gains and losses

	Three-month periods ended June 30,	
	2018	2017
Gain on disposal of investments	$ -	$ 1,357
Net currency exchange gains	1,833	503
Net losses on financial liabilities at fair value through profit or loss	-	(51,639)
Other income	11	-
	$ 1,844	($ 49,779)

	Six-month periods ended June 30,	
	2018	2017
Gain on disposal of investments	$ -	$ 1,357
Net currency exchange losses	(748)	(23,776)
Net gains on financial liabilities at fair value through profit or loss	2,322	7,811
Other losses	(998)	-
	$ 576	($ 14,608)

(22) Finance costs

	Three-month periods ended June 30,	
	2018	2017
Interest expense	$ 1,128	$ 6,989

	Six-month periods ended June 30,	
	2018	2017
Interest expense	$ 3,045	$ 13,910

(23) Expenses by nature

	Three-month periods ended June 30,	
	2018	2017
Employee benefit expense	$ 190,231	$ 149,331
Depreciation charges on property, plant and equipment	$ 28,032	$ 17,093
Amortisation charges on intangible assets (recognised as cost of operating revenue and operating expenses)	$ 1,440	$ 1,911

	Six-month periods ended June 30,	
	2018	2017
Employee benefit expense	$ 380,575	$ 309,661
Depreciation charges on property, plant and equipment	$ 55,604	$ 32,920
Amortisation charges on intangible assets (recognised as cost of operating revenue and operating expenses)	$ 2,809	$ 3,860

(24) Employee benefit expense

	Three-month periods ended June 30,	
	2018	2017
Wages and salaries	$ 155,362	$ 127,120
Compensation costs of share-based payment	14,236	5,800
Insurance expenses	15,509	12,880
Pension costs	4,160	3,146
Other personnel expenses	964	385
	$ 190,231	$ 149,331

	Six-month periods ended June 30,	
	2018	2017
Wages and salaries	$ 314,684	$ 263,962
Compensation costs of share-based payment	23,996	11,759
Insurance expenses	30,344	25,440
Pension costs	9,854	7,854
Other personnel expenses	1,697	646
	$ 380,575	$ 309,661

A. According to the Articles of Incorporation of the Company, when distributing earnings, an amount equal to the ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be higher than 15% and lower than 5% for employees' compensation, and shall not be higher than 2% for directors' remuneration.

B. For the three-month and six-month periods ended June 30, 2018 and 2017, employees' compensation was accrued at $6,740, $4,923, $11,339 and $10,154, respectively; directors' remuneration was accrued at $2,696, $1,969, $4,535 and $4,062, respectively. The aforementioned amounts were recognised in wages and salaries. The employees' compensation and directors' remuneration were estimated and accrued based on 5% and 2% of distributable profit of current period from January 1 to June 30, 2018. Employees' compensation and directors' remuneration of 2017 as resolved by the Board of Directors were in agreement with those amount recognised in the 2017 financial statements. The employees' compensation will be distributed in the form of cash.

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

(25) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Three-month periods ended June 30,	
	2018	2017
Current tax:		
Current tax on profit for the period	$ 12,053	$ 15,171
Effect from alternative minimum tax	-	3,793
Tax on undistributed surplus earnings	776	-
Prior year income tax (over) under estimation	(130)	207
Total current tax	12,699	19,171
Deferred tax:		
Origination and reversal of temporary differences	20,109	-
Impact of change in tax rate	(1,499)	-
Total deferred tax	18,610	-
Income tax expense	$ 31,309	$ 19,171

	Six-month periods ended June 30,	
	2018	2017
Current tax:		
Current tax on profit for the period	$ 21,092	$ 21,836
Effect from alternative minimum tax	-	4,106
Tax on undistributed surplus earnings	776	-
Prior year income tax over estimation	(4,679)	(406)
Total current tax	17,189	25,536
Deferred tax:		
Origination and reversal of temporary differences	20,109	-
Impact of change in tax rate	(1,499)	-
Total deferred tax	18,610	-
Income tax expense	$ 35,799	$ 25,536

(b) The income tax charged/ (credited) relating to components of other comprehensive income is as follows:

	Three-month periods ended June 30,	
	2018	2017
Unrealised gain / loss on valuation of available-for-sale financial assets	$ -	$ 8,739

	Six-month periods ended June 30,	
	2018	2017
Unrealised gain / loss on valuation of available-for-sale financial assets	$ -	($ 4,716)

B. As of June 30, 2018, the assessment of income tax returns of the Taiwan subsidiaries are as follows:

Name of subsidiary	Assessment of income tax returns
Global Device Technologies, Co., Ltd.	Assessed and approved up to 2016
D-Tech Optoelectronics (Taiwan) Corporation	Assessed and approved up to 2015

C. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(26) Earnings per share (EPS)

The basic EPS is determined by the net income divided by the weighted average number of outstanding stocks. The diluted EPS is under the assumption that all potential ordinary stocks have been converted into ordinary stocks at the beginning of the period. The revenue and expense generated from the conversion shall be included in the computation.

	Three-month period ended June 30, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 92,482	80,010	$ 1.16
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 92,482	80,010	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	96	
Employee stock options	-	308	
Employee restricted stocks	-	177	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 92,482	80,591	$ 1.15

	Three-month period ended June 30, 2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 65,995	72,830	$ 0.91
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 65,995	72,830	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	172	
Employee stock options	-	554	
Employee restricted stocks	-	162	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 65,995	73,718	$ 0.90

	Six-month period ended June 30, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 176,137	79,414	$ 2.22
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 176,137	79,414	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	254	
Employee stock options	-	330	
Employee restricted stocks	-	169	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 176,137	80,167	$ 2.20

	Six-month period ended June 30, 2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 164,259	72,917	$ 2.25
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 164,259	72,917	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	266	
Employee stock options	-	531	
Employee restricted stocks	-	161	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 164,259	73,875	$ 2.22

(27) Business combinations

A. The Company's Board of Directors approved on July 13, 2017 for its wholly owned subsidiary, Global Communication Semiconductors, LLC, to enter into an Acquisition Agreement with D-Tech Optoelectronics, Inc. ("D-Tech") to acquire all of the outstanding shares of D-Tech at an aggregate consideration of US$13 million in cash. The above acquisition transaction has been completed on July 20, 2017 (USA time). With the completion of the acquisition, the Company acquired 100% shareholding of the wholly-owned subsidiary of D-Tech, D-Tech Optoelectronics (Taiwan) Corporation. The Group expects that the acquisition will allow the Group and D-Tech to further integrate research technology, manufacturing capabilities and workforce to enhance their product offering at an accelerated pace, optimise their product integration, and provide customers with better services and products. The main goal of the acquisition is to gain a competitive advantage, and enhance market and margin expansion opportunities with greater scale.

B. The following table summarises the consideration paid for D-Tech and the fair values of the assets acquired and liabilities assumed at the acquisition date:

	July 20, 2017
Consideration	
Cash paid (US$ 13 million)	$ 395,070
Fair value of the identifiable assets acquired and liabilities assumed	
Notes receivable and accounts receivable	65,216
Other receivables and prepayments	3,828
Other current assets	308
Inventories	71,621
Property, plant and equipment	103,167
Other non-current assets	9,329
Accounts payable	(16,216)
Other payables	(18,270)
Other current liabilities	(174)
Other non-current liabilities	(308)
Total identifiable net assets	218,501
Goodwill (US$ 5.81 million)	$ 176,569

C. The operating revenue and profit before income tax included in the 2017 consolidated statement of comprehensive income since July 20, 2017 contributed by D-Tech was $154,615 and $10,232, respectively. Had D-Tech been consolidated from January 1, 2017, the consolidated statement of comprehensive income would show an increase in operating revenue of $412,544 and a decrease in profit before income tax of $11,455.

D. Goodwill is tested annually for impairment. The recoverable amount is determined based on the value in use.

As of June 30, 2018, the Group's assumptions used for impairment testing did not change significantly. Please refer to Note 6(27) for the goodwill impairment testing in the consolidated financial statements for the year ended December 31, 2017.

(28) Operating lease commitments

The Group leases property and plant under non-cancellable operating lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Not later than one year	$ 11,720	$ 9,897	$ 1,955
Later than one year but not later than five years	35,111	26,486	2,728
	$ 46,831	$ 36,383	$ 4,683

(29) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Six-month periods ended June 30, 2018	Six-month periods ended June 30, 2017
Acquisition of property, plant and equipment	$ 28,448	$ 78,704
Add: Ending balance of prepayments for equipment (Note)	88,850	116,486
Less: Beginning balance of prepayments for equipment (Note)	(52,857)	(120,552)
Less: Ending balance of finance lease liabilities	(8,761)	(19,707)
Add: Beginning balance of finance lease liabilities	13,872	26,636
Less: Ending balance of payables for equipment	(6,618)	(10,617)
Add: Beginning balance of payables for equipment	5,703	29,272
Cash paid during the period	$ 68,637	$ 100,222

Note: Shown as "Other non-current assets".

B. Financing activities with no cash flow effect:

	Six-month periods ended June 30, 2018	Six-month periods ended June 30, 2017
Convertible bonds being converted to capital stocks	$ 58,700	$ 88,100
Cash dividends	$ 79,060	$ 73,275
Less: Other payables	(79,060)	(73,275)
Cash paid during the period	$ -	$ -

(30) Changes in liabilities from financing activities

	Short-term borrowings	Bonds payable	Long-term borrowings (Note)	Liabilities from financing activities
At January 1, 2018	$ 20,000	$ 60,006	$ 95,163	$ 175,169
Changes in cash flow from financing activities	-	(2,800)	(9,529)	(12,329)
Bonds converted	-	(58,700)	-	(58,700)
Discount on bonds payable	-	1,494	-	1,494
Impact of changes in foreign exchange rate	-	-	1,942	1,942
At June 30, 2018	$ 20,000	$ -	$ 87,576	$ 107,576

Note: Current portion is included.

7. RELATED PARTY TRANSACTIONS

Key management compensation

	Three-month periods ended June 30,	
	2018	2017
Salaries and other short-term employee benefits	$ 14,091	$ 12,209
Post-employment benefits	367	425
Compensation costs of share-based payment	6,084	3,020
	$ 20,542	$ 15,654

	Six-month periods ended June 30,	
	2018	2017
Salaries and other short-term employee benefits	$ 51,984	$ 36,977
Post-employment benefits	1,746	1,355
Compensation costs of share-based payment	10,505	6,040
	$ 64,235	$ 44,372

8. PLEDGED ASSETS

As of June 30, 2018, December 31, 2017 and June 30, 2017, the Group's assets pledged as collateral were as follows:

Assets	June 30, 2018	December 31, 2017	June 30, 2017	Purpose
Land	$ 140,268	$ 137,045	$ 140,084	Long-term borrowings
Buildings	85,719	85,055	88,275	Long-term borrowings
Time deposits (Shown as "Other current assets")	30,868	29,760	30,420	Short-term borrowings
Time deposits (Shown as "Other non-current assets")	311	59,828	60,840	Custom guarantee for imported goods and secured convertible bonds
Other financial assets, non-current	3,284	3,234	1,217	Deposits for office rental and waste water treatment

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Please refer to Note 6(28) for the operating lease commitments.

(2) Capital expenditures contracted for at the balance sheet date but not yet incurred and are cancellable without cause are as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Property, plant and equipment	$ 109,674	$ 15,590	$ 89,326

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

A. As approved by the Company's Board of Directors, the Company entered into an Equity Interest Transfer Agreement (the "Agreement") with Xiamen San'an Integrated Circuit Co., Ltd. ("San'an") to acquire the 2% shareholding of Xiamen Global Advanced Semiconductor Co., Ltd. ("Joint Venture Company") in the amount of US$ 80 thousand on June 25, 2018. After the 2% shareholding of Joint Venture Company is transferred, the amount of investment from the Company will be US$ 2.04 million (51% of registered capital of Joint Venture Company) and the amount of investment from the San'an will be US$1.96 million (49% of registered capital of Joint Venture Company). Upon the completion of the Agreement, Joint Venture Company will become a subsidiary controlled by the Company.

B. On May 15, 2018, the shareholders adopted a resolution to issue not exceeding 25 million ordinary shares to raise cash through the form of global depository receipts. Under the Company's Articles of Incorporation, none of the shares would be reserved for the employees to subscribe and the original shareholders should give up pre-emptive rights as these shares are offered for public subscription. The issuance was approved by Financial Supervisory Commission on July 31, 2018.

12. OTHERS

(1) Capital management

In order to safeguard the Group's ability to adapt to the changes in the industry and to accelerate the new product development, the Group's objective when managing capital is to maintain the sufficient financial resources to support the operating capital, capital expenditures, research and development activities, repayment of debts and dividend paid to shareholders, etc.

(2) Financial instruments

A. Financial instruments by category

	June 30, 2018	December 31, 2017	June 30, 2017
Financial assets			
Available-for-sale financial assets- current	$ -	$ -	$ 42,711
Financial assets at amortised cost /Loans and receivables			
Cash and cash equivalents	$ 1,365,587	$ 1,119,712	$ 1,288,575
Notes receivable	40	594	-
Accounts receivable	256,662	296,921	242,033
Other receivables	21,599	15,254	26,767
Guarantee deposits paid	3,284	3,234	1,217
Time deposits (over three-month period)	92,099	29,760	91,260
	$ 1,739,271	$ 1,465,475	$ 1,649,852

	June 30, 2018	December 31, 2017	June 30, 2017
Financial liabilities			
Financial liabilities measured at fair value through profit or loss	$ -	$ 31,204	$ 58,671
Financial liabilities at amortised cost			
Short-term borrowings	$ 20,000	$ 20,000	$ 20,000
Accounts payable	36,494	17,867	8,394
Other payables	213,664	139,249	193,743
Finance lease liabilities (including current portion)	8,761	13,872	19,707
Bonds payable (including current portion)	-	60,006	253,655
Long-term borrowings (including current portion)	87,576	95,163	106,858
	$ 366,495	$ 346,157	$ 602,357

B. Financial risk management policies

a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk.

b) Risk management is carried out by the Group's finance team under policies approved by the Board of Directors. The Group's finance team identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units.

C. Significant financial risks and degrees of financial risks

a) Market risk

Foreign exchange risk

The Group's businesses are mainly conducted in its functional currency. Therefore, the foreign exchange risk is deemed minimal.

Price risk

i. The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet as available-for-sale financial assets.

ii. The Group's investments in equity securities are foreign listed stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 10% with all other variables held constant, post-tax profit would have increased/decreased by $1,701 for the six-month period ended June 30, 2017.

Cash flow and fair value interest rate risk

i. The Group's interest rate risk arises from short-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During the six-month periods ended June 30, 2018 and 2017, the Group's borrowings at variable rate were denominated in the NTD.

ii. Based on the simulations performed, the impact on post-tax profit of a 1% shift, with all other variables held constant, would be a maximum increase or decrease of $80 and $83 for the six-month periods ended June 30, 2018 and 2017, respectively, as a result of the decrease or increase in interest expense which is affected by variable rates.

b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the credit risk of financial assets at amortised cost.

ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a minimum rating of 'BBB+' are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

iii. The Group does not hold any collateral as security for notes receivable and accounts receivable. As of June 30, 2018, with no collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the the Group's notes receivable was $40, and the maximum exposure to credit risk in respect of the Group's accounts receivable was $258,640.

iv. The Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.

v. The Group wrote off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.

vi. The Group classifies customer's notes receivable and accounts receivable in accordance with credit risk on trade. The Group applies the simplified approach using loss rate methodology to estimate expected credit loss.

vii. The Group used the forecastability of external research report to adjust historical and timely information for a specific period to assess the default possibility of notes receivable and accounts receivable. On June 30, 2018, the loss rate methodology is as follows:

Notes Receivable	Not past due
At June 30, 2018	
Expected loss rate	0%
Total book value	$ 40
Loss allowance	$ -

Accounts Receivable	Not past due	Less than 90 days past due	Less than 180 days and more than 90 days past due	More than 180 days past due	Total
At June 30, 2018					
Expected loss rate	0%~1%	1%~15%	16%~31%	31%~75%	
Total book value	$ 188,959	$ 65,035	$ 974	$ 3,672	$ 258,640
Loss allowance	$ 19	$ 650	$ 156	$ 1,153	$ 1,978

viii. Movements in relation to the Group applying the simplified approach to provide loss allowance for notes and accounts receivable was as follows:

	2018
	Notes and accounts receivable
At January 1_IAS 39	$ 1,117
Adjustments under new standards	-
At January 1_IFRS 9	1,117
Provision for impairment	810
Effect of foreign exchange	51
At June 30	$ 1,978

ix. Credit risk information at December 31, 2017 and June 30, 2017 is provided in Note 12(4).

c) Liquidity risk

i. Cash flow forecasting is performed by the operating entities of the Group and aggregated by the Group's finance team. The Group's finance team monitors rolling forecasts of the Group's liquidity requirements to ensure the Group has sufficient cash to meet operational needs. Such forecasting takes into consideration the Group's debt financing plans, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements.

ii. The Group has the following undrawn borrowing facilities:

	June 30, 2018	December 31, 2017	June 30, 2017
Floating rate:			
Expiring within one year	$ 20,000	$ 178,560	$ -
Expiring beyond one year	-	-	182,520
	$ 20,000	$ 178,560	$ 182,520

The facilities expiring within one year are annual facilities subject to renegotiation at various dates during 2018.

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

	Less than 1 year	Over 1 year
Non-derivative financial liabilities:		
June 30, 2018		
Short-term borrowings	$ 20,207	$ -
Accounts payable	36,494	-
Other payables	213,664	-
Finance lease liabilities (including current portion)	6,617	2,376
Long-term borrowings (including current portion)	23,405	71,751

	Less than 1 year	Over 1 year
Non-derivative financial liabilities:		
December 31, 2017		
Short-term borrowings	$ 20,062	$ -
Accounts payable	17,867	-
Other payables	139,249	-
Finance lease liabilities (including current portion)	9,684	4,643
Bonds payable (including current portion and financial liabilities at fair value through profit or loss)	91,210	-
Long-term borrowings (including current portion)	22,867	83,442

		Less than 1 year		Over 1 year
Non-derivative financial liabilities:				
June 30, 2017				
Short-term borrowings	$	20,242	$	-
Accounts payable		8,394		-
Other payables		193,743		-
Finance lease liabilities (including current portion)		11,537		8,981
Bonds payable (including current portion and financial liabilities at fair value through profit or loss)		253,655		-
Long-term borrowings (including current portion)		23,374		95,031

(3) Fair value information

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

Level 1: Quoted prices (unadjusted in active markets for identical assets or liabilities that the entity can access at the measurement date.) A market is regarded as active where a market in which transactions for the asset or liability takes place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value

(a) Except for the item listed in the table below, the carrying amounts measured at amortised cost approximate the fair values of the Group's financial instruments, including cash and cash equivalents, notes receivable, accounts receivable, other receivables, guarantee deposits paid, time deposits (over three-month period) , short-term borrowings, current contract liabilities, accounts payable, other payables, finance lease liabilities (accounted for under 'Other current liabilities' and 'Other non-current liabilities') and long-term borrowings (including current portion):

As of June 30, 2018, the Group had no financial instruments not measured at fair value.

	December 31, 2017			
		Fair value		
	Book value	Level 1	Level 2	Level 3
Bonds payable	$ 60,006	$ -	$ -	$ 61,342

		June 30, 2017		
		Fair value		
	Book value	Level 1	Level 2	Level 3
Bonds payable	$ 253,655	$ -	$ -	$ 266,360

(b) The methods and assumptions of fair value measurement are as follows:

Convertible bonds payable: Regarding the convertible bonds issued by the Group, the fair value is estimated using Binomial Model.

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

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

As of June 30, 2018, the Group had no financial and non-financial instruments measured at fair value.

	Level 1	Level 2	Level 3
December 31, 2017			
Liabilities			
Recurring fair value measurements			
Financial liabilities at fair value through profit or loss	$ -	$ -	$ 31,204

	Level 1	Level 2	Level 3
June 30, 2017			
Assets			
Recurring fair value measurements			
Available-for-sale financial assets	$ 42,711	$ -	$ -
Liabilities			
Recurring fair value measurements			
Financial liabilities at fair value through profit or loss	$ -	$ -	$ 58,671

For the six-month periods ended June 30, 2018 and 2017, there were no non-recurring fair value measurement financial instruments.

(b) For the available-for-sale financial assets that the Group held as of June 30, 2017, the methods and assumptions the Group used to measure fair value are as follows:

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

	Listed shares
Market quoted price	Closing price

ii. When assessing non-standard and low-complexity financial instruments, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation model to measure these financial instruments are normally observable in the market.

D. For the six-month periods ended June 30, 2018 and 2017, there was no transfer between Level 1 and Level 2 financial instruments.

E. The following chart is the movement of Level 3 financial instruments for the six-month periods ended June 30, 2018 and 2017:

	Financial liabilities at fair value through profit or loss	
	2018	2017
At January 1	$ 31,204	$ 69,504
Converted during the period	(28,961)	(3,261)
Effect of foreign exchange	79	239
Gain recognised in profit or loss	(2,322)	(7,811)
At June 30	$ -	$ 58,671

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

As of June 30, 2018, the Group had no financial instruments measured in Level 3 fair value measurement.

	Fair value at December 31, 2017	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of input to fair value
Call options, put options and conversion options embedded in convertible bonds	$ 31,204	Binomial model	Stock price volatility	41.53%	The higher the volatility, the higher the fair value

	Fair value at June 30, 2017	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of input to fair value
Call options, put options and conversion options embedded in convertible bonds	$ 58,671	Binomial model	Stock price volatility	37.62%	The higher the volatility, the higher the fair value

G. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

As of June 30, 2018, the Group had no financial liabilities at fair value through profit or loss.

			June 30, 2017	
			Recognised in profit or loss	
	Input	Change	Favourable change	Unfavourable change
Financial liabilities				
Financial liabilities at fair value through profit or loss	Stock price	± 1%	$ 229	($ 33)
	volatility	± 5%	$ 951	($ 845)

(4) Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017

A. Please refer to Note 4 in the consolidated financial statements for the year ended December 31, 2017 for the significant accounting policies adopted for the year ended December 31, 2017 and the second quarter of 2017.

B. The significant accounts as of December 31, 2017 and June 30, 2017 are as follows:

Available-for-sale financial assets

	December 31, 2017	June 30, 2017
Current items:		
Listed stocks	$ -	$ 7,330
Valuation adjustment	-	35,381
	$ -	$ 42,711

(a) The Group recognised ($21,942) and $11,839 in other comprehensive (loss) income for fair value change for the three-month and six-month periods ended June 30, 2017.

(b) The Group reclassified $512 from equity to profit or loss and recognised $1,357 in gain on disposal of available-for-sale financial assets for the three-month and six-month period ended June 30, 2017.

C. Credit risk information for the year ended December 31, 2017 and for the six- month period ended June 30, 2017 are as follows:

(a) Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as outstanding receivables.

(b) As of December 31, 2017 and June 30, 2017, the Group's maximum credit risk exposure is mainly from the carrying amount of financial asset recognised in the consolidated balance sheet.

(c) The credit quality of accounts receivable that were neither past due nor impaired was in the following categories based on the Group's Credit Quality Control Policy:

	December 31, 2017	June 30, 2017
Group 1	$ 127,182	$ 73,750
Group 2	113,919	101,086
Group 3	8,197	4,153
	$ 249,298	$ 178,989

Group 1: Annual sales transactions exceeding US$ 2.5 million.

Group 2: Annual sales transactions exceeding US$ 100 thousand, but less than US$ 2.5 million.

Group 3: Annual sales transactions below US$ 100 thousand.

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

	December 31, 2017	June 30, 2017
Up to 30 days	$ 34,544	$ 46,800
31 to 60 days	8,269	13,606
61 to 90 days	445	2,638
Over 90 days	4,365	-
	$ 47,623	$ 63,044

(e) Analysis of movement of impaired accounts receivable:

i. As of December 31, 2017 and June 30, 2017, the Group's accounts receivable that were impaired amounted to $1,117 and $350, respectively.

ii. Movements on the Group's provision for impairment of accounts receivable are as follows:

	2017		
	Individual provision	Group provision	Total
At January 1	$ 20,910	$ -	$ 20,910
Provision for impairment	350	-	350
Write-offs during the period	(20,910)	-	(20,910)
At June 30	$ 350	$ -	$ 350

(5) Effects of initial application of IFRS 15 and information in relation to the adoption of IAS 18 in 2017

A. Please refer to Note 4 in the consolidated financial statements for the year ended December 31, 2017 for the significant accounting policies adopted for the year ended December 31, 2017 and the second quarter of 2017.

B. The operating revenue recognised by using previous accounting policies for the three-month and six-month period ended June 30, 2017 are as follows:

	Three-month period ended June 30, 2017		Six-month period ended June 30, 2017	
Sales revenue	$	445,176	$	846,843
Service revenue		3,784		7,670
Royalty revenue		9,268		15,407
	$	458,228	$	869,920

C. The effects and description of current balance sheet if the Group continues adopting above accounting policies as of and for the six-month period ended June 30, 2018 are as follows:

		June 30, 2018					
Balance sheet items	Description	Balance by using IFRS 15		Balance by using previous accounting policies		Effects from chages in accounting policy	
Accounts receivable	Note 1	$	256,662	$	254,496	$	2,166
Refund liabilities	Note 1	(	2,166)		-	(	2,166)
Contract liabilities	Note 2	(	21,109)		-	(	21,109)
Advance sales receipts	Note 2		-	(	21,109)	(	21,109)

Note 1: Under IFRS 15, refund liabilities in relation to expected sales discounts and allowances were previously presented as accounts receivable - allowance for sales discounts in the balance sheet.

Note 2: Under IFRS 15, liabilities in relation to contracts with customers are recognised as contract liabilities, but were previously presented as advance sales receipts in the balance sheet.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

(a) Loans to others: Please refer to table 1.

(b) Provision of endorsements and guarantees to others: Please refer to table 2.

(c) Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.

(d) Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: None.

(e) Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: None.

(f) Disposal of real estate reaching $300 million or 20% of paid-in capital or more: None.

(g) Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: None.

(h) Receivables from related parties reaching $100 million or 20% of paid-in capital or more: None.

(i) Derivative financial instruments undertaken during the six-month period ended June 30, 2018: Please refer to Notes 6(9) and 6(10).

(j) Significant inter-company transactions during the three-month period ended June 30, 2018: Please refer to table 9.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 10.

(3) Information on investments in Mainland China

Please refer to table 11.

14. SEGMENT INFORMATION

(1) General information

The Group operates business only in a single industry. The Chief Operating Decision-Maker, who allocates resources and assesses performance of the Group as a whole, has identified that the Group has only one reportable operating segment.

(2) Segment information

The segment information provided to the Chief Operating Decision-Maker for the reportable segments is as follows:

	Six-month periods ended June 30,	
	2018	2017
Revenue from external customers	$ 1,001,685	$ 869,920
Inter-segment revenue	-	-
Total segment revenue	$ 1,001,685	$ 869,920
Segment income (Note)	$ 211,936	$ 189,795
Segment assets	$ 3,240,866	$ 2,896,661
Segment liabilities	$ 428,416	$ 758,595

(3) Reconciliation for segment income (loss)

The Company and subsidiaries engage in a single industry. The Chief Operating Decision-Maker assesses performance and allocates resources of the whole group. The Company is regarded as a single operating segment. Therefore, there is no inter-segment revenue. The revenue from external parties reported to the Chief Operating Decision-Maker is measured in a manner consistent with that in the statement of comprehensive income. The amount provided to the Chief Operating Decision-Maker with respect to total assets is measured in a manner consistent with that in the balance sheet.

GCS HOLDINGS, INC.

Loans to others

For the six-month period ended June 30, 2018

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the six-month period ended June 30, 2018 (Note 3)	Balance at June 30, 2018	Actual amount drawn down	Interest rate	Nature of loan (Note 2)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral Item	Collateral Value	Limit on loans granted to a single party (Note 3)	Ceiling on total loans granted (Note 3)	Footnote
1	Global Communication Semiconductors, LLC	D-Tech Optoelectronics, Inc.	Other receivable - related party	Yes	$ 60,920	$ 60,920	$ -	Settle by contract	2	$ -	Operation	$ -	None	$ -	$ 281,245	$ 1,124,980	-

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1)The Company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: The column of 'Nature of loan' shall fill in 'Business transaction or 'Short-term financing'.

(1)The business transaction is'1'.

(2)The short-term financing is'2'.

Note 3: According to the Company's "Procedures for Lending Funds to Other Parties", the total amount available for lending purpose shall not exceed forty percent (40%) of the net worth of the Company. The total amount for lending to a company having business relationship with the Company shall not exceed the total transaction amount between the parties during the period of twelve (12) months prior to the time of lending (For the purpose of this Procedure, the "transaction amount" shall mean the sales or purchasing amount between the parties, whichever is higher), and shall not exceed ten percent (10%) of the net worth of the Company. The total amount for lending to a company for funding for a short-term period shall not exceed ten percent (10%) of the net worth of the Company. In addition, the total amount lendable to any one borrower shall be no more than thirty percent (30%) of the borrower's net worth, provided that this restriction will not apply to subsidiaries whose voting shares are 100% owned, directly or indirectly, by the Company. The total amount for fund-lending between the subsidiaries whose voting shares are 100% owned, directly or indirectly, by the Company will not be subject to the limit of forty percent (40%) of the net worth of the lending subsidiary.

GCS HOLDINGS, INC.

Provision of endorsements and guarantees to others

For the six-month period ended June 30, 2018

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed: Company name	Party being endorsed/guaranteed: Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount for the six-month period ended June 30, 2018	Outstanding endorsement/ guarantee amount at June 30, 2018	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
0	GCS Holdings, Inc.	Global Device Technologies, Co., Ltd.	2	$ 1,124,980	$ 30,460	$ 30,460	$ 20,000	$ 30,460	1.08%	$ 1,124,980	Y	N	N	-
1	Global Communication Semiconductors, LLC	GCS Holdings, Inc.	4	1,124,980	175,170	-	-	-	-	1,124,980	N	Y	N	-

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1)The Company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories; fill in the number of category each case belongs to:

(1)Having with which it does business.

(2)The endorser/guarantor parent company owns directly or indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3)The endorser/guarantor parent company owns directly or indirectly more than 50% voting shares of the endorsed/guaranteed company.

(4)The endorsed/guaranteed parent company owns directly or indirectly more than jointly 90% voting shares of the endorser/guarantor company.

(5)Mutual guarantee of the trade or co-contractor as required by the construction contract.

(6)Due to joint venture, mutual shareholder provides endorsements/guarantees to the endorsed/guaranteed company in ratio to its ownership.

(7)Companies in the same industry provide among themselves joint and several security for a performance guarantee of sales contract for pre-construction homes pursuant to the consumer Protection Act for each other.

Note 3: According to the Company's "Procedures for Endorsement and Guarantee", the total amount of endorsement/guarantee provided by the Company is limited to forty percent (40%) of the Company's net worth, and the total amount of the guarantee provided by the Company to any individual entity is limited to ten percent of the Company's net worth. The total amount of the guarantee provided by the Company to any subsidiary whose voting shares are 100% owned, directly or indirectly, by the Company shall notexceed forty percent (40%) of the Company's net worth.

The aggregate total amount of endorsement/guarantee provided by the Company and its subsidiaries shall not exceed fifty percent (50%) of the Company's net worth.

GCS HOLDINGS, INC.

Significant inter-company transactions during the reporting period

For the six-month period ended June 30, 2018

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
1	D-Tech Optoelectronics, Inc	Global Communication Semiconductors, LLC	3	Sales revenue	$ 22,774	Conducted in the ordinary course of business with terms similar to those with third parties	2.27%
2	D-Tech Optoelectronics (Taiwan) Corporation	D-Tech Optoelectronics, Inc.	3	Service revenue	35,722	Conducted in the ordinary course of business with terms similar to those with third parties	3.57%
2	D-Tech Optoelectronics (Taiwan) Corporation	D-Tech Optoelectronics, Inc.	3	Other receivable - related party	6,312	Conducted in the ordinary course of business with terms similar to those with third parties	0.19%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1)Parent company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(1)Parent company to subsidiary.

(2)Subsidiary to parent company.

(3)Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: The Company may decide to disclose or not to disclose transaction details in this table based on the Materiality Principle.

GCS HOLDINGS, INC.

Information on investees (not including investees in Mainland China)

For the six-month period ended June 30, 2018

Table 10

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee (Note 1、2)	Location	Main business activities	Initial investment amount: Balance as at June 30, 2018	Initial investment amount: Balance as at December 31, 2017	Shares held as at June 30, 2018: Number of shares	Shares held as at June 30, 2018: Ownership (%)	Shares held as at June 30, 2018: Book value	Net profit (loss) of the investee for the six-month period ended June 30, 2018 (Note 2(2))	Investment income (loss) recognised by the Company for the six-month period ended June 30, 2018 (Note 2(3))	Footnote
GCS Holdings, Inc.	Global Communication Semiconductors, LLC	Los Angeles, USA	1. Manufacturing of high-end radio frequency ICs, optoelectronic device compound semiconductor wafer and foundry related services as well as granting royalty rights for intellectual property. 2. Manufacturing and selling of advanced optoelectronics technology products	$ 403,975	$ 403,975	-	100%	$ 2,281,594	$ 190,365	$ 190,365	-
GCS Holdings, Inc.	Global Device Technologies, Co., Ltd.	Taiwan	Product design and research development services	12,000	12,000	-	100%	27,745	293	293	-
Global Communication Semiconductors, LLC	D-Tech Optoelectronics, Inc.	Los Angeles, USA	Developing, manufacturing and selling of positive, intrinsic, negative components and avalanche photo diodes for telecommunication systems and data communication networks	393,380	393,380	360,000	100%	402,957	9,994	9,994	-
D-Tech Optoelectronics, Inc.	D-Tech Optoelectronics (Taiwan) Corporation	Taiwan	Manufacturing and selling of optical chips	89,840	89,840	5,800,000	100%	76,195	(8,306)	(8,306)	-

Note 1: If a public company is equipped with an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

(1)The columns of 'Investee', 'Location', 'Main business activities', Initial investment amount' and 'Shares held as at June 30, 2018' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column..

(2)The 'Net profit (loss) of the investee for the six-month period ended June 30, 2018' column should fill in amount of net profit (loss) of the investee for this period.

(3)The 'Investment income (loss) recognised by the Company for the six-month period ended June 30, 2018' column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

GCS HOLDINGS, INC.

Information on investments in Mainland China

For the six-month period ended June 30, 2018

Table 11

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the six-month period ended June 30, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2018	Net income of investee for the six-month period ended June 30, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the six-month period ended June 30, 2018 (Note 2)	Book value of investments in Mainland China as of June 30, 2018	Accumulated amount of investment income remitted back to Taiwan as of June 30, 2018	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Xiamen Global Advanced Semiconductor Co., Ltd.	Developing, manufacturing and selling of mobile phone radio frequency, filter, optical communication chip, power management and optical fiber	$ 30,663	2	$ -	$ -	$ -	$ -	$ 19	49%	$ 9	$ 14,620	$ -	(Note 4)

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2018	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Xiamen Global Advanced Semiconductor Co., Ltd.	$ -	$ -	$ -

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

(1)Directly invest in a company in Mainland China..

(2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.

(3) Others

Note 2: In the 'Investment income (loss) recognised by the Company for the six-month period ended June 30, 2018' column:

(1)It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.

(2)Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:

A.The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.

B.The financial statements that are audited and attested by R.O.C. parent company's CPA.

C.Others.

Note 3: The numbers in this table are expressed in New Taiwan Dollars.

Note 4: The Company was incorporated in Cayman Islands and investment amount of $14,906 was transferred from the Company's U.S. bank account to Mainland China on June 23, 2017.