

**GCS HOLDINGS, INC. AND SUBSIDIARY  
CONSOLIDATED FINANCIAL STATEMENTS  
AND REVIEW REPORT OF  
INDEPENDENT ACCOUNTANTS  
MARCH 31, 2015 AND 2014**

REPORT OF INDEPENDENT ACCOUNTANTS

PWCR14000402

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 subsidiary as of March 31, 2015 and 2014, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three-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, "Review of Financial Statements" in the Republic of China. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, 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 IAS 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission of the Republic of China.

*PricewaterhouseCoopers, Taiwan*

April 24, 2015

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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 SUBSIDIARY  
CONSOLIDATED BALANCE SHEETS  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

<u>ASSETS</u>	<u>Notes</u>	<u>March 31, 2015</u>	<u>December 31, 2014</u>	<u>March 31, 2014</u>
		(Unaudited)		(Unaudited)
Current assets				
Cash and cash equivalents	6(1)	\$ 569,298	\$ 527,385	\$ 264,793
Accounts receivable - net	6(2)	151,296	190,655	134,351
Accounts receivable - related parties	6(2) and 7	-	-	32,532
Other receivables		9,687	7,611	9,406
Current income tax assets		2,155	2,163	2,698
Inventories - net	6(3)	302,882	271,490	160,703
Prepayments		2,994	3,611	1,682
Other current assets		<u>6,271</u>	<u>1,616</u>	<u>6,098</u>
Total current assets		<u>1,044,538</u>	<u>1,004,531</u>	<u>612,263</u>
Non-current assets				
Property, plant and equipment - net	6(4)	184,377	179,670	164,745
Intangible assets		24,867	27,159	28,793
Deferred income tax assets		194,476	196,651	189,319
Other non-current assets	8	<u>21,002</u>	<u>35,229</u>	<u>15,432</u>
Total non-current assets		<u>424,722</u>	<u>438,709</u>	<u>398,289</u>
Total assets		<u>\$ 1,469,305</u>	<u>\$ 1,443,240</u>	<u>\$ 1,010,552</u>

(Continued)

GCS HOLDINGS INC. AND SUBSIDIARY  
CONSOLIDATED BALANCE SHEETS  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

<u>LIABILITIES AND EQUITY</u>	<u>Notes</u>	<u>March 31,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>	<u>March 31,</u> <u>2014</u>
		(Unaudited)		(Unaudited)
Current liabilities				
Accounts payable		\$ 32,170	\$ 26,851	\$ 36,830
Other payables	6(5)	95,838	97,745	70,235
Current income tax liabilities		604	1,477	935
Other current liabilities	6(6)	<u>10,972</u>	<u>12,012</u>	<u>9,303</u>
Total current liabilities		<u>139,584</u>	<u>138,085</u>	<u>117,303</u>
Non-current liabilities				
Deferred income tax liabilities		56,088	54,230	50,146
Other non-current liabilities	6(6)	<u>34,003</u>	<u>37,076</u>	<u>22,707</u>
Total non-current liabilities		<u>90,091</u>	<u>91,306</u>	<u>72,853</u>
Total liabilities		<u>229,675</u>	<u>229,391</u>	<u>190,156</u>
Equity attributable to owners of parent				
Share capital	6(9)			
Common stock		453,314	453,042	369,736
Capital surplus	6(10)	374,734	371,002	210,756
Retained earnings	6(11)			
Special reserve		6,821	6,821	6,821
Unappropriated retained earnings		345,314	310,565	213,365
Other equity items	6(12)	<u>59,447</u>	<u>72,419</u>	<u>19,718</u>
Equity attributable to owners of the parent		<u>1,239,630</u>	<u>1,213,849</u>	<u>820,396</u>
Total equity		<u>1,239,630</u>	<u>1,213,849</u>	<u>820,396</u>
Significant contingent liabilities and unrecognised contract commitments	9			
Significant events after the balance sheet date	11			
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>\$ 1,469,305</u>	<u>\$ 1,443,240</u>	<u>\$ 1,010,552</u>

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

GCS HOLDINGS, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(UNAUDITED)

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS PER SHARE)

		<u>For the three-month periods ended March 31,</u>			
		<u>2015</u>		<u>2014</u>	
	<u>Notes</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Sales revenue	6(13) and 7	\$ 357,248	100	\$ 291,510 100
5000	Cost of goods sold	6(3)(14)	( 224,546)	( 63)	( 167,038) ( 58)
5900	Net operating margin		<u>132,702</u>	<u>37</u>	<u>124,472 42</u>
	Operating expenses	6(14)(15)			
6100	Selling expenses		( 6,295)	( 2)	( 6,157) ( 2)
6200	General & administrative expenses		( 55,175)	( 15)	( 42,964) ( 15)
6300	Research and development expenses		( 32,542)	( 9)	( 38,968) ( 13)
6000	Total operating expenses		<u>( 94,012)</u>	<u>( 26)</u>	<u>( 88,089) ( 30)</u>
6900	Operating profit		<u>38,690</u>	<u>11</u>	<u>36,383 12</u>
	Non-operating income and expenses				
7010	Other income		75	-	9 -
7020	Other gains and losses		( 53)	-	- -
7050	Finance costs		( 554)	-	( 308) -
7000	Total non-operating income and expenses		<u>( 532)</u>	<u>-</u>	<u>( 299) -</u>
7900	Profit before income tax		38,158	11	36,084 12
7950	Income tax expense	6(16)	( 3,409)	( 1)	( 3,403) ( 1)
8200	Profit for the period		<u>\$ 34,749</u>	<u>10</u>	<u>\$ 32,681 11</u>
	Other comprehensive income (loss)				
8310	Currency translation differences of foreign operations	6(12)	(\$ 13,703)	( 4)	\$ 17,352 6
8500	Total comprehensive income for the period		<u>\$ 21,046</u>	<u>6</u>	<u>\$ 50,033 17</u>
	Profit, attributable to:				
8610	Owners of the parent		<u>\$ 34,749</u>	<u>10</u>	<u>\$ 32,681 11</u>
	Total comprehensive income attributable to:				
8710	Owners of the parent		<u>\$ 21,046</u>	<u>6</u>	<u>\$ 50,033 17</u>
9750	Basic earnings per share (In dollars)	6(17)	<u>\$ 0.77</u>		<u>\$ 0.90</u>
9850	Diluted earnings per share (In dollars)	6(17)	<u>\$ 0.74</u>		<u>\$ 0.87</u>

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

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

	Note	Equity attributable to owners of the parent						
		Retained Earnings			Other Equity			
		Common Stock	Capital Surplus	Reserve	Unappropriated Retained Earnings	Currency Translation Differences of Foreign Operations	Other equity - others	Total
<u>For the three-month period ended March 31, 2014</u>								
Balance at January 1, 2014		\$ 369,736	\$ 209,042	\$ 6,821	\$ 180,684	\$ 8,443	(\$ 7,577)	\$ 767,149
Compensation cost of share-based payment	6(8)	-	1,714	-	-	-	1,500	3,214
Consolidated net income for the three-month period ended March 31, 2014	(10)(12)	-	-	-	32,681	-	-	32,681
Other comprehensive income for the three-month period ended March 31, 2014	6(11)	-	-	-	-	17,352	-	17,352
Balance at March 31, 2014	6(12)	\$ 369,736	\$ 210,756	\$ 6,821	\$ 213,365	\$ 25,795	(\$ 6,077)	\$ 820,396
<u>For the three-month period ended March 31, 2015</u>								
Balance at January 1, 2015		\$ 453,042	\$ 371,002	\$ 6,821	\$ 310,565	\$ 73,996	(\$ 1,577)	\$ 1,213,849
Compensation cost of share-based payment	6(8)	-	3,052	-	-	-	731	3,783
Consolidated net income for the three-month period ended March 31, 2015	(10)(12)	-	-	-	-	-	-	-
Issuance of stock from exercise of employee stock options	6(11)	-	-	-	34,749	-	-	34,749
Other comprehensive loss for the three-month period ended March 31, 2015	6(10)	272	680	-	-	-	-	952
Balance at March 31, 2015	6(12)	\$ 453,314	\$ 374,734	\$ 6,821	\$ 345,314	\$ 60,293	(\$ 846)	\$ 1,239,630

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

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

	Note	<u>For the three-month periods ended March 31,</u>	
		<u>2015</u>	<u>2014</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Income before income tax		\$ 38,158	\$ 36,084
Adjustments to reconcile income before income tax to net cash provided by (used in) operating activities			
Income and expenses having no effect on cash flows			
Depreciation	6(14)	10,673	8,460
Amortisation	6(14)	2,109	1,888
Interest expense		554	308
Interest income	(	75)	( 9)
Compensation cost of stock-based compensation	6(8)	3,783	3,214
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Accounts receivable		37,516	( 19,245)
Accounts receivable - related parties		-	( 12,662)
Other receivables	(	2,176)	5,715
Inventories	(	34,639)	( 25,739)
Prepaid expenses		582	1,907
Net changes in liabilities relating to operating activities			
Accounts payable		5,656	7,790
Other payables	(	832)	( 17,506)
Other current liabilities	(	1,020)	( 3,075)
Cash provided by (used in) operations		60,289	( 12,870)
Interest received		75	9
Interest paid	(	554)	( 308)
Income tax paid	(	1,813)	( 137)
Net cash provided by (used in) operating activities		<u>57,997</u>	<u>( 13,306)</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Acquisition of property, plant and equipment	6(19)	( 6,548)	( 14,657)
Acquisition of intangible assets	(	102)	( 260)
Decrease in other non-current assets		195	-
Increase in refundable deposits	(	4,706)	( 5,021)
Net cash used in investing activities		<u>( 11,161)</u>	<u>( 19,938)</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITY</u></b>			
Proceeds from exercise of employee stock options		<u>952</u>	<u>-</u>
Effect of changes in exchange rates	(	5,875)	<u>6,123</u>
Increase in cash and cash equivalents		41,913	( 27,121)
Cash and cash equivalents at beginning of period	6(1)	<u>527,385</u>	<u>291,914</u>
Cash and cash equivalents at end of period	6(1)	<u>\$ 569,298</u>	<u>\$ 264,793</u>

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

GCS HOLDINGS, INC. AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2015 AND 2014  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,  
EXCEPT AS OTHERWISE INDICATED)  
(UNAUDITED)

1. HISTORY AND ORGANIZATION

GCS Holdings Inc. (the “Company”) was incorporated in 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 subsidiary (collectively referred herein as the “Group”) engage 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 as reported to the Board of Directors were issued on April 24, 2015.

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”)

According to Financial-Supervisory-Securities-Auditing No. 1030010325 issued by FSC on April 3, 2014, commencing 2015, companies with shares listed on the TWSE or traded on the Taipei Exchange or Emerging Stock Market shall adopt the 2013 version of IFRS (not including IFRS 9, ‘Financial instruments’) as endorsed by the FSC and Regulations Governing the Preparation of Financial Reports by Securities Issuers effective January 1, 2015 (collectively referred herein as “the 2013 version of IFRS”) in preparing the consolidated financial statements. The impact of adopting the 2013 version of IFRS is listed below:

A. IAS 1, ‘Presentation of financial statements’

The amendment requires entities to separate items presented in OCI classified by nature into two groups on the basis of whether they are potentially reclassifiable to profit or loss subsequently when specific conditions are met. If the items are presented before tax then the tax related to each of the two groups of OCI items (those that might be reclassified and those that will not be reclassified) must be shown separately. Accordingly, the Group adjusts its presentation of the statement of comprehensive income.

B. IFRS 12, ‘Disclosure of interests in other entities’



The standard integrates the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. Also, the Group discloses additional information about its interests in consolidated entities and unconsolidated entities accordingly.

### C. IFRS 13, 'Fair value measurement'

The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard sets out a framework for measuring fair value from market participants' perspective, and requires disclosures about fair value measurements. For non-financial assets only, fair value is determined based on the highest and best use of the asset. Based on the Group's assessment, the adoption of the standard has no significant impact on its consolidated financial statements, and the Group discloses additional information about fair value measurements accordingly.

#### (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 2013 version of IFRSs as endorsed by the FSC :

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
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)	January 1, 2016
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
IFRS 15, 'Revenue from contracts with customers'	January 1, 2017
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
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

The Group is assessing the potential impact of the new standards, interpretations and amendments above. The impact will be disclosed when the assessment is complete.

#### 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. The consolidated financial statements have been prepared under the historical cost convention.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “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 (%)		
			March 31, 2015	December 31, 2014	March 31, 2014
The Company	Global Communication Semiconductors, LLC	GaAs wafer and foundry service	100%	100%	100%

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

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

E. Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company: 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 under 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) Classification of current and non-current items

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) 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.

#### (8) 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;

(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:

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.

(9) Derecognition of financial assets

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

(10) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress 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 realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(11) 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 and 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:

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

(12) 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.

(13) 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.

(14) 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.

(15) 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.

(16) 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.

(17) 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.

(18) 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' bonus and directors' remuneration

Employees' bonus and directors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. However, if the accrued amounts for employees' bonus and directors' remuneration are different from the actual distributed amounts as resolved by the stockholders at their stockholders' meeting subsequently, the differences should be recognised based on the accounting for changes in estimates. The Group calculates the number of shares of employees' stock bonus based on the fair value per share estimated using a valuation technique specified in IFRS 2, 'Share-based Payment', and after taking into account the effects of ex-rights and ex-dividends.

## (19) 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. And 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 declared.

(20) 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 income 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 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.

(21) 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.

(22) 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.



(23) 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 of 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. Service revenue and royalty income

Service revenue and royalty income are 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.

(24) 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. Realizability 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 realizability 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 March 31, 2015, the Group recognised deferred tax assets amounting to \$194,476.

#### B. Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the Group must determine the net realizable 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 realizable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of March 31, 2015, the carrying amount of inventories was \$302,882.

### 6. DETAILS OF SIGNIFICANT ACCOUNTS

#### (1) Cash and cash equivalents

	<u>March 31, 2015</u>	<u>December 31, 2014</u>	<u>March 31, 2014</u>
Cash on hand and petty cash	\$ 63	\$ 63	\$ 61
Checking accounts and demand deposits	335,964	133,525	163,907
Cash equivalents – money market fund	<u>233,271</u>	<u>393,797</u>	<u>100,825</u>
Total	<u>\$ 569,298</u>	<u>\$ 527,385</u>	<u>\$ 264,793</u>

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) Accounts receivable, net

	<u>March 31, 2015</u>	<u>December 31, 2014</u>	<u>March 31, 2014</u>
Accounts receivable - third parties	\$ 152,612	\$ 194,406	\$ 185,249
Less: Allowance for doubtful accounts	-	-	( 49,720)
Allowance for sales returns and discounts	( 1,316)	( 3,751)	( 1,178)
	151,296	190,655	134,351
Accounts receivable - related parties	<u>-</u>	<u>-</u>	<u>32,532</u>
	<u>\$ 151,296</u>	<u>\$ 190,655</u>	<u>\$ 166,883</u>

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:

	<u>March 31, 2015</u>	<u>December 31, 2014</u>	<u>March 31, 2014</u>
Group 1	\$ 52,623	\$ 68,638	\$ 66,018
Group 2	63,581	91,391	42,896
Group 3	<u>15,395</u>	<u>4,353</u>	<u>13,049</u>
	<u>\$ 131,599</u>	<u>\$ 164,382</u>	<u>\$ 121,963</u>

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:

	<u>March 31, 2015</u>	<u>December 31, 2014</u>	<u>March 31, 2014</u>
Up to 30 days	\$ 19,697	\$ 21,105	\$ 41,466
31 to 60 days	-	4,009	2,350
61 to 90 days	-	1,159	7
Over 90 days	<u>-</u>	<u>-</u>	<u>1,097</u>
	<u>\$ 19,697</u>	<u>\$ 26,273</u>	<u>\$ 44,920</u>

C. Analysis of movement of impaired accounts receivable:

(a) As of March 31, 2015, December 31, 2014 and March 31, 2014, the Group's accounts receivable that were impaired amounted to \$0, \$0 and \$49,720, respectively.

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

	<u>2015</u>	<u>2014</u>
At January 1,	\$ -	\$ 48,635
Exchange effects	<u>-</u>	<u>1,085</u>
At March 31,	<u>\$ -</u>	<u>\$ 49,720</u>

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

### (3) Inventories

	<u>March 31, 2015</u>		
	<u>Cost</u>	<u>Allowance</u>	<u>Book Value</u>
Raw materials	\$ 109,128	(\$ 15,654)	\$ 93,474
Work in process	188,631	( 15,038)	173,593
Finished goods	<u>37,867</u>	<u>( 2,052)</u>	<u>35,815</u>
	<u>\$ 335,626</u>	<u>(\$ 32,744)</u>	<u>\$ 302,882</u>

	December 31, 2014		
	Cost	Allowance	Book Value
Raw materials	\$ 104,122	(\$ 12,751)	\$ 91,371
Work in process	174,600	( 12,947)	161,653
Finished goods	<u>20,523</u>	<u>( 2,057)</u>	<u>18,466</u>
	<u>\$ 299,245</u>	<u>(\$ 27,755)</u>	<u>\$ 271,490</u>

	March 31, 2014		
	Cost	Allowance	Book Value
Raw materials	\$ 67,515	(\$ 12,792)	\$ 54,723
Work in process	106,066	( 5,103)	100,903
Finished goods	<u>5,798</u>	<u>( 721)</u>	<u>5,077</u>
	<u>\$ 179,379</u>	<u>(\$ 18,616)</u>	<u>\$ 160,703</u>

Expense and cost incurred on inventories for the three-month periods ended March 31, 2015 and 2014 were as follows:

	For the three-month periods ended March 31,	
	2015	2014
Cost of inventories sold	\$ 231,445	\$ 187,483
Loss on (recovery of ) market price decline	5,335	( 13,005)
Revenue from sale of scraps	( 12,234)	( 7,506)
Loss on physical inventory count	<u>-</u>	<u>66</u>
	<u>\$ 224,546</u>	<u>\$ 167,038</u>

The Group reversed a previous inventory write-down and accounted for as reduction of cost of goods sold for the three-month period ended March 31, 2014 because part of the inventories were sold.

(4) Property, plant and equipment

	<u>Machinery and equipment</u>	<u>Computer and communication equipment</u>	<u>Research equipment</u>	<u>Office equipment</u>	<u>Leased assets</u>	<u>Leasehold improvements</u>	<u>Total</u>
<u>At January 1, 2015</u>							
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 )
	<u>\$ 96,560</u>	<u>\$ 3,060</u>	<u>\$ 1,648</u>	<u>\$ 2,464</u>	<u>\$ 26,999</u>	<u>\$ 48,939</u>	<u>\$ 179,670</u>
<u>For the three-month period ended March 31, 2015</u>							
Opening net book amount	\$ 96,560	\$ 3,060	\$ 1,648	\$ 2,464	\$ 26,999	\$ 48,939	\$ 179,670
Additions	5,225	571	-	-	11,618	-	17,414
Depreciation charge	( 5,342 )	( 288 )	( 98 )	( 108 )	( 1,444 )	( 3,393 )	( 10,673 )
Net exchange differences	( 1,067 )	( 36 )	( 18 )	( 26 )	370	( 517 )	( 2,034 )
Closing net book amount	<u>\$ 95,376</u>	<u>\$ 3,307</u>	<u>\$ 1,532</u>	<u>\$ 2,330</u>	<u>\$ 36,803</u>	<u>\$ 45,029</u>	<u>\$ 184,377</u>
<u>At March 31, 2015</u>							
Cost	\$ 650,531	\$ 8,293	\$ 25,871	\$ 4,921	\$ 43,990	\$ 209,374	\$ 942,980
Accumulated depreciation and impairment	( 555,155 )	( 4,986 )	( 24,339 )	( 2,591 )	( 7,187 )	( 164,345 )	( 758,603 )
	<u>\$ 95,376</u>	<u>\$ 3,307</u>	<u>\$ 1,532</u>	<u>\$ 2,330</u>	<u>\$ 36,803</u>	<u>\$ 45,029</u>	<u>\$ 184,377</u>

	Machinery and equipment	Computer and communication equipment	Research equipment	Office equipment	Leased assets	Leasehold improvements	Total
At January 1, 2014							
Cost	\$ 572,384	\$ 7,113	\$ 24,720	\$ 5,838	\$ 30,904	\$ 199,023	\$ 839,982
Accumulated depreciation and impairment	( 506,622 )	( 4,102 )	( 22,797 )	( 4,970 )	( 1,059 )	( 140,475 )	( 680,025 )
	<u>\$ 65,762</u>	<u>\$ 3,011</u>	<u>\$ 1,923</u>	<u>\$ 868</u>	<u>\$ 29,845</u>	<u>\$ 58,548</u>	<u>\$ 159,957</u>
For the three-month period ended March 31, 2014							
Opening net book amount	\$ 65,762	\$ 3,011	\$ 1,923	\$ 868	\$ 29,845	\$ 58,548	\$ 159,957
Additions	9,111	203	-	-	356	-	9,670
Depreciation charge	( 4,393 )	( 269 )	( 94 )	( 56 )	( 405 )	( 3,243 )	( 8,460 )
Net exchange differences	1,497	68	42	19	303	1,649	3,578
Closing net book amount	<u>\$ 71,977</u>	<u>\$ 3,013</u>	<u>\$ 1,871</u>	<u>\$ 831</u>	<u>\$ 30,099</u>	<u>\$ 56,954</u>	<u>\$ 164,745</u>
At March 31, 2014							
Cost	\$ 594,325	\$ 7,477	\$ 25,271	\$ 2,952	\$ 31,594	\$ 203,822	\$ 865,441
Accumulated depreciation and impairment	( 522,348 )	( 4,464 )	( 23,400 )	( 2,121 )	( 1,495 )	( 146,868 )	( 700,696 )
	<u>\$ 71,977</u>	<u>\$ 3,013</u>	<u>\$ 1,871</u>	<u>\$ 831</u>	<u>\$ 30,099</u>	<u>\$ 56,954</u>	<u>\$ 164,745</u>

(5) Other payables

	<u>March 31, 2015</u>	<u>December 31, 2014</u>	<u>March 31, 2014</u>
Accrued salaries and bonuses	\$ 16,111	\$ 36,756	\$ 11,884
Accrued unused leave	14,723	12,625	10,564
Accrued service fee	6,424	4,536	11,908
Accrued rental expenses	6,807	6,775	6,208
Accrued miscellaneous expenses	5,486	2,810	4,724
Accrued employees' bonuses and directors remuneration	12,332	8,356	2,470
Accrued utilities	2,047	2,015	1,655
Equipment payable	-	-	975
Other accrued expenses	<u>31,908</u>	<u>23,872</u>	<u>19,847</u>
	<u>\$ 95,838</u>	<u>\$ 97,745</u>	<u>\$ 70,235</u>

(6) 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:

	<u>March 31, 2015</u>		
	<u>Total finance lease liabilities</u>	<u>Future finance charges</u>	<u>Present value of finance lease liabilities</u>
<u>Current</u>			
No later than one year (shown as 'other current liabilities')	\$ 12,089	(\$ 1,597)	\$ 10,492
<u>Non-current</u>			
Later than one year but not later than five years (shown as 'other non-current liabilities')	<u>36,223</u>	<u>( 2,220)</u>	<u>34,003</u>
	<u>\$ 48,312</u>	<u>(\$ 3,817)</u>	<u>\$ 44,495</u>

	December 31, 2014		
	<u>Total finance lease liabilities</u>	<u>Future finance charges</u>	<u>Present value of finance lease liabilities</u>
<u>Current</u>			
No later than one year (shown as 'other current liabilities')	\$ 12,224	(\$ 1,722)	\$ 10,502
<u>Non-current</u>			
Later than one year but not later than five years (shown as 'other non-current liabilities')	39,685	( 2,609)	37,076
	<u>\$ 51,909</u>	<u>(\$ 4,331)</u>	<u>\$ 47,578</u>

	March 31, 2014		
	<u>Total finance lease liabilities</u>	<u>Future finance charges</u>	<u>Present value of finance lease liabilities</u>
<u>Current</u>			
No later than one year (shown as 'other current liabilities')	\$ 7,014	(\$ 1,085)	\$ 5,929
<u>Non-current</u>			
Later than one year but not later than five years (shown as 'other non-current liabilities')	24,449	( 1,742)	22,707
	<u>\$ 31,463</u>	<u>(\$ 2,827)</u>	<u>\$ 28,636</u>

(7) Pension plan

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, 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.

The pension costs under the defined contribution pension plan for the three-month periods ended March 31, 2015 and 2014 were \$3,390 and \$2,347, respectively.



(8) Share-based payment-employee compensation plan

A. As of March 31, 2015 and 2014, the Company's share-based payment transactions are set forth below:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted</u>	<u>Contract Period</u>	<u>Vesting Condition</u>
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)
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)

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:

<u>For the three-month period ended March 31, 2015</u>			
	<u>No. of options</u>	<u>Currency</u>	<u>Weighted average exercise price</u> (in dollars)
Options outstanding at beginning of the period	2,453,800	NTD	\$ 22.58
Options granted	682,200	NTD	60.96
Options exercised	( 27,220 )	USD	1.17
Options forfeited	( 15,000 )	NTD	30.18
Options outstanding at end of the period	<u>3,093,780</u>	NTD	31.12
Options exercisable at end of the period	<u>313,750</u>	USD	1.17

<u>For the three-month period ended March 31, 2014</u>			
	<u>No. of options</u>	<u>Currency</u>	<u>Weighted average exercise price</u> (in dollars)
Options outstanding at beginning of the period	2,436,800	NTD	\$ 23.16
Options granted	60,000	NTD	30.62
Options forfeited	( 20,000 )	NTD	18.10
Options outstanding at end of the period	<u>2,476,800</u>	NTD	23.27
Options exercisable at end of the period	<u>392,970</u>	USD	1.17

C. As of March 31, 2015, December 31, 2014 and March 31, 2014, the range of exercise prices of stock options outstanding are as follows:

		<u>March 31, 2015</u>		
<u>Grant date</u>	<u>Expiration</u>	<u>No. of Shares</u>	<u>Currency</u>	<u>Stock options exercise price</u> (in dollars)
From January 2011 to October 2011	From January 2021 to October 2021	313,750	USD	\$ 1.17
April 2013	April 2023	1,437,000	NTD	16.77
August 2013	August 2023	7,830	NTD	25.67
October 2013	October 2023	518,000	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	<u>652,200</u>	NTD	60.90
		<u>3,093,780</u>		

		December 31, 2014		
<u>Grant date</u>	<u>Expiration</u>	<u>No. of Shares</u>	<u>Currency</u>	<u>Stock options exercise price</u> (in dollars)
From January 2011 to October 2011	From January 2021 to October 2021	350,970	USD	\$ 1.17
April 2013	April 2023	1,442,000	NTD	16.77
August 2013	August 2023	7,830	NTD	25.67
October 2013	October 2023	518,000	NTD	26.05
February 2014	February 2024	60,000	NTD	28.37
November 2014	November 2024	<u>75,000</u>	NTD	48.25
		<u>2,453,800</u>		

		March 31, 2014		
<u>Grant date</u>	<u>Expiration</u>	<u>No. of Shares</u>	<u>Currency</u>	<u>Stock options exercise price</u> (in dollars)
From January 2011 to October 2011	From January 2021 to October 2021	392,970	USD	\$ 1.17
April 2013	April 2023	1,478,000	NTD	18.10
August 2013	August 2023	7,830	NTD	27.71
October 2013	October 2023	538,000	NTD	28.11
February 2014	February 2024	<u>60,000</u>	NTD	30.62
		<u>2,476,800</u>		

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

<u>Employee restricted stock options</u>	<u>For the three-month periods ended March 31,</u>	
	<u>2015</u>	<u>2014</u>
	<u>No. of Shares</u>	<u>No. of Shares</u>
Options outstanding at beginning of the period	<u>241,500</u>	<u>483,000</u>
Options outstanding at end of the period	<u>241,500</u>	<u>483,000</u>

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 day	Currency	Fair value (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option period (Years)	Expected dividend yield rate	Risk-free interest rate	Fair value (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	16.77	51.47%	6.26	1.16%	1.07%	8.18
Employee stock options	August 2013	NTD	27.40	25.67	51.47%	6.26	1.16%	1.47%	12.29
Employee stock options	October 2013	NTD	27.94	26.05	51.47%	6.26	1.16%	1.44%	12.55
Employee stock options	February 2014	NTD	35.97	28.37	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
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	1.10%	1.67%	31.54
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 March 31,	
	2015	2014
Equity-settled	\$ 3,783	\$ 3,214

(9) Common stock

- A. As of March 31, 2015, the Company's paid-in capital was \$453,314, consisting of 45,331,429 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 three-month periods ended March 31,	
	2015	2014
At January 1,	45,304,209	36,973,587
Exercise of employee stock options	27,220	-
At March 31,	<u>45,331,429</u>	<u>36,973,587</u>

A. On June 18, 2014, the Board of Directors adopted a resolution to issue 4,983,000 ordinary shares with par value of \$10 (in dollars) per share at an issuance price of \$42 (in dollars) per share, with the effective date on September 11, 2014. The total value of shares issued was \$209,286. The capital increase has been completed.

B. On June 5, 2014, the stockholders adopted a resolution to appropriate \$33,276 of Year 2013 retained earnings as stock dividends by issuing 3,327,622 shares. Pursuant to the resolution adopted at the Board of Directors on September 15, 2014, the record date for stock dividend distribution was set on October 19, 2014. The capital increase has been completed.

(10) 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.

	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	-	3,052	-	-	3,052
Exercise of employee stock options	1,397	( 717)	-	-	680
Cancellation of employee stock options	-	( 523)	-	523	-
At March 31,	<u>\$ 300,060</u>	<u>\$ 41,507</u>	<u>\$ 5,655</u>	<u>\$ 27,512</u>	<u>\$ 374,734</u>

  

	2014				
	Share premium	Employee stock options	Employee restricted shares	Others	Total
At January 1,	\$ 143,814	\$ 34,652	\$ 5,655	\$ 24,921	\$ 209,042
Compensation cost of share-based payment	-	1,714	-	-	1,714
At March 31,	<u>\$ 143,814</u>	<u>\$ 36,366</u>	<u>\$ 5,655</u>	<u>\$ 24,921</u>	<u>\$ 210,756</u>

(11) Retained earnings

	<u>2015</u>	<u>2014</u>
At January 1,	\$ 310,565	\$ 180,684
Net income for the period	<u>34,749</u>	<u>32,681</u>
At March 31,	<u>\$ 345,314</u>	<u>\$ 213,365</u>

- 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 think fit, subject to the compliance with the Law, the Company shall distribute no less than 10% of the remaining profit in the following sequence:
- (a) no more than 15% and no less than 5% as employees' bonus;
  - (b) no more than 2% as directors' remuneration; and
  - (c) the balance as dividends to the stockholders.
- B. The Company's dividends policy is as follow: 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 February 25, 2015, the Board of Directors resolved the appropriations of 2014 earnings. Details are summarized below:

	<u>For the year ended December 31, 2014</u>	
	<u>Amount</u>	<u>Dividends per share (in dollars)</u>
Cash dividends	\$ 11,326	\$ 0.25
Stock dividends	<u>101,934</u>	<u>2.25</u>
	<u>\$ 113,260</u>	<u>\$ 2.50</u>

The above appropriation of 2014 earnings has not been resolved by the shareholders at the annual shareholders' meeting.

- D. The Company accrued employees' bonus amounting to \$3,152 and \$493, for the three-month periods ended March 31, 2015 and 2014, respectively and directors' remuneration amounting to \$946 and \$0, for the three-month periods ended March 31, 2015 and 2014, respectively. The distributed amounts were accrued based on 60% and 33% of the projected current year's net income, respectively. The employees' bonus were accrued based on 5% of net income to be distributed, while the directors' remuneration were accrued based on 2% and 0% of net income to be distributed, respectively. The estimated employees' bonus and directors' remuneration have been recognised as operating cost or operating expense of the periods.
- E. Information on the appropriation of the Company's employees' bonus and directors' remuneration as resolved by the Board of Directors and approved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(12) Other equity items

	2015		
	<u>Unearned employee compensation</u>	<u>Currency translation</u>	<u>Total</u>
At January 1,	(\$ 1,577)	\$ 73,996	\$ 72,419
Currency translation differences	-	( 13,703)	( 13,703)
Compensation cost of share-based payment	<u>731</u>	<u>-</u>	<u>731</u>
At March 31,	<u>(\$ 846)</u>	<u>\$ 60,293</u>	<u>\$ 59,447</u>

	2014		
	<u>Unearned employee compensation</u>	<u>Currency translation</u>	<u>Total</u>
At January 1,	(\$ 7,577)	\$ 8,443	\$ 866
Currency translation differences	-	17,352	17,352
Compensation cost of share-based payment	<u>1,500</u>	<u>-</u>	<u>1,500</u>
At March 31,	<u>(\$ 6,077)</u>	<u>\$ 25,795</u>	<u>\$ 19,718</u>

(13) Operating revenue

	<u>For the three-month periods ended March 31,</u>	
	<u>2015</u>	<u>2014</u>
Sale revenue	\$ 354,937	\$ 277,271
Royalty revenue	2,311	3,645
Service revenue	<u>-</u>	<u>10,594</u>
Total	<u>\$ 357,248</u>	<u>\$ 291,510</u>

(14) Expenses by nature

	<u>For the three-month periods ended March 31,</u>	
	<u>2015</u>	<u>2014</u>
Employee benefit expense	\$ 138,785	\$ 110,628
Depreciation charges on property, plant and equipment	10,673	8,460
Amortisation charges on intangible assets ( recognised as cost of goods sold)	<u>2,109</u>	<u>1,888</u>
	<u>\$ 151,567</u>	<u>\$ 120,976</u>

(15) Employee benefit expense

	<u>For the three-month periods ended March 31,</u>	
	<u>2015</u>	<u>2014</u>
Wages and salaries	\$ 120,407	\$ 95,668
Compensation cost of share-based payment	3,783	3,214
Insurance expense	11,003	9,231
Pension costs	3,390	2,347
Other personnel expenses	<u>202</u>	<u>168</u>
	<u>\$ 138,785</u>	<u>\$ 110,628</u>

(16) Income tax

Income tax expense

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

	<u>For the three-month periods ended March 31,</u>	
	<u>2015</u>	<u>2014</u>
Current tax:		
Current tax on profits for the period	\$ 344	\$ 116
Tax effect of minimum tax	<u>608</u>	<u>24</u>
Total current tax	<u>952</u>	<u>140</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>2,457</u>	<u>3,263</u>
Total deferred tax	<u>2,457</u>	<u>3,263</u>
Income tax benefit	<u>\$ 3,409</u>	<u>\$ 3,403</u>



(17) Earnings per share

1. Earnings per share

	<u>For the three-month period ended March 31, 2015</u>		
	<u>Amount after tax</u>	<u>Weighted average outstanding common shares</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 34,749</u>	<u>45,069</u>	<u>\$ 0.77</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 34,749	45,069	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	45	
Employee stock options	-	1,640	
Employee restricted shares	<u>-</u>	<u>464</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 34,749</u>	<u>47,218</u>	<u>\$ 0.74</u>

	<u>For the three-month period ended March 31, 2014</u>		
	<u>Amount after tax</u>	<u>Weighted average outstanding common shares</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 32,681</u>	<u>36,491</u>	<u>\$ 0.90</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 32,681	36,491	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	10	
Employee stock options	-	555	
Employee restricted shares	<u>-</u>	<u>316</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 32,681</u>	<u>37,372</u>	<u>\$ 0.87</u>

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

	<u>March 31, 2015</u>	<u>December 31, 2014</u>	<u>March 31, 2014</u>
Not later than one year	\$ 14,596	\$ 12,977	\$ 12,962
Later than one year but not later than five years	58,380	51,908	51,848
Later than five years	<u>28,395</u>	<u>30,280</u>	<u>39,966</u>
	<u>\$ 101,371</u>	<u>\$ 95,165</u>	<u>\$ 104,776</u>

(19) Non-cash transaction

Investing activities with partial cash payments:

	<u>For the three-month periods ended March 31,</u>	
	<u>2015</u>	<u>2014</u>
Purchase of property, plant and equipment	\$ 17,414	\$ 9,670
Add: Ending balance of prepayments for equipment	13,692	8,146
Less: Beginning balance of prepayments for equipment (	27,641)	( 5,345)
Less: Ending balance of accrued lease liability (	44,495)	( 29,611)
Add: Beginning balance of accrued lease liability	<u>47,578</u>	<u>31,797</u>
Cash paid during the period	<u>\$ 6,548</u>	<u>\$ 14,657</u>

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

None.

(2) Significant transactions and balances with related party

A. Sales of goods and services:

	<u>For the three-month periods ended March 31,</u>	
	<u>2015</u>	<u>2014</u>
Sales of goods:		
Other related party	<u>\$ -</u>	<u>\$ 57,184</u>

There are no significant differences in sale prices between related party and third parties. The collection term was within 45 days from the monthly closing for sales to related party and 30 to 60 days for sales to third parties.

B. Period-end balances arising from sales of goods/services:

	<u>March 31, 2015</u>	<u>December 31, 2014</u>	<u>March 31, 2014</u>
Receivables from other related party	\$ <u>                    -</u>	\$ <u>                    -</u>	\$ <u>          32,532</u>

The receivables from related party arise mainly from sale transactions. The receivables are due 45 days from the monthly closing. The receivables are unsecured in nature and bear no interest. There are no provisions held against receivables from related party.

(3) Key management compensation

	<u>For the three-month periods ended March 31,</u>	
	<u>2015</u>	<u>2014</u>
Salaries and other short-term employee benefits	\$ 26,874	\$ 22,850
Post-employment benefits	1,041	912
Share-based payments	<u>1,368</u>	<u>1,232</u>
	<u>\$ 29,283</u>	<u>\$ 24,994</u>

8. PLEDGED ASSETS

As of March 31, 2015, December 31, 2014 and March 31, 2014, the Group's assets pledged as collateral were as follows:

<u>Assets</u>	<u>March 31, 2015</u>	<u>December 31, 2014</u>	<u>March 31, 2014</u>	<u>Purpose</u>
Other financial assets, non-current	\$ <u>7,311</u>	\$ <u>7,588</u>	\$ <u>7,286</u>	Deposit for office rental and deposit for waste water treatment

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Please refer to Note 6(18) for the operating lease commitments.

(2) Capital commitments

	<u>March 31, 2015</u>	<u>December 31, 2014</u>	<u>March 31, 2014</u>
Property, plant and equipment	\$ <u>40,436</u>	\$ <u>16,036</u>	\$ <u>12,760</u>

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

For the purpose of purchase of machinery and equipment, plant, and office, and for the operation need, the Board of Directors approved to issue convertible bonds on February 25, 2015. Total issuance amount approved by the Board of Directors is not more than \$600,000, with a par value of \$100,000 (in dollars) per unit and with issuance period of 3 years. The Board of Directors has delegated the Chairman to determine the actual issuance details and terms with the underwriter and to submit the application for FSC's approval. The application has been approved by FSC on April 13, 2015.

## 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. The carrying amounts measured at amortized cost 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').

#### 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

- The Group does not hold any equity securities and therefore, no equity price risk is expected. The Group is also not exposed to commodity price risk.

###### 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 March 31, 2015 and 2014, 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(2).
- iv. The financial assets that were past due but not impaired are accounts receivable. Please refer to Note 6(2).
- v. The financial assets with impairment are accounts receivable. Please refer to Note 6(2).

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.

	<u>Less than 1 year</u>	<u>Over 1 year</u>
<u>Non-derivative financial liabilities:</u>		
March 31, 2015		
Accounts payable	\$ 32,170	\$ -
Other payables	95,838	-
Other current liabilities	10,492	-
Other non-current liabilities	-	36,223
	<u>Less than 1 year</u>	<u>Over 1 year</u>
<u>Non-derivative financial liabilities:</u>		
December 31, 2014		
Accounts payable	\$ 26,851	\$ -
Other payables	97,745	-
Other current liabilities	10,502	-
Other non-current liabilities	-	39,685

	<u>Less than 1 year</u>	<u>Over 1 year</u>
<u>Non-derivative financial liabilities:</u>		
March 31, 2014		
Accounts payable	\$ 36,830	\$ -
Other payables	70,235	-
Other current liabilities	7,014	-
Other non-current liabilities	-	24,449

### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

- (a) Loans to others: None.
- (b) Provision of endorsements and guarantees to others: None.
- (c) Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.
- (d) Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- (e) Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- (f) Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- (g) Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- (h) Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- (i) Derivative financial instruments undertaken during the three-month period ended March 31, 2015: None.
- (j) Significant inter-company transactions during the three-month period ended March 31, 2015: None.

#### (2) Information on investees

The information about investees, location, etc. was as follows (not including investees in Mainland China):

For the three-month period ended March 31, 2015:

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at March 31, 2015		Net profit (loss) of the investee for the three-month period ended March 31, 2015	Investment income (loss) recognised by the Company for the three-month period ended March 31, 2015	Footnote	
				Balance as at March 31, 2015	Balance as at January 1, 2015	Number of shares	Ownership (%)				Book value
GCS Holdings Inc.	Global Communication Semiconductors LLC	Los Angeles, USA	GaAs wafer and foundry service	\$ 403,975	\$ 403,975	-	100	\$ 1,113,244	\$ 39,972	\$ 39,972	-

#### (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:

	<u>For the three-month period ended March 31, 2015</u>			
	<u>Cayman Islands</u>	<u>America</u>	<u>Adjustments and elimination</u>	<u>Consolidated amount</u>
Revenue from external customers	\$ -	\$ 357,248	\$ -	\$ 357,248
Inter-segment revenue	-	-	-	-
Total segment revenue	<u>\$ -</u>	<u>\$ 357,248</u>	<u>\$ -</u>	<u>\$ 357,248</u>
Segment profit (loss) (Note)	<u>\$ 34,749</u>	<u>\$ 43,381</u>	<u>(\$ 39,972)</u>	<u>\$ 38,158</u>
Total assets	<u>\$ 1,239,824</u>	<u>\$ 1,397,338</u>	<u>(\$ 1,167,857)</u>	<u>\$ 1,469,305</u>

	<u>For the three-month period ended March 31, 2014</u>			
	<u>Cayman Islands</u>	<u>America</u>	<u>Adjustments and elimination</u>	<u>Consolidated amount</u>
Revenue from external customers	\$ -	\$ 291,510	\$ -	\$ 291,510
Inter-segment revenue	-	-	-	-
Total segment revenue	<u>\$ -</u>	<u>\$ 291,510</u>	<u>\$ -</u>	<u>\$ 291,510</u>
Segment profit (loss) (Note)	<u>\$ 32,681</u>	<u>\$ 40,474</u>	<u>(\$ 37,071)</u>	<u>\$ 36,084</u>
Total assets	<u>\$ 820,789</u>	<u>\$ 914,593</u>	<u>(\$ 724,830)</u>	<u>\$ 1,010,552</u>

Note: Exclusive of income tax expenditures.

##### (3) Reconciliation for segment income (loss)

The Company and its subsidiary 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.