

GCS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT
ACCOUNTANTS
MARCH 31, 2018 AND 2017

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

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

PWCR18000004

To GCS Holdings, Inc.

Introduction

We have reviewed the accompanying consolidated balance sheets of GCS Holdings, Inc. and subsidiaries (“the Group”) as of March 31, 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of our review

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

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2018 and 2017, and of its consolidated financial performance and its consolidated cash flows for the three-month periods then ended in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

LI, TIEN-YI

Li, Tien-Yi

Chih-Cheng Hsieh

Hsieh, Chih-Cheng

For and on behalf of PricewaterhouseCoopers, Taiwan

May 4, 2018

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

GCS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(THE BALANCE SHEETS AS OF MARCH 31, 2018 AND 2017 ARE REVIEWED, NOT AUDITED)

Assets	Notes	March 31, 2018		December 31, 2017		March 31, 2017		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 1,215,937	40	\$ 1,119,712	38	\$ 1,259,062	44
1150	Notes receivable, net		65	-	594	-	-	-
1170	Accounts receivable, net	6(2)	267,515	9	296,921	10	228,471	8
1200	Other receivables		23,655	1	15,254	-	19,164	1
1220	Current income tax assets		1,791	-	1,791	-	-	-
130X	Inventories	6(3)	331,345	11	329,834	11	333,501	12
1410	Prepayments		4,563	-	7,590	-	2,692	-
1470	Other current assets	8	29,529	1	29,760	1	-	-
11XX	Total current assets		<u>1,874,400</u>	<u>62</u>	<u>1,801,456</u>	<u>60</u>	<u>1,842,890</u>	<u>65</u>
Non-current assets								
1523	Available-for-sale financial assets, non-current	12(4)	-	-	-	-	64,906	2
1550	Investment accounted for using equity method	6(4)	14,459	1	14,520	-	-	-
1600	Property, plant and equipment	6(5) and 8	668,747	22	700,655	24	451,655	16
1780	Intangible assets	6(26)	176,343	6	183,654	6	11,939	1
1840	Deferred income tax assets		161,511	5	164,924	6	200,149	7
1900	Other non-current assets	6(6) and 8	125,002	4	116,146	4	257,709	9
15XX	Total non-current assets		<u>1,146,062</u>	<u>38</u>	<u>1,179,899</u>	<u>40</u>	<u>986,358</u>	<u>35</u>
1XXX	Total assets		<u>\$ 3,020,462</u>	<u>100</u>	<u>\$ 2,981,355</u>	<u>100</u>	<u>\$ 2,829,248</u>	<u>100</u>

(Continued)

GCS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(THE BALANCE SHEETS AS OF MARCH 31, 2018 AND 2017 ARE REVIEWED, NOT AUDITED)

Liabilities and Equity	Notes	March 31, 2018		December 31, 2017		March 31, 2017		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current liabilities								
2100	Short-term borrowings	6(7)	\$ 20,000	1	\$ 20,000	1	\$ 20,000	1
2120	Financial liabilities at fair value through profit or loss, current	6(8)	-	-	31,204	1	11,508	-
2130	Current contract liabilities	6(19)	26,942	1	-	-	-	-
2170	Accounts payable		30,074	1	17,867	-	15,454	1
2200	Other payables	6(11)	128,550	4	139,249	5	138,305	5
2230	Current income tax liabilities		11,403	-	2,469	-	24,531	1
2320	Long-term borrowings, current portion	6(9)(10)	21,911	1	79,372	3	350,405	12
2399	Other current liabilities	6(12)	9,007	-	33,498	1	27,721	1
21XX	Total current liabilities		<u>247,887</u>	<u>8</u>	<u>323,659</u>	<u>11</u>	<u>587,924</u>	<u>21</u>
Non-current liabilities								
2540	Long-term borrowings	6(10)	69,275	3	75,797	3	92,113	3
2570	Deferred income tax liabilities		38,604	1	39,466	1	80,361	3
2600	Other non-current liabilities	6(12)	3,669	-	4,864	-	11,340	-
25XX	Total non-current liabilities		<u>111,548</u>	<u>4</u>	<u>120,127</u>	<u>4</u>	<u>183,814</u>	<u>6</u>
2XXX	Total liabilities		<u>359,435</u>	<u>12</u>	<u>443,786</u>	<u>15</u>	<u>771,738</u>	<u>27</u>
Equity								
Equity attributable to owners of the parent								
Share capital								
3110	Common stock	6(15)	819,290	27	804,389	27	744,027	26
Capital surplus								
3200	Capital surplus	6(16)	1,072,679	35	958,751	32	650,104	23
Retained earnings								
3320	Special reserve	6(17)	6,821	-	6,821	-	6,821	-
3350	Unappropriated retained earnings		986,357	33	902,702	30	717,194	26
Other equity interest								
3400	Other equity interest	6(18)	(133,250)	(4)	(44,224)	(1)	30,234	1
3500	Treasury stocks	6(15)	(90,870)	(3)	(90,870)	(3)	(90,870)	(3)
31XX	Equity attributable to owners of the parent		<u>2,661,027</u>	<u>88</u>	<u>2,537,569</u>	<u>85</u>	<u>2,057,510</u>	<u>73</u>
3XXX	Total equity		<u>2,661,027</u>	<u>88</u>	<u>2,537,569</u>	<u>85</u>	<u>2,057,510</u>	<u>73</u>
Significant contingent liabilities and unrecognised contract commitments								
Significant events after the reporting period								
3X2X	Total liabilities and equity		<u>\$ 3,020,462</u>	<u>100</u>	<u>\$ 2,981,355</u>	<u>100</u>	<u>\$ 2,829,248</u>	<u>100</u>

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

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

		Three months ended March 31,			
Items	Notes	2018		2017	
		AMOUNT	%	AMOUNT	%
4000	Operating revenue	\$ 479,020	100	\$ 411,692	100
5000	Cost of operating revenue	(264,716)	(55)	(224,380)	(55)
5900	Net operating margin	214,304	45	187,312	45
	Operating expenses				
6100	Selling and marketing expenses	(13,126)	(3)	(13,145)	(3)
6200	General and administrative expenses	(68,186)	(14)	(57,245)	(14)
6300	Research and development expenses	(41,802)	(9)	(41,509)	(10)
6450	Net impairment loss on financial assets	(1,287)	-	-	-
6000	Total operating expenses	(124,401)	(26)	(111,899)	(27)
6900	Operating profit	89,903	19	75,413	18
	Non-operating income and expenses				
7010	Other income	1,696	-	966	-
7020	Other gains and losses	(1,268)	-	35,171	9
7050	Finance costs	(1,917)	-	(6,921)	(2)
7060	Share of loss of associates and joint ventures accounted for using equity method	(269)	-	-	-
7000	Total non-operating income and expenses	(1,758)	-	29,216	7
7900	Profit before income tax	88,145	19	104,629	25
7950	Income tax expense	(4,490)	(1)	(6,365)	(1)
8200	Net income for the period	\$ 83,655	18	\$ 98,264	24
	Other comprehensive income				
	Other comprehensive income components that will not be reclassified to profit or loss				
8361	Financial statements translation differences of foreign operations	(\$ 57,131)	(12)	(\$ 123,198)	(30)
	Other comprehensive income components that will be reclassified to profit or loss				
8362	Unrealised gain on valuation of available-for-sale financial assets	-	-	33,781	8
8399	Income tax related to other comprehensive income component that will be reclassified to profit or loss	-	-	(13,455)	(3)
8300	Total other comprehensive loss, net	(\$ 57,131)	(12)	(\$ 102,872)	(25)
8500	Total comprehensive income for the period	\$ 26,524	6	(\$ 4,608)	(1)
	Profit, attributable to:				
8610	Owners of the parent	\$ 83,655	18	\$ 98,264	24
	Total comprehensive income attributable to:				
8710	Owners of the parent	\$ 26,524	6	(\$ 4,608)	(1)
	Earnings per share				
9750	Basic earnings per share (in dollars)	\$ 1.06		\$ 1.35	
9850	Diluted earnings per share (in dollars)	\$ 1.05		\$ 0.83	

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)

Notes	Equity Attributable To Owners Of The Parent							Total	
	Retained Earnings			Other Equity Interest					
	Common Stock	Capital Surplus	Special Reserve	Unappropriated Retained Earnings	Financial Statements Translation Differences of Foreign Operations	Unrealised Gains (Loss) on Available-for-Sale Financial Assets	Unearned Compensation Costs		Treasury Stocks
	\$ 744,023	\$ 644,626	\$ 6,821	\$ 618,930	\$ 122,002	\$ 14,166	(\$ 3,548)	(\$ 77,915)	\$ 2,069,105
	-	-	-	98,264	-	-	-	-	98,264
	-	-	-	98,264	(123,198)	20,326	-	-	(102,872)
	-	-	-	-	(123,198)	20,326	-	-	(4,608)
6(14)(16)(18)	-	5,473	-	-	-	-	486	-	5,959
6(14)(15)(16)	4	5	-	-	-	-	-	-	9
6(15)	-	-	-	-	-	-	-	(12,955)	(12,955)
	<u>\$ 744,027</u>	<u>\$ 650,104</u>	<u>\$ 6,821</u>	<u>\$ 717,194</u>	<u>(\$ 1,196)</u>	<u>\$ 34,492</u>	<u>(\$ 3,062)</u>	<u>(\$ 90,870)</u>	<u>\$ 2,057,510</u>
	\$ 804,389	\$ 958,751	\$ 6,821	\$ 902,702	(\$ 35,464)	\$ -	(\$ 8,760)	(\$ 90,870)	\$ 2,537,569
	-	-	-	83,655	-	-	-	-	83,655
6(18)	-	-	-	-	(57,131)	-	-	-	(57,131)
	-	-	-	83,655	(57,131)	-	-	-	26,524
	-	8,277	-	-	-	-	1,483	-	9,760
6(14)(16)(18)	-	-	-	-	-	-	-	-	-
6(14)(15)(16)(18)	3,980	29,398	-	-	-	-	(33,378)	-	-
6(14)(15)(16)	60	161	-	-	-	-	-	-	221
6(15)(16)	10,861	76,092	-	-	-	-	-	-	86,953
	<u>\$ 819,290</u>	<u>\$ 1,072,679</u>	<u>\$ 6,821</u>	<u>\$ 986,357</u>	<u>(\$ 92,595)</u>	<u>\$ -</u>	<u>(\$ 40,655)</u>	<u>(\$ 90,870)</u>	<u>\$ 2,661,027</u>

For the three-month period ended March 31, 2017

Balance at January 1, 2017
Consolidated net income for the period
Other comprehensive (loss) income for the period
Total comprehensive income (loss) for the period
Transaction with owners in their capacity as owners:
Compensation cost of share-based payment
Exercise of employee stock options
Treasury stocks repurchased

Balance at March 31, 2017

For the three-month period ended March 31, 2018

Balance at January 1, 2018
Consolidated net income for the period
Other comprehensive loss for the period
Total comprehensive income (loss) for the period
Transaction with owners in their capacity as owners:
Compensation costs of share-based payment
Issuance of restricted stocks to employees

Exercise of employee stock options

Conversion of convertible bonds

Balance at March 31, 2018

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

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

	Notes	Three months ended March 31,	
		2018	2017
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 88,145	\$ 104,629
Adjustments			
Adjustments to reconcile profit (loss)			
Net impairment losses on financial assets	12(2)	1,287	-
Depreciation	6(5)(22)	27,572	15,827
Amortisation	6(22)	1,369	1,949
Interest expense	6(21)	1,917	6,921
Interest income		(1,378)	(965)
Compensation cost of share-based payment	6(14)	9,760	5,959
Net gain on financial liabilities at fair value through profit or loss	6(8)(20)	(2,322)	(59,450)
Share of loss of associates and joint ventures accounted for using equity method	6(4)	269	-
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		529	-
Accounts receivable		23,078	(44,045)
Other receivables		(392)	(490)
Inventories		(8,064)	(5,962)
Prepayments		(5,401)	3,249
Other current assets		(422)	-
Changes in operating liabilities			
Contract liabilities		3,342	-
Accounts payable		12,572	11,038
Other payables		(6,214)	(8,855)
Other current liabilities		(1,272)	(3,800)
Cash inflow generated from operations		144,375	26,005
Interest received		1,378	965
Interest paid		(1,168)	(1,373)
Income tax refund received		4,549	3,943
Net cash flows from operating activities		<u>149,134</u>	<u>29,540</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of property, plant and equipment	6(28)	(25,452)	(67,921)
Acquisition of intangible assets		(648)	-
Increase in other non-current assets		-	(31,090)
Net cash flows used in investing activities		<u>(26,100)</u>	<u>(99,011)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from short-term borrowings		20,000	20,000
Repayments of short-term borrowings		(20,000)	-
Repayments of long-term borrowings		(4,707)	(4,800)
Proceeds from exercise of employee stock options		221	9
Treasury stocks repurchased		-	(12,955)
Net cash flows (used in) from financing activities		<u>(4,486)</u>	<u>2,254</u>
Effect of changes in exchange rates		(22,323)	(55,615)
Net increase (decrease) in cash and cash equivalents		96,225	(122,832)
Cash and cash equivalents at beginning of period	6(1)	1,119,712	1,381,894
Cash and cash equivalents at end of period	6(1)	<u>\$ 1,215,937</u>	<u>\$ 1,259,062</u>

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

GCS HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)
(UNAUDITED)

1. HISTORY AND ORGANISATION

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

The Company and subsidiaries (collectively referred herein as the “Group”) are engaged in the manufacturing of compound semiconductor wafer and foundry related services as well as licensing of intellectual property. The Company and its subsidiaries are also engaged in the researching, developing, manufacturing and selling of advanced optoelectronics technology products.

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

These consolidated financial statements were reported to the Board of Directors on May 4, 2018.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board (“IASB”)
Amendments to IFRS 2, ‘Classification and measurement of share-based payment transactions’	January 1, 2018
Amendments to IFRS 4, ‘Applying IFRS 9, Financial instruments with IFRS 4, Insurance contracts’	January 1, 2018
IFRS 9, ‘Financial instruments’	January 1, 2018
IFRS 15, ‘Revenue from contracts with customers’	January 1, 2018
Amendments to IFRS 15, ‘Clarifications to IFRS 15, Revenue from contracts with customers’	January 1, 2018
Amendments to IAS 7, ‘Disclosure initiative’	January 1, 2017

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

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

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

- (a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.
- (b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e., net of credit allowance). The Group shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.
- (c) In adopting the new standards endorsed by the FSC effective from 2018, the Group applied the new rules under IFRS 9 retrospectively from January 1, 2018, with the practical expedients permitted under the statement. Further, the Group has elected to adopt IFRS 9 using the modified retrospective approach. Since the Group does not hold any debt instruments or equity instruments, the application of this requirement is not expected to materially impact to the Group's financial condition and financial performance. Further, the Group has a completed assessment in respect of the expected credit loss for trade receivables under IFRS 9 and the application of this requirement has no material impact on the Group's accounts receivable and unappropriated retained earnings as of January 1, 2018.

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

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

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

Step 1: Identify contracts with customer.

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

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price.

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

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

- (b) Amendments to IFRS 15, 'Clarifications to IFRS 15 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.

- (c) In adopting the new standards endorsed by the FSC effective from 2018, the Group has elected to adopt IFRS 15 using the modified retrospective approach. In line with the regulations of IFRS 15, the Group changed the presentation of certain accounts on the balance sheets as of January 1, 2018 as follows:

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

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

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

C. Amendments to IAS 7, 'Disclosure initiative'

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

Please refer to Note 6(29) for additional disclosures to explain the changes in liabilities arising from financing activities.

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

None.

(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 as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by IASB
IFRS 16, 'Leases'	January 1, 2019
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

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

IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and 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.

The Group will adopt the modified retrospective transitional provisions of IFRS 16 'Lease'. The Group reported the preliminary assessment result to the Board of Directors in the first quarter of 2018 that the application of this requirement is not expected to materially impact to the Group's financial condition and financial performance.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2017, except for the compliance statement, basis of preparations, basis of consolidation and additional policies as set out below. These policies have been

consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

- A. The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Accounting Standard 34, ‘Interim financial reporting’ as endorsed by the FSC.
- B. These consolidated financial statements are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2017.

(2) Basis of preparation

- A. Except for the financial liabilities at fair value through profit or loss and available-for-sale financial assets measured at fair value, the consolidated financial statements have been prepared under the historical cost convention.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.
- C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Group has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognised as retained earnings or other equity as of January 1, 2018 and the financial statements for the first quarter of 2017 was not restated. The financial statements for the first quarter of 2017 were prepared in compliance with International Accounting Standard 39 (‘IAS 39’), International Accounting Standard 11 (‘IAS 11’), International Accounting Standard 18 (‘IAS 18’) and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
 - (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
 - (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

B. Subsidiaries included in the consolidated financial statements:

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

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

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

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

E. Significant restrictions: None.

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

(4) Accounts and notes receivable

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

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

(5) Impairment of financial assets

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

(6) Income tax

- A. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.
- B. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income or equity while the effect of the change on items recognised in profit or loss is recognised in profit or loss.

(7) Revenue recognition

Sales of goods

- (a) The Group engages in the manufacturing and selling of compound semiconductor wafer and advanced optoelectronics technology products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- (b) Revenue from these sales is recognised based on the price specified in the contract. A refund liability is recognised for expected sales discounts and allowances payable to customers in relation to sales made through the end of the reporting period.
- (c) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Service revenue

- (a) The Group provides transfer services of wafer manufacturing process to the customers. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the actual cost relative to the total expected cost. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.
- (b) Some contracts include multiple deliverables. As the services provided by the Group are highly correlated and not distinct, they are identified to be one performance obligation.
- (c) The Group's estimate about revenue, costs and progress towards completion of a performance

obligation is subject to revision whenever there is a change in circumstances. Any increase or decrease in revenue or costs due to an estimate revision is reflected in profit or loss during the period when management becomes aware of the changes in circumstances.

Royalty revenue

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

Financing components

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

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

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

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

None.

(2) Critical accounting estimates and assumptions

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

A. Realisability of deferred income tax assets

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

As of March 31, 2018, the Group recognised deferred income tax assets amounting to \$161,511.

B. Evaluation of inventories

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

As of March 31, 2018, the carrying amount of inventories was \$331,345.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Cash on hand	\$ 118	\$ 117	\$ 111
Checking accounts and demand deposits	<u>1,215,819</u>	<u>1,119,595</u>	<u>1,258,951</u>
	<u>\$ 1,215,937</u>	<u>\$ 1,119,712</u>	<u>\$ 1,259,062</u>

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

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

(2) Accounts receivable

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Accounts receivable	\$ 269,886	\$ 298,926	\$ 229,960
Less: Allowance for uncollectible accounts	(2,371)	(1,117)	-
Allowance for sales returns and discounts	<u>-</u>	<u>(888)</u>	<u>(1,489)</u>
	<u>\$ 267,515</u>	<u>\$ 296,921</u>	<u>\$ 228,471</u>

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

(3) Inventories

	<u>March 31, 2018</u>		
	<u>Cost</u>	<u>Allowance</u>	<u>Book value</u>
Raw materials	\$ 139,073	(\$ 32,906)	\$ 106,167
Work in progress	199,772	(29,614)	170,158
Finished goods	<u>61,775</u>	<u>(6,755)</u>	<u>55,020</u>
	<u>\$ 400,620</u>	<u>(\$ 69,275)</u>	<u>\$ 331,345</u>
	<u>December 31, 2017</u>		
	<u>Cost</u>	<u>Allowance</u>	<u>Book value</u>
Raw materials	\$ 146,696	(\$ 33,957)	\$ 112,739
Work in progress	197,836	(37,208)	160,628
Finished goods	<u>67,519</u>	<u>(11,052)</u>	<u>56,467</u>
	<u>\$ 412,051</u>	<u>(\$ 82,217)</u>	<u>\$ 329,834</u>

	March 31, 2017		
	Cost	Allowance	Book value
Raw materials	\$ 129,157	(\$ 23,018)	\$ 106,139
Work in progress	239,053	(51,923)	187,130
Finished goods	50,268	(10,036)	40,232
	<u>\$ 418,478</u>	<u>\$ (84,977)</u>	<u>\$ 333,501</u>

Expenses and costs incurred as cost of operating revenue for the three-month periods ended March 31, 2018 and 2017 were as follows:

	For the three-month periods ended March 31,	
	2018	2017
Cost of inventories sold	\$ 276,186	\$ 221,999
Loss on (recovery of) market price decline	(11,361)	11,513
Revenue from sale of scraps	(109)	(9,132)
	<u>\$ 264,716</u>	<u>\$ 224,380</u>

The Group recognised recovery of loss on market price decline for the three-month period ended March 31, 2018 because some of the inventories previously written down were sold.

(4) Investment accounted for using equity method

	2018
At January 1	\$ 14,520
Share of profit or loss of investments accounted for using equity method	(269)
Translation differences of foreign operation	208
At March 31	<u>\$ 14,459</u>

For the three-month period ended March 31, 2017, the Group had no investment accounted for using equity method.

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

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

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

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

Balance sheet

	<u>Xiamen Global Advanced Semiconductor Co., Ltd.</u>	
	<u>March 31, 2018</u>	<u>December 31, 2017</u>
Cash and cash equivalents	\$ 29,535	\$ 29,642
Current assets	<u>29,535</u>	<u>29,642</u>
Total assets	<u>29,535</u>	<u>29,642</u>
Other current liabilities	<u>26</u>	<u>10</u>
Current liabilities	<u>26</u>	<u>10</u>
Total liabilities	<u>26</u>	<u>10</u>
Total net assets	<u>\$ 29,509</u>	<u>\$ 29,632</u>
Share in joint venture's net assets	<u>\$ 14,459</u>	<u>\$ 14,520</u>
Carrying amount of the joint venture	<u>\$ 14,459</u>	<u>\$ 14,520</u>

Statement of comprehensive income

	<u>Xiamen Global Advanced Semiconductor Co., Ltd.</u>	
	<u>For the three-month period ended March 31, 2018</u>	
Interest income	\$	13
Net foreign exchange losses	(556)
Other losses	(6)
Net loss / total comprehensive loss	(\$	<u>549</u>)
Dividends received from joint venture	\$	<u>-</u>

(5) Property, plant and equipment

	Land	Buildings	Machinery equipment	Computer and communication equipment	Research equipment	Office equipment	Leased assets	Leasehold improvements	Total
At January 1, 2018									
Cost	\$ 137,045	\$ 91,363	\$ 1,020,035	\$ 10,103	\$ 116,587	\$ 11,545	\$ 41,826	\$ 292,911	\$ 1,721,415
Accumulated depreciation	-	(6,308)	(725,444)	(7,081)	(33,730)	(8,156)	(23,265)	(216,776)	(1,020,760)
	<u>\$ 137,045</u>	<u>\$ 85,055</u>	<u>\$ 294,591</u>	<u>\$ 3,022</u>	<u>\$ 82,857</u>	<u>\$ 3,389</u>	<u>\$ 18,561</u>	<u>\$ 76,135</u>	<u>\$ 700,655</u>
Three-month period ended									
March 31, 2018									
Opening net book amount	\$ 137,045	\$ 85,055	\$ 294,591	\$ 3,022	\$ 82,857	\$ 3,389	\$ 18,561	\$ 76,135	\$ 700,655
Additions	-	-	9,958	212	242	-	-	-	10,412
Reclassifications	-	-	41,461	-	(41,461)	-	-	-	-
Depreciation charges	-	(643)	(18,753)	(316)	(1,852)	(273)	(1,471)	(4,264)	(27,572)
Net exchange differences	(2,993)	(1,853)	(6,370)	(55)	(1,402)	(60)	(396)	(1,619)	(14,748)
Closing net book amount	<u>\$ 134,052</u>	<u>\$ 82,559</u>	<u>\$ 320,887</u>	<u>\$ 2,863</u>	<u>\$ 38,384</u>	<u>\$ 3,056</u>	<u>\$ 16,694</u>	<u>\$ 70,252</u>	<u>\$ 668,747</u>
March 31, 2018									
Cost	\$ 134,052	\$ 89,368	\$ 1,042,572	\$ 10,113	\$ 73,276	\$ 11,349	\$ 40,912	\$ 285,128	\$ 1,686,770
Accumulated depreciation	-	(6,809)	(721,685)	(7,250)	(34,892)	(8,293)	(24,218)	(214,876)	(1,018,023)
	<u>\$ 134,052</u>	<u>\$ 82,559</u>	<u>\$ 320,887</u>	<u>\$ 2,863</u>	<u>\$ 38,384</u>	<u>\$ 3,056</u>	<u>\$ 16,694</u>	<u>\$ 70,252</u>	<u>\$ 668,747</u>

	Land	Buildings	Machinery equipment	Computer and communication equipment	Research equipment	Office equipment	Leased assets	Leasehold improvements	Total
At January 1, 2017									
Cost	\$ 148,511	\$ 99,008	\$ 780,103	\$ 11,852	\$ 57,524	\$ 5,346	\$ 45,325	\$ 218,033	\$ 1,365,702
Accumulated depreciation	-	(4,008)	(620,858)	(7,356)	(29,790)	(3,468)	(18,736)	(194,183)	(878,399)
	<u>\$ 148,511</u>	<u>\$ 95,000</u>	<u>\$ 159,245</u>	<u>\$ 4,496</u>	<u>\$ 27,734</u>	<u>\$ 1,878</u>	<u>\$ 26,589</u>	<u>\$ 23,850</u>	<u>\$ 487,303</u>
Three-month period ended									
March 31, 2017									
Opening net book amount	\$ 148,511	\$ 95,000	\$ 159,245	\$ 4,496	\$ 27,734	\$ 1,878	\$ 26,589	\$ 23,850	\$ 487,303
Additions	-	-	5,178	20	3,313	-	-	-	8,511
Depreciation charges	-	(682)	(8,891)	(369)	(1,268)	(116)	(1,561)	(2,940)	(15,827)
Net exchange differences	(8,841)	(5,639)	(9,364)	(223)	(1,281)	(95)	(1,545)	(1,344)	(28,332)
Closing net book amount	<u>\$ 139,670</u>	<u>\$ 88,679</u>	<u>\$ 146,168</u>	<u>\$ 3,924</u>	<u>\$ 28,498</u>	<u>\$ 1,667</u>	<u>\$ 23,483</u>	<u>\$ 19,566</u>	<u>\$ 451,655</u>
At March 31, 2017									
Cost	\$ 139,670	\$ 93,113	\$ 738,745	\$ 11,195	\$ 57,839	\$ 4,979	\$ 42,627	\$ 205,087	\$ 1,293,255
Accumulated depreciation	-	(4,434)	(592,577)	(7,271)	(29,341)	(3,312)	(19,144)	(185,521)	(841,600)
	<u>\$ 139,670</u>	<u>\$ 88,679</u>	<u>\$ 146,168</u>	<u>\$ 3,924</u>	<u>\$ 28,498</u>	<u>\$ 1,667</u>	<u>\$ 23,483</u>	<u>\$ 19,566</u>	<u>\$ 451,655</u>

- A. Amount of borrowing costs capitalised as part of property, plant and equipment for the three-month periods ended March 31, 2018 and 2017: None.
- B. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.

(6) Non-current assets

<u>Item</u>	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Time deposits (Note)	\$ 58,528	\$ 59,828	\$ 90,990
Prepayments for equipment	63,072	52,857	165,073
Other non-current assets	3,402	3,461	1,646
	<u>\$ 125,002</u>	<u>\$ 116,146</u>	<u>\$ 257,709</u>

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

(7) Short-term borrowings

<u>Type of borrowings</u>	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings					
Secured borrowings	\$ 20,000	\$ 20,000	\$ 20,000	Floating interest rate	Time deposit (Note)

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

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

<u>Item</u>	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Current items:			
Financial liabilities held for trading			
Call options, put options and conversion options embedded in convertible bonds	\$ -	\$ 10,565	\$ 60,321
Valuation adjustment	-	20,639	(48,813)
	<u>\$ -</u>	<u>\$ 31,204</u>	<u>\$ 11,508</u>

- A. The Group recognised net gains of \$2,322 and \$59,450, respectively, on financial liabilities at fair value through profit or loss for the three-month periods ended March 31, 2018 and 2017, respectively.
- B. In accordance with Article 9 of the "Regulations For Issuance of Secured Convertible Bonds in the R.O.C." and Article 9 of the "Regulations For Issuance of Unsecured Convertible Bonds in the R.O.C.", the Group announced that the last conversion date for bondholders to exercise conversion right was March 15, 2018 due to the pretreatment of holding the Group's 2018 shareholders' meeting. As of March 31, 2018, the Group recognised the remaining unconverted balances of financial liabilities at fair value through profit or loss as net profit (loss).

(9) Bonds payable

<u>Item</u>	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Convertible bonds			
First secured convertible bonds	\$ 300,000	\$ 300,000	\$ 300,000
Second unsecured convertible bonds	300,000	300,000	300,000
	600,000	600,000	600,000
Less: Bonds converted	(597,200)	(538,500)	(243,500)
Less: Discount on bonds payable	(23)	(1,494)	(25,240)
	2,777	60,006	331,260
Less: Current portion (Note)	(2,777)	(60,006)	(331,260)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

- (a) Issue amount: \$300,000
- (b) Issue price: Issued at 100% of par value; \$100
- (c) Issue period: Three years; from May 13, 2015 to May 13, 2018
- (d) Coupon rate: 0% per annum
- (e) Repayment date and method: The bonds will be redeemed at par at maturity if the bonds are not converted into common stocks at maturity, or redeemed early by the Company, or resold early to the Company by the bondholders, or redeemed from the Company’s underwriter and cancelled by the Company.
- (f) Conversion period: Except that the bonds are in the lock-up period, or redeemed early by the Company, the conversion right can be exercised at any time from June 14, 2015 through May 13, 2018 in accordance with the terms of the bonds and relevant regulations.
- (g) Conversion price and price reset: The conversion price was set at NT\$79.3 (in dollars) per share on the issue date. The conversion price is subject to adjustments on the ex-right date of new shares issuance based on the formula specified in the terms of the bonds, due to changes in the number of the Company’s common shares. The conversion price was subsequently adjusted to NT\$53.6 (in dollars) per share due to aforementioned rationale.
- (h) The converted shares have the same rights as common shares.
- (i) Call options of the Company: The bonds may be called, in whole or in part, at the option of the Company after one month from the issue date (June 14, 2015) to forty days before the maturity date (April 3, 2018) at 100% of their principal amount, provided the closing price of the Company’s common shares on the Taipei Exchange exceeds 130% (inclusive) of the then-current conversion price of the bonds over 30 (inclusive) trading days during 30 consecutive trading days, or when over 90% (inclusive) of the bonds have been redeemed, converted, called and retired.
- (j) Put options of the holders: The bondholders may request the Company to redeem the bonds, in whole or in part, with an added interest rate on the carrying amount as the premium, which is equivalent to 102.516% (real yield rate is 1.25%) of their principal amount, after two years from the issue date. The non-equity conversion options, call options, put options embedded in bonds payable were separated from their host contracts and were recognised in “financial assets or liabilities at fair value through profit or loss” in net amount in accordance with IAS 39 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The effective interest rate of the bonds payable after such separation was 7.2%.
- (k) Through March 31, 2018, convertible bonds amounting to \$297,600 was converted to 5,300,002 ordinary shares.
- (l) Please refer to Note 8 for the information of the Group’s assets pledged 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 from the Company's underwriter and cancelled by the Company.
- (f) Conversion period: Except that the bonds are in the lock-up period, or redeemed early by the Company, the conversion right can be exercised at any time from June 15, 2015 through May 14, 2018 in accordance with the terms of the bonds and relevant regulations.
- (g) Conversion price and price reset: The conversion price was set at NT\$81.2 (in dollars) per share on the issue date. The conversion price is subject to adjustments on the ex-right date of new shares issuance based on the formula specified in the terms of the bonds, due to changes in the number of the Company's common shares. The conversion price was subsequently adjusted to NT\$54.9 (in dollars) per share due to the aforementioned rationale.
- (h) The converted shares have the same rights as common shares.
- (i) Call options of the Company: The bonds may be called, in whole or in part, at the option of the Company after one month from the issue date (June 15, 2015) to forty days before the maturity date (April 4, 2018) at 100% of their principal amount, provided the closing price of the Company's common shares on the Taiwan Exchange exceeds 130% (inclusive) of the then-current conversion price of the bonds during 30 consecutive trading days, or when over 90% (inclusive) of the bonds have been redeemed, converted, called and retired.
- (j) Put options of the holders: The bondholders may request the Company to redeem the bonds, in whole or in part, with an added interest rate on the carrying amount as the premium, which is equivalent to 103.023% (real yield rate is 1.5%) of their principal amount, after two years from the issue date. The non-equity conversion options, call options, put options embedded in bonds payable were separated from their host contracts and were recognised in "financial assets or liabilities at fair value through profit or loss" in net amount in accordance with IAS 39 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The effective interest rate of the bonds payable after such separation was 5.66%.
- (k) Through March 31, 2018, convertible bonds amounting to \$299,600 was converted to 4,948,016 ordinary shares.