GCS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
AND REVIEW REPORT OF
INDEPENDENT ACCOUNTANTS
JUNE 30, 2016 AND 2015

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REPORT OF INDEPENDENT ACCOUNTANTS

PWCR16000022

To the Board of Directors and Stockholders of GCS Holdings, Inc.

We have reviewed the accompanying consolidated balance sheets of GCS Holdings, Inc. and its subsidiaries as of June 30, 2016 and 2015, and the related consolidated statements of comprehensive income for the three-month and six-month periods then ended, and of changes in equity and of cash flows for the six-month periods then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express a conclusion on these financial statements based on our reviews.

We conducted our reviews in accordance with the Statement of Auditing Standards No. 36, "Engagements to Review Financial Statements" in the Republic of China. A review consists primarily of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in the Republic of China, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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

PricewaterhouseCoopers, Taiwan

August 1, 2016

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 review of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or review standards generally accepted in the Republic of China, and their applications in practice.

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GCS HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

(AMOUNTS AS OF JUNE 30, 2016 AND 2015 WERE REVIEWED, NOT AUDITED)

ASSETS	Notes	June 30, 2016 (Unaudited)	December 31, 2015	June 30, 2015 (Unaudited)
Current assets				
Cash and cash equivalents	6(1)	$ 1,290,712	$ 1,237,513	$ 1,190,862
Available-for-sale financial assets, net - current	6(2)	41,668	-	-
Accounts receivable, net	6(3)	267,013	205,006	183,066
Other receivables		12,819	15,271	12,214
Current income tax assets		-	-	3,375
Inventories, net	6(4)	358,027	331,800	299,223
Prepayments		11,269	5,111	3,756
Other current assets		-	4,924	236
Total current assets		1,981,508	1,799,625	1,692,732
Non-current assets				
Available-for-sale financial assets, net	6(2)	22,539	52,479	25,460
Property, plant and equipment, net	6(5) and 8	499,573	473,634	175,304
Intangible assets		15,867	20,496	22,563
Deferred income tax assets		200,534	203,951	191,742
Other non-current assets	8	102,864	103,182	47,052
Total non-current assets		841,377	853,742	462,121
Total assets		$ 2,822,885	$ 2,653,367	$ 2,154,853

(Continued)

GCS HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(AMOUNTS AS OF JUNE 30, 2016 AND 2015 WERE REVIEWED, NOT AUDITED)

LIABILITIES AND EQUITY	Notes	June 30, 2016 (Unaudited)	December 31, 2015	June 30, 2015 (Unaudited)
Current liabilities				
Financial liabilities at fair value through profit or loss	6(6)	$ 129,012	$ 120,164	$ 109,236
Accounts payable		44,539	41,390	33,597
Other payables	6(9)	148,854	133,075	121,203
Current income tax liabilities		18,630	5,671	504
Long-term borrowings - current portion	6(8)	19,697	19,616	-
Other current liabilities	6(10)	13,807	15,946	11,060
Total current liabilities		374,539	335,862	275,600
Non-current liabilities				
Bonds payable	6(7)	345,332	457,386	481,867
Long-term borrowings	6(8)	115,057	127,142	-
Deferred income tax liabilities		73,930	62,303	62,367
Other non-current liabilities	6(10)	20,909	27,111	30,873
Total non-current liabilities		555,228	673,942	575,107
Total liabilities		929,767	1,009,804	850,707
Equity attributable to owners of parent				
Share capital	6(13)			
Common stock		602,063	577,999	458,902
Stock dividends to be distributed	6(15)	130,050	-	101,934
Capital surplus	6(14)	603,454	468,688	399,812
Retained earnings	6(15)			
Special reserve		6,821	6,821	6,821
Unappropriated retained earnings		428,520	473,560	284,160
Other equity items	6(16)	122,210	116,495	52,517
Equity attributable to owners of the parent		1,893,118	1,643,563	1,304,146
Total equity		1,893,118	1,643,563	1,304,146
Significant contingent liabilities and unrecognised contract commitments	9			
Significant events after the balance sheet date	11			
TOTAL LIABILITIES AND EQUITY		$ 2,822,885	$ 2,653,367	$ 2,154,853

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 FOR EARNINGS PER SHARE)

(UNAUDITED)

			For the three-month periods ended June 30,				For the six-month periods ended June 30,			
			2016		2015		2016		2015	
	Items	Notes	Amount	%	Amount	%	Amount	%	Amount	%
4000	**Sales revenue**	6(17)	$ 481,273	100	$ 406,083	100	$ 945,058	100	$ 763,331	100
5000	**Cost of goods sold**	6(4)(20)	(286,847)	(60)	(246,142)	(61)	(516,779)	(55)	(470,688)	(62)
5900	**Net operating margin**		194,426	40	159,941	39	428,279	45	292,643	38
	Operating expenses	6(20)(21)								
6100	Selling expenses		(9,526)	(2)	(7,469)	(2)	(20,396)	(2)	(13,764)	(2)
6200	General and administrative expenses		(76,287)	(16)	(46,379)	(11)	(157,823)	(17)	(101,554)	(13)
6300	Research and development expenses		(35,083)	(7)	(37,918)	(9)	(85,134)	(9)	(70,460)	(9)
6000	**Total operating expenses**		(120,896)	(25)	(91,766)	(22)	(263,353)	(28)	(185,778)	(24)
6900	**Operating profit**		73,530	15	68,175	17	164,926	17	106,865	14
	Non-operating income and expenses									
7010	Other income		1,064	-	323	-	1,587	-	398	-
7020	Other gains and losses	6(18)	27,266	6	(11,751)	(3)	(36,027)	(3)	(11,804)	(1)
7050	Finance costs	6(19)	(7,873)	(2)	(4,678)	(1)	(17,249)	(2)	(5,232)	(1)
7000	**Total non-operating income and expenses**		20,457	4	(16,106)	(4)	(51,689)	(5)	(16,638)	(2)
7900	**Profit before income tax**		93,987	19	52,069	13	113,237	12	90,227	12
7950	Income tax (expense) benefit	6(22)	(11,424)	(2)	37	-	(13,777)	2	(3,372)	-
8200	**Profit for the period**		$ 82,563	17	$ 52,106	13	$ 99,460	10	$ 86,855	12
	Other comprehensive income									
	Other components of other comprehensive income that will not be reclassified to profit or loss									
8310	Financial statement translation differences of foreign operations	6(16)	$ 12,283	3	($ 17,889)	(4)	($ 13,787)	(1)	($ 31,592)	(4)
	Components of other comprehensive income that will be reclassified to profit or loss									
8362	Unrealized gain (loss) on valuation of available-for-sale financial assets	6(16)	10,241	2	17,745	4	31,795	3	17,745	2
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(16)	(4,078)	(1)	(7,068)	(2)	(12,664)	(1)	(7,068)	(1)
	Total other comprehensive income (loss), net		$ 18,446	4	($ 7,212)	(2)	$ 5,344	1	($ 20,915)	(3)
8500	**Total comprehensive income for the period**		$ 101,009	21	$ 44,894	11	$ 104,804	11	$ 65,940	9
	Profit, attributable to:									
8610	Owners of the parent		$ 82,563	17	$ 52,106	13	$ 99,460	10	$ 86,855	12
	Total comprehensive income attributable to:									
8710	Owners of the parent		$ 101,009	21	$ 44,894	11	$ 104,804	11	$ 65,940	9
9750	**Basic earnings per share (In dollars)**	6(23)	$	1.39	$	0.95	$	1.70	$	1.58
9850	**Diluted earnings per share (In dollars)**	6(23)	$	1.12	$	0.91	$	1.66	$	1.52

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			
	Note	Common Stock	Stock Dividends to be Distributed	Capital Surplus	Special Reserve	Unappropriated Retained Earnings	Currency Translation Differences of Foreign Operations	Unrealised Gains on Available-for-Sale Financial Assets	Other Equity - Others	Total
For the six-month period ended June 30, 2015										
Balance at January 1, 2015		$ 453,042	$ -	$ 371,002	$ 6,821	$ 310,565	$ 73,996	$ -	($ 1,577)	$ 1,213,849
Appropriations of 2014 earnings										
Cash dividends	6(15)	-	-	-	-	(11,326)	-	-	-	(11,326)
Stock dividends	6(15)	-	101,934	-	-	(101,934)	-	-	-	-
Compensation cost of share-based payment	6(12)(14)(16)	-	-	6,469	-	-	-	-	1,013	7,482
Consolidated net income for the six-month period ended June 30, 2015	6(15)	-	-	-	-	86,855	-	-	-	86,855
Issuance of stock from exercise of employee stock options	6(13)(14)	3,151	-	2,698	-	-	-	-	-	5,849
Conversion of convertible bonds	6(13)(14)	2,709	-	19,643	-	-	-	-	-	22,352
Other comprehensive income (loss) for the six-month period ended June 30, 2015	6(16)	-	-	-	-	-	(31,592)	10,677	-	(20,915)
Balance at June 30, 2015		$ 458,902	$ 101,934	$ 399,812	$ 6,821	$ 284,160	$ 42,404	$ 10,677	($ 564)	$ 1,304,146

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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			
	Note	Common Stock	Stock Dividends to be Distributed	Capital Surplus	Special Reserve	Unappropriated Retained Earnings	Currency Translation Differences of Foreign Operations	Unrealised Gains on Available-for-Sale Financial Assets	Other Equity - Others	Total
For the six-month period ended June 30, 2016										
Balance at January 1, 2016		$ 577,999	$ -	$ 468,688	$ 6,821	$ 473,560	$ 128,882	$ 682	($ 13,069)	$ 1,643,563
Appropriations of 2015 earnings										
Cash dividends	6(15)	-	-	-	-	(14,450)	-	-	-	(14,450)
Stock dividends	6(15)	-	130,050	-	-	(130,050)	-	-	-	-
Compensation cost of share-based payment	6(12)(14)(16)	-	-	5,928	-	-	-	-	7,484	13,412
Consolidated net income for the six-month period ended June 30, 2016	6(15)	-	-	-	-	99,460	-	-	-	99,460
Issuance of restricted stocks to employees	6(13)(14)(16)	1,017	-	6,221	-	-	-	-	(7,228)	10
Retirement of restricted stocks to employees	6(13)(14)(16)	(20)	-	(95)	-	-	-	-	115	-
Issuance of stock from exercise of employee stock options	6(13)(14)	1,425	-	1,454	-	-	-	-	-	2,879
Conversion of convertible bonds	6(13)(14)	21,642	-	121,258	-	-	-	-	-	142,900
Other comprehensive income (loss) for the six-month period ended June 30, 2016	6(16)	-	-	-	-	-	(13,787)	19,131	-	5,344
Balance at June 30, 2016		$ 602,063	$ 130,050	$ 603,454	$ 6,821	$ 428,520	$ 115,095	$ 19,813	($ 12,698)	$ 1,893,118

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

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

		For the six-month periods ended June 30,	
	Note	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		$ 113,237	$ 90,227
Adjustments to reconcile income before income tax to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Bad debt expense		899	-
Written-off of accounts receivable booked as bad debts expense		-	1,383
Depreciation	6(20)	30,853	21,473
Amortisation	6(20)	4,415	4,167
Interest expense	6(19)	17,249	5,232
Interest income		(1,587)	(398)
Compensation cost of stock-based compensation	6(12)	13,412	7,482
Net loss on financial liabilities at fair value through profit or loss	6(18)	45,868	12,775
Gain on disposal of investments		(14,983)	-
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Accounts receivable		(67,364)	1,477
Other receivables		2,230	(4,843)
Inventories		(32,284)	(34,866)
Prepaid expenses		(6,339)	(234)
Net changes in liabilities relating to operating activities			
Accounts payable		3,903	7,493
Other payables		9,459	14,558
Other current liabilities		(2,133)	(871)
Cash provided by operations		116,835	125,055
Interest received		1,587	398
Interest paid		(3,414)	(1,025)
Income tax paid		535	(3,148)
Net cash provided by operating activities		114,473	121,280
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of available-for-sale financial assets		-	(7,795)
Acquisition of property, plant and equipment	6(25)	(80,805)	(40,026)
Acquisition of intangible assets		(47)	(206)
Decrease in other non-current assets		2,752	193
Proceeds from disposal of available-for-sale financial assets		34,362	-
Decrease in refundable deposits		4,917	1,353
Net cash used in investing activities		(38,821)	(46,481)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of long-term borrowings		(9,695)	-
Proceeds from issuance of convertible bonds	6(7)	-	600,000
Proceeds from exercise of employee stock options		2,879	4,091
Net cash used in financing activities		(6,816)	(604,091)
Effect of changes in exchange rates		(15,637)	(15,413)
Increase in cash and cash equivalents		53,199	663,477
Cash and cash equivalents at beginning of period	6(1)	1,237,513	527,385
Cash and cash equivalents at end of period	6(1)	$ 1,290,712	$ 1,190,862

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

GCS HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)
(UNAUDITED)

1. HISTORY AND ORGANIZATION

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 issued new shares in exchange for 100% of Global Communication Semiconductors, Inc.'s outstanding shares at the exchange ratio of 1:5 on December 28, 2010. After the reorganization, the Company became the parent company of Global Communication Semiconductors, LLC (GCS LLC). The name of Global Communication Semiconductors, Inc. was changed to Global Communication Semiconductors, LLC. in January 2011. 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 its subsidiaries (collectively referred herein as the "Group") are engaged in the manufacturing of GaAs wafer and provide GaAs foundry related services.

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

These consolidated financial statements were authorised for issuance by the Board of Directors on August 1, 2016.

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")

None.

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

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

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

A. Amendments to IAS 1, 'Disclosure initiative'

This amendment clarifies the presentation of materiality, aggregation and subtotals, the framework of financial report, and the guide for accounting disclosure.

B. Amendments to IAS 36, 'Recoverable amount disclosures for non-financial assets'

The amendments remove the requirement to disclose recoverable amount when a cash generating unit (CGU) contains goodwill or indefinite lived intangible assets but there has been no impairment. When a material impairment loss has been recognised or reversed for an individual asset, including goodwill, or a CGU, it is required to disclose the recoverable amount of the asset or CGU. If the recoverable amount is fair value less costs of disposal, it is required to disclose the level of the fair value hierarchy, the valuation techniques(s) used and key assumptions.

C. Annual improvements to IFRSs 2010-2012 cycle

(a) IFRS 2, 'Share-based payment'

The amendment clarifies the definition of a 'vesting condition' includes only service condition and performance condition. The amendment revises the definition of 'service condition', 'performance condition' and 'market condition'.

(b) IFRS 8, 'Operating segments'

The standard is amended to require disclosure of judgments made by management in aggregating operating segments. This amendment also clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets is required only when segment asset is provided to chief operating decision maker regularly.

(c) IFRS 13, 'Fair value measurement'

When issuing IFRS 13, 'fair value measurement', the IASB removed the guidance that an entity could measure short-term receivables and payables with no stated interest rate at invoice amounts without discounting, when the effect of not discounting is immaterial. The amendment clarifies the deletion was made by IASB noting that paragraph 8 of IAS 8 already permits entities not to apply accounting policies set out in accordance with IFRSs when the effect of applying them is immaterial. The IASB did not intend to change the aforementioned measurement requirements, thus, entities can still apply above standard.

(d) IAS 24, 'Related party disclosures'

The standard is amended to include, as a related party, an entity (or any member of a group of which it is a part) that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity').

D. Annual improvements to IFRSs 2011-2013 cycle

IFRS 13, 'Fair value measurement'

The amendment clarifies that the exception of measuring the fair value of a group of financial assets and financial liabilities (portfolio exception) applies to all financial assets, financial liabilities and other contracts within the scope of IFRS 9 or IAS 39.

E. Annual improvements to IFRSs 2012-2014 cycle

IAS 34, 'Interim financial reporting'

The amendment clarifies what is meant by the reference in the standard to "information disclosed elsewhere in the interim financial report". The amendment further amends IAS 34 to require a cross-reference form the interim financial statements to the location of that information.

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

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs endorsed by the FSC effective from 2017:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Classification and measurement of share-based payment transactions (amendments to IFRS 2)	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Clarifications to IFRS 15, 'Revenue from contracts with customers' (amendments to IFRS 15)	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017

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

A. IFRS 9, 'Financial instruments'

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

(b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses ('ECL') or lifetime ECL (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance).

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

B. IFRS 15 "Revenue from contracts with customers"

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:

Step1: 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.

C. Amendments to IFRS 15, 'Clarifications to Revenue from Contracts with Customers'

The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and determine whether the revenue from granting a license should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.

D. IFRS 16, 'Leases'

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

E. 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.

F. Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses'

These amendments clarify the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, and they clarify several of the general principles underlying the accounting for deferred tax assets. The amendments clarify that a deductible temporary difference exists whenever an asset is measured at fair value and that fair value is below the asset's tax base. When an entity assesses whether taxable profits will be available against which it can utilise a deductible temporary difference, it considers a deductible temporary difference in combination with all of its other deductible temporary differences unless there are tax law restrictions, and the tax deduction resulting from temporary differences is excluded from estimated future taxable profits.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Rules Governing the Preparation of Financial Statements by Securities Issuers" and IAS 34, "Interim Financial Reporting" as endorsed by the FSC.

(2) Basis of preparation

A. Except for the 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 judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(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 subsidiary 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, 2016	December 31, 2015	June 30, 2015
The Company	Global Communication Semiconductors, LLC	GaAs wafer and foundry services	100%	100%	100%
The Company	Global Device Technologies, Co., Ltd.	Product design and research development services	100%	100%	100%

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) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is United States dollars; however, the consolidated financial statements are presented in New Taiwan dollars in accordance with the regulations of the country where the consolidated financial statements are reported to the regulatory authorities.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

(b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

(c) All resulting exchange differences are recognised in other comprehensive income.

(5) <u>Classification of current and non-current items</u>

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be paid off within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be paid off within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(7) Available-for-sale financial assets

A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

B. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using trade date accounting.

C. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in 'financial assets measured at cost'.

(8) Accounts receivable

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognised at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. However, since the short-term accounts receivable bear no interest, considering the discounting effects would not be significant, the Group subsequently measures those receivables at the invoice amount.

(9) Impairment of financial assets

A. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

B. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:

(a) Significant financial difficulty of the issuer or debtor; and

(b) It becomes probable that the borrower will enter bankruptcy or other financial reorganization.

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

(a) Financial assets measured at amortised cost

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

(b) Available-for-sale financial assets

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

(10) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(11) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in process comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(12) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Property, plant and equipment apply cost model. Land is not depreciated and other property, plant and equipment are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each significant part of an item of property, plant and equipment is required to be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change.

The estimated useful lives of property, plant and equipment are as follows:

Buildings	35 years
Machinery and equipment	7 years
Computer and communication equipment	5 years
Research equipment	7 years
Office equipment	7 ~10 years
Leased assets	7 years
Leasehold improvements	6 years

(13) Leased assets/leases (lessee)

A. Based on the terms of a lease contract, a lease is classified as a finance lease if the Group assumes substantially all the risks and rewards incidental to ownership of the leased asset.

(a) A finance lease is recognised as an asset and a liability at the lease's commencement at the lower of the fair value of the leased asset or the present value of the minimum lease payments.

(b) The minimum lease payments are apportioned between the finance charges and the reduction of the outstanding liability. The finance charges are allocated to each period over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(c) Property, plant and equipment held under finance leases are depreciated over their estimated useful lives. If there is no reasonable certainty that the Group will obtain ownership at the end of the lease, the asset shall be depreciated over the shorter of the lease term and its useful life.

B. An operating lease is a lease other than a finance lease. Payments made under an operating lease are recognised in profit or loss on a straight-line basis over the lease term.

(14) Intangible assets

Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 1 to 5 years.

(15) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist, the impairment loss shall be reversed to the extent of the loss previously recognised in profit or loss.

(16) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognised initially at fair value and subsequently measured at amortized cost using the effective interest method. However, since the short-term accounts payable bear no interest, considering the discounting effects would not be significant, the Group subsequently measures those payables at the invoice amount.

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

A. Financial liabilities at fair value through profit or loss are financial liabilities held for trading or financial liabilities designated as at fair value through profit or loss on initial recognition. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorized as financial liabilities held for trading unless they are designated as hedges. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:

(a) Hybrid (combined) contracts; or

(b) They eliminate or significantly reduce a measurement or recognition inconsistency; or

(c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

B. Financial liabilities at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognised in profit or loss.

(18) Derecognition of financial liabilities

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

(19) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(20) Financial liabilities

Bonds payable

Convertible corporate bonds issued by the Company contain conversion options (that is, the bondholders have the right to convert the bonds into the Company's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Company classifies the bonds payable and derivative features embedded in convertible corporate bonds on initial recognition as a financial asset, a financial liability or an equity instrument ('capital surplus-stock warrants') in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument. Convertible corporate bonds are accounted for as follows:

(a) Call options and put options embedded in convertible corporate bonds are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.

(b) Bonds payable of convertible corporate bonds is initially recognised at fair value and subsequently stated at amortised cost. Any difference between the proceeds and the redemption value is accounted for as the premium or discount on bonds payable and presented as an addition to or deduction from bonds payable, which is amortised in profit or loss as an adjustment to the 'finance costs' over the period of bond circulation using the effective interest method.

(c) Any transaction costs directly attributable to the issuance of convertible corporate bonds are allocated to the liability and equity components in proportion to the allocation of proceeds.

(d) When bondholders exercise conversion options, the liability component of the bonds (including 'bonds payable and 'financial assets or financial liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The book value of common shares issued due to the conversion shall be based on the adjusted book value of the above-mentioned liability component.

(21) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expenses in that period when the employees render service.

B. Pensions

Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognises termination benefits when it is demonstrably committed to a termination, when it has a detailed formal plan to terminate the employment of current employees and when it can no longer withdraw the plan.

D. Employees' and directors' remuneration

Employees' and directors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is distributed by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(22) Employee share-based payment

A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

B. Restricted stocks

(a) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period.

(b) For restricted stocks where those stocks do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Group recognises the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the date of dividends declaration.

(23) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiary operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities.

C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

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

(24) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(25) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(26) Revenue recognition

A. Sales of goods

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

B. Royalty income

Royalty income is recognised when it is probable that future economic benefits will flow to the entity and these benefits can be measured reliably. The revenue is accounted for under the accrual basis.

(27) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

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

The preparation of these consolidated financial statements requires management to make critical judgments 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 judgments 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 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 and profit rate, tax exempt duration, available tax credits, tax planning, etc. Any variations in global economic environment, industrial environment, and laws and regulations might cause material adjustments to deferred tax assets.

As of June 30, 2016, the Group recognised deferred tax assets amounting to $200,534.

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 judgments 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. Therefore, there might be material changes to the evaluation.

As of June 30, 2016, the carrying amount of inventories was $358,027.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	June 30, 2016	December 31, 2015	June 30, 2015
Cash on hand and petty cash	$ 115	$ 116	$ 112
Checking accounts and demand deposits	1,089,251	1,024,784	960,840
Cash equivalents – money market fund	201,346	212,613	229,910
Total	$ 1,290,712	$ 1,237,513	$ 1,190,862

A. The Group transacts with a variety of financial institutions all 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) Available-for-sale financial assets

	June 30, 2016	December 31, 2015	June 30, 2015
Current items:			
Emerging stocks	$ 23,210	$ -	$ -
Valuation adjustment	18,458	-	-
	$ 41,668	$ -	$ -
Non-current items:			
Listed stocks	$ 8,069	$ 8,206	$ 7,715
Emerging stocks	-	43,140	-
Subtotal	8,069	51,346	7,715
Valuation adjustment	14,470	1,133	17,745
	$ 22,539	$ 52,479	$ 25,460

1. The Group recognised $24,141, $17,745, $45,695 and $17,745 in other comprehensive income for fair value change for the three-month and six-month periods ended June 30, 2016 and 2015, respectively.

2. The Group reclassified $13,900 from equity to profit or loss in and recognised $14,983 in gain on disposal of available-for-sale financial assets for both three-month and six-month periods ended June 30, 2016.

(3) Accounts receivable, net

	June 30, 2016	December 31, 2015	June 30, 2015
Accounts receivable - third parties	$ 271,548	$ 207,645	$ 184,649
Less: Allowance for bad debts	(885)	-	-
Allowance for sales returns and discounts	(3,650)	(2,639)	(1,583)
	$ 267,013	$ 205,006	$ 183,066

A. 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:

	June 30, 2016	December 31, 2015	June 30, 2015
Group 1	$ 121,631	$ 78,121	$ 60,735
Group 2	105,718	85,715	91,468
Group 3	5,132	7,153	5,852
	$ 232,481	$ 170,989	$ 158,055

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

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

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

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

	June 30, 2016	December 31, 2015	June 30, 2015
Up to 30 days	$ 30,272	$ 31,530	$ 19,130
31 to 60 days	132	1,109	5,196
61 to 90 days	3,243	-	589
Over 90 days	885	-	96
	$ 34,532	$ 32,639	$ 25,011

C. Analysis of movement of impaired accounts receivable:

(a) As of June 30, 2016, December 31, 2015 and June 30, 2015, the Group's accounts receivable that were impaired amounted to $885, $0 and $0.

(b) Movements on the Group's provision for impairment of accounts receivable are as follows:

	2016	2015
At January 1	$ -	$ -
Provision for impairment	855	1,383
Write-off during the period	-	(1,383)
At June 30	$ 855	$ -

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

(4) Inventories

	June 30, 2016		
	Cost	Allowance	Book Value
Raw materials	$ 154,466	($ 18,606)	$ 135,860
Work in process	187,581	(26,501)	161,080
Finished goods	67,957	(6,870)	61,087
	$ 410,004	($ 51,977)	$ 358,027

	December 31, 2015		
	Cost	Allowance	Book Value
Raw materials	$ 158,274	($ 28,020)	$ 130,254
Work in process	201,389	(57,225)	144,164
Finished goods	62,701	(5,319)	57,382
	$ 422,364	($ 90,564)	$ 331,800

	June 30, 2015		
	Cost	Allowance	Book Value
Raw materials	$ 113,835	($ 19,911)	$ 93,924
Work in process	170,029	(23,155)	146,874
Finished goods	60,746	(2,321)	58,425
	$ 344,610	($ 45,387)	$ 299,223

Expense and cost incurred on inventories for the three-month and six-month periods ended June 30, 2016 and 2015 were as follows:

	For the three-month periods ended June 30,	
	2016	2015
Cost of inventories sold	$ 294,496	$ 243,881
Loss on market price decline	4,546	13,180
Revenue from sale of scraps	(12,195)	(10,919)
	$ 286,847	$ 246,142

	For the six-month periods ended June 30,	
	2016	2015
Cost of inventories sold	$ 578,184	$ 475,326
Loss on (recovery of) market price decline	(37,650)	18,515
Revenue from sale of scraps	(23,755)	(23,153)
	$ 516,779	$ 470,688

The Group reversed a previous inventory write-down and accounted for as reduction of cost of goods sold for the six-month period ended June 30, 2016 because part of the inventories were sold.

(5) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Computer and communication equipment	Research equipment	Office equipment	Leased assets	Leasehold improvements	Total
At January 1, 2016									
Cost	$ 151,159	$ 100,773	$ 726,535	$ 10,314	$ 43,678	$ 5,484	$ 46,133	$ 221,910	$ 1,305,806
Accumulated depreciation and impairment	-	(1,200)	(600,091)	(6,217)	(25,961)	(3,085)	(12,480)	(183,138)	(832,172)
	$ 151,159	$ 99,573	$ 126,444	$ 3,917	$ 17,717	$ 2,399	$ 33,653	$ 38,772	$ 473,634
For the six-month period ended June 30, 2016									
Opening net book amount	$ 151,159	$ 99,573	$ 126,444	$ 3,917	$ 17,717	$ 2,399	$ 33,653	$ 38,772	$ 473,634
Additions	-	-	48,791	1,603	14,708	-	-	-	65,102
Depreciation charge	-	(1,438)	(15,978)	(743)	(1,897)	(247)	(3,291)	(7,259)	(30,853)
Net exchange differences	(2,533)	(1,646)	(2,616)	(66)	(371)	(32)	(513)	(533)	(8,310)
Closing net book amount	$ 148,626	$ 96,489	$ 156,641	$ 4,711	$ 30,157	$ 2,120	$ 29,849	$ 30,980	$ 499,573
At June 30, 2016									
Cost	$ 148,626	$ 99,084	$ 762,411	$ 11,312	$ 57,562	$ 5,350	$ 45,360	$ 218,202	$ 1,347,907
Accumulated depreciation and impairment	-	(2,595)	(605,770)	(6,601)	(27,405)	(3,230)	(15,511)	(187,222)	(848,334)
	$ 148,626	$ 96,489	$ 156,641	$ 4,711	$ 30,157	$ 2,120	$ 29,849	$ 30,980	$ 499,573

	Machinery and equipment	Computer and communication equipment	Research equipment	Office equipment	Leased assets	Leasehold improvements	Total
At January 1, 2015							
Cost	$ 652,560	$ 7,813	$ 26,250	$ 4,976	$ 32,817	$ 211,715	$ 936,131
Accumulated depreciation and impairment	(556,000)	(4,753)	(24,602)	(2,512)	(5,818)	(162,776)	(756,461)
	$ 96,560	$ 3,060	$ 1,648	$ 2,464	$ 26,999	$ 48,939	$ 179,670
For the six-month period ended June 30, 2015							
Opening net book amount	$ 96,560	$ 3,060	$ 1,648	$ 2,464	$ 26,999	$ 48,939	$ 179,670
Additions	7,465	1,638	94	-	11,491	880	21,568
Depreciation charge	(10,724)	(610)	(196)	(213)	(2,993)	(6,737)	(21,473)
Net exchange differences	(2,370)	(78)	(40)	(59)	761	(1,153)	(4,461)
Closing net book amount	$ 90,931	$ 4,010	$ 1,506	$ 2,192	$ 34,736	$ 41,929	$ 175,304
At June 30, 2015							
Cost	$ 643,666	$ 9,192	$ 25,601	$ 4,852	$ 43,371	$ 207,310	$ 933,992
Accumulated depreciation and impairment	(552,735)	(5,182)	(24,095)	(2,660)	(8,635)	(165,381)	(758,688)
	$ 90,931	$ 4,010	$ 1,506	$ 2,192	$ 34,736	$ 41,929	$ 175,304

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

Item	June 30, 2016	December 31, 2015	June 30, 2015
Current items:			
Financial liabilities held for trading			
Call options, put options and conversion options embedded in convertible bonds	$ 65,793	$ 81,320	$ 96,461
Valuation adjustment	63,219	38,844	12,775
Total	$ 129,012	$ 120,164	$ 109,236

The Group recognised net (profit) loss of ($10,202), $12,775, $45,868 and $12,775, respectively, on financial liabilities at fair value through profit or loss for the three-month and six-month periods ended June 30, 2016 and 2015.

(7) Bonds payable

Item	June 30, 2016	December 31, 2015	June 30, 2016
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: conversion of convertible bonds	(209,800)	(66,900)	(22,000)
Less: discount on bonds payable	(44,868)	(75,714)	(96,133)
	$ 345,332	$ 457,386	$ 481,867

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 and cancelled by the Company's underwriter.

(f) Conversion period: The conversion right can be exercised at any time from June 14, 2015 through May 13, 2018 except that the bonds are in the lock-up period, or redeemed early by the Company 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$65.1 (in dollars) per share due to the distribution of stock dividends.

(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, when over 90% (inclusive) of the bonds have been redeemed, converted, called and retired, the Company may call outstanding bonds at 100% of their principal amount.

(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% 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) As of June 30, 2016, convertible bonds amounting to $73,800 was converted to ordinary shares of 1,133,629 shares.

(l) Please refer to Note 8 for the information of the Group's assets pledged to 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 and cancelled by the Company's underwriter.

(f) Conversion period: The conversion right can be exercised at any time from June 15, 2015 through May 14, 2018 except that the bonds are in the lock-up period, or redeemed early by the Company 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$66.7 (in dollars) per share due to the distribution of stock dividends.

(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 over 30 (inclusive) trading days during 30 consecutive trading days, when over 90% (inclusive) of the bonds have been redeemed, converted, called and retired, the Company may call outstanding bonds at 100% of their principal amount.

(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% 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 5.66%.

(k) As of June 30, 2016, convertible bonds amounting to $136,000 was converted to ordinary shares of 1,980,069 shares.

(8) Long-term borrowings

There were no long-term borrowings as of June 30, 2015. As of June 30, 2016 and December 31, 2015, the details of long-term borrowings are as follows:

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	June 30, 2016	December 31, 2015
Long-term bank borrowings Secured borrowings (Note 1)	Borrowing period is from August 6, 2015 to August 6, 2022; interest and principal are repayable monthly	4%	Land and buildings (Note 2)	$ 134,754	$ 146,758
Less: current portion				(19,697)	(19,616)
				$ 115,057	$ 127,142

Note 1: According to the secured loan contract, the Group was required to comply with certain financial covenants by maintaining certain financial ratios on an annual basis. As of June 30, 2016, the Group had not violated any of the required financial covenants.

Note 2: Please refer to Note 8 for the information of the Group's assets pledged to secured borrowings.

(9) Other payables

	June 30, 2016	December 31, 2015	June 30, 2015
Accrued salaries and bonuses	$ 39,075	$ 33,280	$ 28,841
Accrued employees' and directors' remuneration	30,103	21,983	12,623
Accrued unused compensated absences	19,349	15,788	15,498
Dividend payable	14,450	-	11,326
Accrued payable for equipment	5,033	11,008	-
Accrued service fee	4,767	9,433	6,992
Accrued miscellaneous expenses	3,716	5,248	2,696
Accrued utilities	2,502	2,109	2,693
Accrued rental expenses	80	54	6,835
Other accrued expenses	29,779	34,172	33,699
	$ 148,854	$ 133,075	$ 121,203

(10) Finance lease liabilities

The Group leases machinery and equipment assets under finance lease. Based on the terms of the lease contracts, the Group has the option to purchase the leased machinery and 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, 2016		
	Total finance lease liabilities	Future finance charges	Present value of finance lease liabilities
Current			
No later than one year (shown as 'other current liabilities')	$ 12,465	($ 1,086)	$ 11,379
Non-current			
Later than one year but not later than five years (shown as 'other non-current liabilities')	21,770	(861)	20,909
	$ 34,235	($ 1,947)	$ 32,288

	December 31, 2015		
	Total finance lease liabilities	Future finance charges	Present value of finance lease liabilities
Current			
No later than one year (shown as 'other current liabilities')	$ 12,679	($ 1,337)	$ 11,342
Non-current			
Later than one year but not later than five years (shown as 'other non-current liabilities')	28,485	(1,374)	27,111
	$ 41,164	($ 2,711)	$ 38,453

	June 30, 2015		
	Total finance lease liabilities	Future finance charges	Present value of finance lease liabilities
Current			
No later than one year (shown as 'other current liabilities')	$ 11,919	($ 1,470)	$ 10,449
Non-current			
Later than one year but not later than five years (shown as 'other non-current liabilities')	32,735	(1,862)	30,873
	$ 44,654	($ 3,332)	$ 41,322

(11) 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' salary determined annually by its Board of Directors from the Company's subsidiary to its employees' individual pension accounts. The Company's subsidiary started to adopt the Plan in accordance with IRC 401K from August 2010.

B. Effective July 1, 2005, the Company's Taiwan subsidiary has 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 subsidiary contributes 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, 2016 and 2015 amounted to $3,828, $3,085, $7,995 and $6,475, respectively.

(12) Share-based payment-employee compensation plan

A. As of June 30, 2016 and 2015, 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	January to October 2011	2,463,498 shares	10 years	(Note 1)
Employee stock options	April 2013	1,538,000 shares	10 years	(Note 2)
Employee stock options	August 2013	7,830 shares	10 years	(Note 2)
Employee stock options	October 2013	538,000 shares	10 years	(Note 2)
Employee stock options	February 2014	60,000 shares	10 years	(Note 2)
Employee stock options	November 2014	75,000 shares	10 years	(Note 2)
Employee stock options	January 2015	30,000 shares	10 years	(Note 2)
Employee stock options	February 2015	652,200 shares	10 years	(Note 2)
Employee stock options	July 2015	40,000 shares	10 years	(Note 2)
Employee stock options	March 2016	5,000 shares	10 years	(Note 2)
Restricted stocks to employees (Note 4)	August 2013	377,000 shares	2 years	(Note 3)
Restricted stocks to employees (Note 4)	October 2013	106,000 shares	2 years	(Note 3)
Restricted stocks to employees (Note 4)	July 2015	297,300 shares	2 years	(Note 3)
Restricted stocks to employees (Note 4)	November 2015	22,000 shares	2 years	(Note 3)
Restricted stocks to employees (Note 4)	January 2016	93,700 shares	2 years	(Note 3)
Restricted stocks to employees (Note 4)	March 2016	8,000 shares	2 years	(Note 3)

Note 1: Some employee stock options shall be vested and become exercisable as to 50% of the shares immediately, and the remaining 50% of such shares to be vested in the following year. Some options shall be vested and become exercisable as to 25% of the shares covered on the first anniversary of the vesting commencement date, and the remaining 75% of such shares ratably in equal installments as of the last day of each of the succeeding 36 months.

Note 2: 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 ratably in equal installments as of the last day of each of the succeeding 24 months.

Note 3: Some restricted stocks to employees shall be vested and become exercisable 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 4: 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 limited new employee stock options 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:

	For the six-month period ended June 30, 2016		
	No. of options	Currency	Weighted average exercise price
			(in dollars)
Options outstanding at beginning of the period	2,089,902	NTD	$ 29.47
Options granted	5,000	NTD	86.20
Options exercised	(142,459)	NTD	20.39
Options forfeited	(47,619)	NTD	31.97
Options outstanding at end of the period	1,904,824	NTD	30.25
Options exercisable at end of the period	848,423	NTD	17.24

	For the six-month period ended June 30, 2015		
	No. of options	Currency	Weighted average exercise price
			(in dollars)
Options outstanding at beginning of the period	2,453,800	NTD	$ 22.58
Options granted	682,200	NTD	60.96
Options exercised	(315,096)	NTD	18.47
Options forfeited	(34,833)	NTD	26.16
Options outstanding at end of the period	2,786,071	NTD	32.61
Options exercisable at end of the period	933,033	NTD	23.40

C. As of June 30, 2016, December 31, 2015 and June 30, 2015, the range of exercise prices of stock options outstanding are as follows:

		June 30, 2016		
Grant date	Expiration	No. of Shares	Grant date	Expiration
				(in dollars)
From January 2011 to October 2011	From January 2021 to October 2021	27,675	USD	$ 1.17
April 2013	April 2023	674,343	NTD	13.78
August 2013	August 2023	3,830	NTD	21.09
October 2013	October 2023	371,776	NTD	21.40
February 2014	February 2024	60,000	NTD	23.31
November 2014	November 2024	62,000	NTD	39.64
January 2015	January 2025	30,000	NTD	51.10
February 2015	February 2025	630,200	NTD	50.03
July 2015	July 2025	40,000	NTD	47.15
March 2016	March 2026	5,000	NTD	86.20
		1,904,824		

		December 31, 2015		
Grant date	Expiration	No. of Shares	Grant date	Expiration
				(in dollars)
From January 2011 to October 2011	From January 2021 to October 2021	27,675	USD	$ 1.17
April 2013	April 2023	703,197	NTD	13.78
August 2013	August 2023	7,830	NTD	21.09
October 2013	October 2023	504,000	NTD	21.40
February 2014	February 2024	60,000	NTD	23.31
November 2014	November 2024	75,000	NTD	39.64
January 2015	January 2025	30,000	NTD	51.10
February 2015	February 2025	642,200	NTD	50.03
July 2015	July 2025	40,000	NTD	47.15
		2,089,902		

		June 30, 2015		
Grant date	Expiration	No. of Shares	Currency	Stock options exercise price
				(in dollars)
From January 2011 to October 2011	From January 2021 to October 2021	313,750	USD	$ 1.17
April 2013	April 2023	1,143,291	NTD	16.77
August 2013	August 2023	7,830	NTD	25.67
October 2013	October 2023	504,000	NTD	26.05
February 2014	February 2024	60,000	NTD	28.37
November 2014	November 2024	75,000	NTD	48.25
January 2015	January 2025	30,000	NTD	62.20
February 2015	February 2025	652,200	NTD	60.90
		2,786,071		

D. Details of the restricted stock options to employees are set forth below:

	For the six-month periods ended June 30,	
Employee restricted stocks	2016	2015
	No. of Shares	No. of Shares
Stocks outstanding at beginning of the period	316,300	241,500
Stocks granted (Note)	101,700	-
Stocks retired	(2,000)	-
Stocks outstanding at end of the period	418,000	241,500

Note: 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.

E. For the stock options and restricted stocks 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 (Years)	Expected dividend yield rate	Risk-free interest rate	Fair value
			(in dollars)	(in dollars)					(in dollars)
Employee stock options	January 2011	USD	$1.31	$ 1.17	76.33%	1.48~ 6.05	-	4.83%	$ 0.52~ 0.90
Employee stock options	January 2011	USD	1.31	1.17	76.33%	5.75~ 6.25	-	4.83%	0.89~ 0.92
Employee stock options	May 2011	USD	1.22	1.17	63.00%	6.08	-	2.51%	0.74
Employee stock options	July 2011	USD	1.22	1.17	63.00%	6.08	-	1.94%	0.73
Employee stock options	October 2011	USD	1.22	1.17	64.00%	6.08	-	1.16%	0.72
Employee stock options	April 2013	NTD	18.28	18.10	51.47%	6.26	1.16%	1.07%	8.18
Employee stock options	August 2013	NTD	27.40	27.71	51.47%	6.26	1.16%	1.47%	12.29
Employee stock options	October 2013	NTD	27.94	28.11	51.47%	6.26	1.16%	1.44%	12.55
Employee stock options	February 2014	NTD	35.97	30.62	51.47%	6.26	1.16%	1.20%	17.48
Employee stock options	November 2014	NTD	50.22	48.25	47.00%	6.3	1.10%	1.75%	28.00
Employee stock options	January 2015	NTD	55.20	62.20	44.96%	6.3	1.10%	1.67%	28.31
Employee stock options	February 2015	NTD	60.62	60.90	40.89%	6.3	1.00%	1.67%	31.54
Employee stock options	July 2015	NTD	82.15	57.40	50.88%	6.3	1.00%	1.27%	54.67
Employee stock options	March 2016	NTD	87.87	86.20	55.74%	6.3	1.00%	0.94%	53.71
Restricted stocks to employees	August 2013	NTD	27.55	-	43.40%	1.00	1.16%	0.82%	22.82
Restricted stocks to employees	August 2013	NTD	27.55	-	47.49%	2.00	1.16%	0.99%	20.41
Restricted stocks to employees	October 2013	NTD	28.10	-	43.40%	1.00	1.16%	0.78%	23.27
Restricted stocks to employees	October 2013	NTD	28.10	-	47.49%	2.00	1.16%	0.95%	20.81

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

	For the three-month periods ended June 30,	
	2016	2015
Equity-settled	$ 6,796	$ 3,699

	For the six-month periods ended June 30,	
	2016	2015
Equity-settled	$ 13,412	$ 7,482

(13) Common stock

A. As of June 30, 2016, the Company's paid-in capital was $602,063, consisting of 60,206,286 shares with a par value of $10 per share.

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

Unit: Numbers of shares

	For the six-month periods ended June 30,	
	2016	2015
At January 1,	57,799,943	45,304,209
Exercise of employee stock options	142,459	315,096
Conversion of convertible bonds	2,164,184	270,935
Issuance of restricted stocks to employees	101,700	-
Retirement of restricted stocks to employees	(2,000)	-
At June 30,	60,206,286	45,890,240

B. On May 15, 2015, the stockholders adopted a resolution to appropriate $101,934 of Year 2014 retained earnings as stock dividends by issuing 10,193,447 shares. Pursuant to the resolution adopted at the Board of Directors' meeting on July 27, 2015, the record date for stock dividend distribution was set on September 5, 2015. The capital increase has been completed.

C. On May 15, 2015, the stockholders adopted a resolution to issue 600,000 employee restricted ordinary shares with par value of $10 (in dollars) per share, with the effective date set on July 13, 2015. The subscription price is $0 (in dollars) per share. The employee restricted ordinary shares 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 and November 5, 2015, the Board of Directors adopted a resolution to grant 297,300 and 22,000 employee restricted ordinary shares, respectively. As of December 31, 2015, the Company retrieved 3,000 employee restricted ordinary shares due to the employee's resignation and the retrieved shares have been retired. As of June 30, 2016, the Company retrieved 4,000 employee restricted ordinary shares due to the employees' resignation and 2,000 shares have not been retired.

D. On June 3, 2016, the stockholders adopted a resolution to appropriate $130,050 of year 2015 retained earnings as stock dividends by issuing 13,004,988 shares. Pursuant to resolution adopted at the Board of Directors' meeting on August 1, 2016, the record date for stock dividend distribution was set on September 26, 2016. The capital increase has not been completed.

(14) 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 stockholders.

	2016				
	Share premium	Employee stock options	Employee restricted shares	Others	Total
At January 1,	$ 368,914	$ 50,655	$ 21,309	$ 27,810	$ 468,688
Issuance of restricted stocks to employees	-	-	6,221	-	6,221
Retirement of restricted stocks to employees	-	-	(95)	-	(95)
Compensation cost of share-based payment	-	5,928	-	-	5,928
Exercise of employee stock options	4,336	(2,882)	-	-	1,454
Conversion of convertible bonds	121,258	-	-	-	121,258
Cancellation of employee stock options	-	(616)	-	616	-
At June 30,	$ 494,508	$ 53,085	$ 27,435	$ 28,426	$ 603,454

	2015				
	Share premium	Employee stock options	Employee restricted shares	Others	Total
At January 1,	$ 298,663	$ 39,695	$ 5,655	$ 26,989	$ 371,002
Compensation cost of share-based payment	-	6,469	-	-	6,496
Exercise of employee stock options	3,408	(710)	-	-	2,698
Conversion of convertible bonds	19,643	-	-	-	19,643
Cancellation of employee stock options	-	(616)	-	616	-
At June 30,	$ 321,714	$ 44,838	$ 5,655	$ 27,605	$ 399,812

(15) 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 surplus 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 Law, the Company shall distribute no less than 10% of the remaining profit as dividends to the stockholders.

B. The Company's dividends policy is as follows: As the Company operates 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. Dividends are distributed by stock and by cash. The individuals who are entitled to employee stock dividends may include the employees of the Company's affiliates who meet certain criteria.

C. On June 3, 2016 and May 15, 2015, the shareholders at the annual shareholders' meeting resolved the appropriations of 2015 and 2014 earnings, respectively. Details are summarized below:

	2015		2014	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Cash dividends	$ 14,450	$ 0.25	$ 11,326	$ 0.25
Stock dividends	130,050	2.25	101,934	2.25
	$ 144,500	$ 2.50	$ 113,260	$ 2.50

D. For the information relating to employees' remuneration (bonus) and directors' remuneration, please refer to Note 6(21).

(16) Other equity items

	2016			
	Available-for-sale financial assets	Unearned employee compensation	Currency translation differences	Total
At January 1,	$ 682	($ 13,069)	$ 128,882	$ 116,495
Currency translation differences	-	-	(13,787)	(13,787)
Compensation cost of share-based payment	-	371	-	371
Revaluation - gross	31,795	-	-	31,795
Revaluation - tax	(12,664)	-	-	(12,664)
At June 30,	$ 19,813	($ 12,698)	$ 115,095	$ 122,210

	2015			
	Available-for-sale financial assets	Unearned employee compensation	Currency translation	Total
At January 1,	$ -	($ 1,577)	$ 73,996	$ 72,419
Currency translation differences	-	-	(31,592)	(31,592)
Compensation cost of share-based payment	-	1,013	-	1,013
Revaluation - gross	17,745	-	-	17,745
Revaluation - tax	(7,068)	-	-	(7,068)
At June 30,	$ 10,677	($ 564)	$ 42,404	$ 52,517

(17) Operating revenue

	For the three-month periods ended June 30,	
	2016	2015
Sales revenue	$ 451,533	$ 399,154
Service revenue	22,946	-
Royalty revenue	6,794	6,929
	$ 481,273	$ 406,083

	For the six-month periods ended June 30,	
	2016	2015
Sales revenue	$ 907,756	$ 754,091
Service revenue	22,946	-
Royalty revenue	14,356	9,240
	$ 945,058	$ 763,331

(18) Other gains and losses

	For the three-month periods ended June 30,	
	2016	2015
Net losses on financial liabilities at fair value through profit or loss	$ 10,202	($ 12,775)
Net currency exchange gains	2,081	1,024
Gain on disposal of investments	14,983	-
	$ 27,266	($ 11,751)

	For the six-month periods ended June 30,	
	2016	2015
Net losses on financial liabilities at fair value through profit or loss	($ 45,868)	($ 12,775)
Net currency exchange (losses) gains	(5,142)	971
Gain on disposal of investments	14,983	-
	($ 36,027)	($ 11,804)

(19) Finance costs

	For the three-month periods ended June 30,	
	2016	2015
Interest expense:		
Convertible bonds	$ 6,116	$ 4,207
Other interest expense	1,757	471
Finance costs	$ 7,873	$ 4,678

	For the six-month periods ended June 30,	
	2016	2015
Interest expense:		
Convertible bonds	$ 13,606	$ 4,207
Other interest expense	3,643	1,025
Finance costs	$ 17,249	$ 5,232

(20) Expenses by nature

	For the three-month periods ended June 30,	
	2016	2015
Employee benefit expense	$ 161,601	$ 129,780
Depreciation charges on property, plant and equipment	15,909	10,800
Amortisation charges on intangible assets (recognised as cost of goods sold and operating expenses)	2,174	2,058
	$ 179,684	$ 142,638

	For the six-month periods ended June 30,	
	2016	2015
Employee benefit expense	$ 317,553	$ 268,565
Depreciation charges on property, plant and equipment	30,853	21,473
Amortisation charges on intangible assets (recognised as cost of goods sold and operating expenses)	4,415	4,167
	$ 352,821	$ 294,205

(21) Employee benefit expense

	For the three-month periods ended June 30,	
	2016	2015
Wages and salaries	$ 138,285	$ 111,791
Compensation cost of share-based payment	6,796	3,699
Insurance expense	12,428	10,742
Pension costs	3,828	3,085
Other personnel expenses	264	463
	$ 161,601	$ 129,780

	For the six-month periods ended June 30,	
	2016	2015
Wages and salaries	$ 270,131	$ 232,198
Compensation cost of share-based payment	13,412	7,482
Insurance expense	25,378	21,745
Pension costs	7,995	6,475
Other personnel expenses	637	665
	$ 317,553	$ 268,565

A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' 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' and supervisors' remuneration.

B. For the three-month and six-month periods ended June 30, 2016 and 2015, employees' compensation was accrued at $5,113, $105 $6,150 and $3,257, respectively; directors' remuneration was accrued at $2,045, $356, $2,460 and $1,302, respectively. The aforementioned amounts were recognised in cost of goods sold and salary expenses, respectively. The employees' compensation and directors' remuneration were estimated and accrued based on 5% and 2% of distributable profit of current year as of June 30, 2016. Employees' compensation and directors' remuneration of 2015 as resolved at the meeting of Board of Directors were in agreement with those amounts recognised in the 2015 financial statements.

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.

(22) Income tax

A. Income tax expense

Income tax expense calculated at the statutory rate (the federal tax rate is 34%; the state tax rate is 8.84%) and income tax payable is reconciled as follows:

	For the three-month periods ended June 30,	
	2016	2015
Current tax:		
Current tax on profits for the period	$ 8,345	($ 320)
Tax effect of minimum tax	1,273	2,322
Total current tax	9,618	2,002
Deferred tax:		
Origination and reversal of temporary differences	1,806	(2,039)
Total deferred tax	1,806	(37)
Income tax expense (benefit)	$ 11,424	($ 37)

	For the six-month periods ended June 30,	
	2016	2015
Current tax:		
Current tax on profits for the period	$ 10,698	$ 24
Tax effect of minimum tax	1,273	2,930
Total current tax	11,971	2,954
Deferred tax:		
Origination and reversal of temporary differences	1,806	418
Total deferred tax	1,806	418
Income tax expense	$ 13,777	$ 3,372

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

	Three-month period ended June 30, 2016	Three-month period ended June 30, 2015
Fair value gain / loss on available-for-sale financial assets	($ 4,077)	($ 7,068)

	Six-month period ended June 30, 2016	Six -month period ended June 30, 2015
Fair value gain / loss on available-for-sale financial assets	($ 12,663)	($ 7,068)

(23) Earnings per share (EPS)

The basic EPS is determined by the net income divided by the weighted average numbers 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. The unsecured convertible overseas bond has anti-dilutive effect, and as a result, it would not be considered while calculating the diluted EPS.

	For the three-month period ended June 30, 2016		
	Amount after tax	Weighted average outstanding common shares	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 82,563	59,199	$ 1.39
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 82,563	59,199	
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	(8,230)	5,933	
Employees' bonus	-	70	
Employee stock options	-	1,112	
Employee restricted shares	-	279	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 74,333	66,593	$ 1.12

	For the three-month period ended June 30, 2015		
	Amount after tax	Weighted average outstanding common shares	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 52,106	54,900	$ 0.95
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 52,106	54,900	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	5	
Employee stock options	-	1,737	
Employee restricted shares	-	576	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 52,106	57,218	$ 0.91

	For the six-month period ended June 30, 2016		
	Amount after tax	Weighted average outstanding common shares	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 99,460	58,372	$ 1.70
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 99,460	58,372	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	83	
Employee stock options	-	1,062	
Employee restricted shares	-	266	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 99,460	59,783	$ 1.66

	For the six-month period ended June 30, 2015		
	Amount after tax	Weighted average outstanding common shares	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 86,855	54,887	$ 1.58
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 86,855	54,887	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	153	
Employee stock options	-	1,620	
Employee restricted shares	-	575	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 86,855	57,235	$ 1.52

(24) Operating lease commitments

The Company's subsidiary, GCS LLC, entered into operating lease contracts with Hamazawa Investment Company and JMI Management, LLC for its office and plant located in Los Angeles, California, USA. The lease periods were from January 1, 2013 to April 2022 and from April 1, 2015 to May 31, 2020, respectively. The Group purchased the above-mentioned office and plant from Hamazawa Investment Company (Note) on August 12, 2015 and the operating lease contract was terminated.

The Company's subsidiary, Global Device Technologies, Co., Ltd., entered into an operating lease contract for its office located in New Taipei City. The lease period is from March 16, 2015 to March 15, 2017.

As of each balance sheet date, the future minimum rental payments based on the above lease agreements are as follows:

	June 30, 2016	December 31, 2015	June 30, 2015
Not later than one year	$ 1,075	$ 2,113	$ 14,436
Later than one year but not later than five years	4,203	4,077	57,473
Later than five years	-	-	24,748
	$ 5,278	$ 6,190	$ 96,657

Note: Hamazawa Investment Company was deregistered and engaged in management by The Hattori Foundation.

(25) Non-cash transaction

Investing activities with partial cash payments:

	For the six-month periods ended June 30,	
	2016	2015
Purchase of property, plant and equipment	$ 65,102	$ 21,568
Add: Ending balance of prepayments for equipment	36,580	39,843
Less: Beginning balance of prepayments for equipment	(33,017)	(27,641)
Less: Ending balance of accrued lease liability	(32,288)	(41,322)
Add: Beginning balance of accrued lease liability	38,453	47,578
Less: Ending balance of payables for equipment	(5,033)	-
Add: Beginning balance of payables for equipment	11,008	-
Cash paid during the period	$ 80,805	$ 40,026

Financing activities without affecting cash flows:

	For the six-month periods ended June 30,	
	2016	2015
Cash dividends	$ 14,450	$ 11,326
Less: Other payables	(14,450)	(11,326)
Cash paid during the period	$	$ -

7. RELATED PARTY TRANSACTIONS

Key management compensation

	For the three-month periods ended June 30,	
	2016	2015
Salaries and other short-term employee benefits	$ 11,688	$ 14,117
Post-employment benefits	427	565
Share-based payments	2,311	1,208
	$ 14,426	$ 15,890

	For the six-month periods ended June 30,	
	2016	2015
Salaries and other short-term employee benefits	$ 39,540	$ 40,991
Post-employment benefits	1,452	1,606
Share-based payments	4,649	2,576
	$ 45,641	$ 45,173

8. PLEDGED ASSETS

As of June 30, 2016, December 31, 2015 and June 30, 2015, the Group's assets pledged as collateral were as follows:

Assets	June 30, 2016	December 31, 2015	June 30, 2015	Purpose
Land	$ 148,626	$ 151,159	$ -	Long-term borrowings
Buildings	96,489	99,573	-	Long-term borrowings
Time deposits (recognized as other non-current assets)	64,550	65,650	-	Secured convertible bonds
Other financial assets, non-current	1,291	8,993	7,208	Deposits for office rental and waste water treatment

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Please refer to Note 6(24) for the operating lease commitments.

(2) Capital commitments

	June 30, 2016	December 31, 2015	June 30, 2015
Property, plant and equipment	$ 45,882	$ 14,761	$ 27,119

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

A. The Company's Board of Directors approved on March 31, 2016 to merge with SAIC Acquisition Inc. ("SAIC"), a wholly-owned subsidiary of Xiamen San'an Integrated Circuit Co., Ltd. ("San'an"), on the terms and conditions contained or referred to in an agreement and plan of merger (the "Agreement") to be made between, San'an, the Company, and SAIC, with the Company continuing as the surviving company resulting from the merger. In accordance with the Agreement, the total merger consideration is fixed at US$226,000,000 for the acquisition of all of the shares of the Company on a fully diluted and fully exercised basis. The merger was approved in the Annual General Meeting on June 3, 2016 and was originally planned to be completed by the end of August 2016. However, the Committee on Foreign Investment in the United States ("CFIUS") rejected the proposed acquisition due to unspecified concerns, which prevented the terms and conditions contained or referred to in the Agreement to be accomplished. As a result, the Company's Board of Directors approved on August 1, 2016 to terminate the merger and authorise the Company's Chief Executive Officer to sign the termination agreement on behalf of the Company, which was signed on the same day.

B. Due to the termination of merger mentioned in the above paragraph, the Company's Board of Directors approved on August 1, 2016 that, in order to fulfill the expansion of new capacity, a Memorandum of Understanding ("MoU") to form a new joint venture with San'an should be entered into by and between the Company and San'an. The Company's Chief Executive Officer was authorised to execute the aforesaid MoU and any other documents relating thereto on behalf of the Company. The Company's Chief Executive Officer signed the MoU on the same day.

12. OTHERS

(1) Capital risk 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 objectives when managing capital are to maintain the sufficient financial resources to support the operating capital, capital expenditures, research and development activities and dividend paid to shareholders, etc.

(2) Financial instruments

A. (a) The carrying amounts measured at amortized cost are approximate to the fair values of the Group's financial instruments, including cash and cash equivalents, accounts receivable, other receivables, other current assets, accounts payable, other payables and accrued rent expense (accounted for under 'Other current liabilities' and 'Other non-current liabilities'). The fair value information of financial instruments measured at fair value is provided in Note 12(3).

		June 30, 2016		
		Fair value		
	Book value	Level 1	Level 2	Level 3
Bonds payable	$ 345,332	$ -	$ 345,332	$ -

		December 31, 2015		
		Fair value		
	Book value	Level 1	Level 2	Level 3
Bonds payable	$ 457,386	$ -	$ 457,386	$ -

	June 30, 2015			
		Fair value		
	Book value	Level 1	Level 2	Level 3
Bonds payable	$ 481,867	$ -	$ 481,867	$ -

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

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

B. Financial risk management policies

a) The Group's activities expose it to a variety of financial risks: market risk (including interest risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial position and financial performance.

b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury 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. The Group is not exposed to commodity price risk.

ii. The Group's investments in equity securities comprise domestic emerging stocks and 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 $6,421.

Interest rate risk

The Group is not exposed to interest rate risk since it has no borrowings issued at 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. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

ii. As of June 30, 2016 and 2015, the Group's maximum credit risk exposure is mainly from the carrying amount of financial assets recognised in the consolidated balance sheet.

iii. The financial assets that are neither past due nor impaired are accounts receivable. Please refer to Note 6(3).

iv. The financial assets that were past due but not impaired are accounts receivable. Please refer to Note 6(3).

v. The financial assets with impairment are accounts receivable. Please refer to Note 6(3).

c) Liquidity risk

i. Cash flow forecasting is performed by the operating entities of the Group and aggregated by Group treasury. Group treasury 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. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury chooses instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above mentioned forecasts.

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, 2016		
Accounts payable	$ 44,539	$ -
Other payables	148,854	-
Other current liabilities	11,379	-
Other non-current liabilities	-	21,770
Long-term borrowings (including current portion)	19,697	115,057

	Less than 1 year		Over 1 year
Non-derivative financial liabilities:			
December 31, 2015			
Accounts payable	$ 41,390	$	-
Other payables	133,075		-
Other current liabilities	11,342		-
Other non-current liabilities	-		28,485
Long-term borrowings (including current portion)	19,616		127,142

	Less than 1 year		Over 1 year
Non-derivative financial liabilities:			
June 30, 2015			
Accounts payable	$ 33,597	$	-
Other payables	121,203		-
Other current liabilities	10,449		-
Other non-current liabilities	-		32,735

(3) Fair value information

A. Details of the fair value of the Group's financial assets and financial liabilities not measured at fair value are provided in Note 12(2)A.

B. 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.

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 at June 30, 2016, December 31, 2015, and June 30, 2015 is as follows:

June 30, 2016	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Available-for-sale financial assets				
Equity securities	$ 64,207	$ -	$ -	$ 64,207
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss	$ -	$ -	$ 129,012	$ 129,012

December 31, 2015	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Available-for-sale financial assets				
Equity securities	$ 52,479	$ -	$ -	$ 52,479
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss	$ -	$ -	$ 120,164	$ 120,164

June 30, 2015	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Available-for-sale financial assets				
Equity securities	$ 25,460	$ -	$ -	$ 25,460
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss	$ -	$ -	$ 109,236	$ 109,236

D. The methods and assumptions the Group used to measure fair value are as follows:

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

	Listed shares	Emerging stock shares
Market quoted price	Closing price	Average trading price

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

E. For the six-month periods ended June 30, 2016 and 2015, there was no transfer between Level 1 and Level 2 financial instruments.

F. The following chart is the movement of Level 3 financial instruments for the six-month period ended June 30, 2016:

	Financial liabilities at fair value through profit or loss	
	2016	2015
At January 1,	$ 120,164	$ -
Issued in the period	-	99,354
Converted in the period	(36,161)	(3,226)
Exchange effect	(859)	333
Losses recognised in profit or loss	45,868	12,775
At June 30,	$ 129,012	$ 109,236

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

	Fair value at June 30, 2016	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Conversion option, redemption option and put option of convertible bonds	$ 129,012	Binominal model	Expected volatility	52.27%	The higher the volatility, the higher the fair value

	Fair value at December 31, 2015	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Conversion option, redemption option and put option of convertible bonds	$ 120,164	Binominal model	Expected volatility	56.36%	The higher the volatility, the higher the fair value

	Fair value at June 30, 2015	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Conversion option, redemption option and put option of convertible bonds	$ 109,236	Binominal model	Expected volatility	42.43%	The higher the volatility, the higher the fair value

H. The Group has carefully assessed the valuation models and assumptions used to measure fair value; therefore, the fair value measurement is reasonable. However, use of different valuation models or assumptions may result in different measurement. A sensitivity analysis shows that a 7% increase in the value of stock price would lead to a decrease in net income by $35,910. On the other hand, a 7% decrease in the value of stock price would increase net income by $29,212. A 10% increase in the value of stock price would lead to a decrease in net income by $51,320. However, a 10% decrease in the value of stock price would increase net income by $35,308.

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): Please refer to table 3.

(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, 2016: Please refer to Note 6 (6) and 6 (7).

(j) Significant inter-company transactions during the six-month period ended June 30, 2016: 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

None.

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:

	For the six-month period ended June 30, 2016				
	Cayman Islands	America	Taiwan	Adjustments and elimination	Consolidated amount
Revenue from external customers	$ -	$ 945,058	$ -	$ -	$ 945,058
Inter-segment revenue	-	-	17,831	(17,831)	-
Total segment revenue	$ -	$ 945,058	$ 17,831	($ 17,831)	$ 945,058
Segment profit (loss) (Note)	$ 105,750	$ 211,443	$ 6,154	($ 210,110)	$ 113,237
Total assets	$ 2,554,859	$ 2,123,638	$ 55,204	($ 1,910,816)	$ 2,822,885

	For the six-month period ended June 30, 2015				
	Cayman Islands	America	Taiwan	Adjustments and elimination	Consolidated amount
Revenue from external customers	$ -	$ 763,331	$ -	$ -	$ 763,331
Inter-segment revenue	-	-	-	-	-
Total segment revenue	$ -	$ 763,331	$ -	$ -	$ 763,331
Segment profit (loss) (Note)	$ 86,642	$ 118,944	($ 3,668)	($ 111,691)	$ 90,227
Total assets	$ 1,909,682	$ 1,476,401	$ 9,515	($ 1,240,745)	$ 2,154,853

Note: Exclusive of income tax expenditures.

(3) Reconciliation for segment income (loss)

The Company and its 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, 2016

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, 2016 (Note 3)	Balance at June 30, 2016	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
0	GCS Holdings, Inc.	Global Device Technologies, Co., Ltd.	Other receivable - related party	Yes	$ 50,000	$ 50,000	$ 32,275	2%	2	$ -	Operation	$ -	None	$ -	$ 189,312	$ 757,247	

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 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, 2016

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 as of June 30, 2016	Outstanding endorsement/ guarantee amount at June 30, 2016	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	$ 757,247	$ 30,000	$ 30,000	$ -	$ -	1.58%	$ 757,247	Y	N	N	-
1	Global Communication Semiconductors LLC	GCS Holdings, Inc.	4	757,247	193,650	193,650	-	-	10.23%	757,247	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 six categories; fill in the number of category each case belongs to:

(1)Having business relationship.

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

(3)The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.

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

(5)Mutual guarantee of the trade as required by the construction contract.

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

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.

Holding of marketable securities at the end of the period

June 30, 2016

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

				As of June 30, 2016				
Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	Number of shares	Book value (Note 3)	Ownership	Fair value	Footnote (Note 4)
GCS Holdings, Inc.	Akoustis Technologies, Inc.	None.	Available-for-sale financial assets	166,667	$ 22,539	1.22%	$ 22,539	None
GCS Holdings, Inc.	Arima Laser Corporation	None.	Available-for-sale financial assets	487,000	41,668	2.15%	41,668	None

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

GCS HOLDINGS, INC.

Significant inter-company transactions during the reporting periods

For the six-month period ended June 30, 2016

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	Global Device Technologies, Co., Ltd.	Global Communication Semiconductors LLC	3	Service revenue	$ 17,831	Conducted in the ordinary course of business with terms similar to those with third parties	1.89%
2	GCS Holdings, Inc.	Global Device Technologies, Co., Ltd.	1	Other receivable-related party	32,275	Based on the agreed interest rate	1.14%

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.

GCS HOLDINGS, INC.

Information on investees (not including investees in Mainland China):

For the six-month period ended June 30, 2016

Table 10

Expressed in thousands of NTD

(Except as otherwise indicated)

				Initial investment amount		Shares held as at June 30, 2016					
Investor	Investee	Location	Main business activities	Balance as at June 30, 2016	Balance as at December 31, 2015	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the six-month period ended June 30, 2016	Investment income(loss) recognised by the Company for the six-month period ended June 30, 2016	Footnote
GCS Holdings, Inc.	Global Communication Semiconductors LLC	Los Angeles, USA	GaAs wafer and foundry service	$ 403,975	$ 403,975	-	100	$ 1,621,305	$ 205,215	$ 205,215	-
GCS Holdings, Inc.	Global Device Technologies, Co., Ltd.	Taiwan	Product design and research development services	12,000	12,000	1,200,000	100	19,811	4,573	4,573	-