Global Unichip Corp. and Subsidiaries

Consolidated Financial Statements for the Three Months Ended March 31, 2018 and 2017 and Independent Auditors' Review Report

Deloitte.

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INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Global Unichip Corp.

Introduction

We have reviewed the accompanying consolidated financial statements of Global Unichip Corp. and its subsidiaries (the "Company") as of March 31, 2018 and 2017 and the consolidated statements of comprehensive income, changes in equity and cash flows for the three-month periods then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". 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 caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects the financial position of the Company as of March 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the three-month periods then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Yih-Shin Kao and Yu Feng Huang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 3, 2018

<u>*Notice to Readers*</u>

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

For the convenience of readers, the independent auditors' review report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' review report and consolidated financial statements shall prevail.

GLOBAL UNICHIP CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2018 (Reviewed) Amount	%	December 31, 2017 (Audited) Amount	%	March 31, 2017 (Reviewed) Amount	%
CURRENT ASSETS						
Cash and cash equivalents	$ 4,736,582	54	$ 5,090,202	62	$ 3,576,432	59
Contract assets (Note 15)	11,642	-	-	-	-	-
Accounts receivable, net (Note 6)	960,372	11	907,709	11	624,788	10
Receivables from related parties (Note 25)	7,015	-	9,550	-	11,513	-
Inventories (Note 7)	1,611,530	18	1,152,514	14	659,803	11
Other financial assets	1,612	-	1,198	-	1,081	-
Other current assets (Notes 10 and 25)	371,376	4	263,928	3	570,492	9
Total current assets	7,700,129	87	7,425,101	90	5,444,109	89
NONCURRENT ASSETS						
Property, plant and equipment (Note 8)	693,024	8	473,250	6	379,315	6
Intangible assets (Note 9)	387,247	4	323,533	4	228,776	4
Deferred income tax assets (Note 19)	41,379	1	36,625	-	29,729	1
Refundable deposits (Note 25)	19,098	-	14,787	-	13,225	-
Pledged time deposits (Note 26)	22,200	-	22,200	-	20,000	-
Total noncurrent assets	1,162,948	13	870,395	10	671,045	11
TOTAL	$ 8,863,077	100	$ 8,295,496	100	$ 6,115,154	100

LIABILITIES AND EQUITY	March 31, 2018 (Reviewed) Amount	%	December 31, 2017 (Audited) Amount	%	March 31, 2017 (Reviewed) Amount	%
CURRENT LIABILITIES						
Contract liabilities (Notes 15 and 25)	$ 1,660,613	19	$ -	-	$ -	-
Accounts payable	591,586	7	590,192	7	257,533	4
Payables to related parties (Note 25)	1,124,903	13	1,036,014	12	308,064	5
Accrued employees' compensation and remuneration to directors (Note 21)	186,974	2	145,707	2	84,475	2
Payables on machinery and equipment	206,515	2	88,334	1	11,828	-
Current tax liabilities (Note 19)	100,854	1	77,948	1	50,213	1
Provisions (Note 11)	-	-	485	-	-	-
Customer advances (Note 25)	-	-	1,630,281	20	1,184,883	19
Accrued expenses and other current liabilities (Notes 12 and 25)	587,756	6	577,145	7	300,441	5
Total current liabilities	4,459,201	50	4,146,106	50	2,197,437	36
NONCURRENT LIABILITIES						
Deferred income tax liabilities (Note 19)	15,300	-	8,031	-	6,995	-
Other long-term payables (Note 12)	104,984	1	64,186	1	77,881	1
Net defined benefit liabilities (Note 13)	26,840	1	26,941	-	22,947	1
Guarantee deposits (Note 22)	2,911	-	2,976	-	3,033	-
Total noncurrent liabilities	150,035	2	102,134	1	110,856	2
Total liabilities	4,609,236	52	4,248,240	51	2,308,293	38
EQUITY (Note 14)						
Share capital	1,340,119	15	1,340,119	16	1,340,119	22
Capital surplus	32,543	-	32,513	1	29,853	-
Retained earnings						
Appropriated as legal reserve	578,411	7	578,411	7	523,303	9
Appropriated as special reserve	1,514	-	1,514	-	-	-
Unappropriated earnings	2,312,238	26	2,105,639	25	1,923,723	31
Others	(10,984)	-	(10,940)	-	(10,137)	-
Total equity	4,253,841	48	4,047,256	49	3,806,861	62
TOTAL	$ 8,863,077	100	$ 8,295,496	100	$ 6,115,154	100

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

GLOBAL UNICHIP CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	Three Months Ended March 31			
	2018		2017	
	Amount	%	Amount	%
NET REVENUE (Notes 15 and 25)	$ 2,758,374	100	$ 2,408,714	100
COST OF REVENUE (Notes 21 and 25)	1,827,491	66	1,821,541	76
GROSS PROFIT	930,883	34	587,173	24
OPERATING EXPENSES (Notes 21 and 25)				
Sales and marketing	72,686	2	74,297	3
General and administrative	76,774	3	57,601	2
Research and development	546,590	20	316,526	13
Total operating expenses	696,050	25	448,424	18
INCOME FROM OPERATIONS	234,833	9	138,749	6
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 16)	6,240	-	7,480	-
Other gains and losses (Note 17)	(2,580)	-	22,540	1
Finance costs (Note 18)	-	-	(60)	-
Total non-operating income and expenses	3,660	-	29,960	1
INCOME BEFORE INCOME TAX	238,493	9	168,709	7
INCOME TAX EXPENSE (Note 19)	31,894	2	25,723	1
NET INCOME	206,599	7	142,986	6
OTHER COMPREHENSIVE LOSS				
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations (Note 14)	(44)	-	(8,623)	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 206,555	7	$ 134,363	6
EARNINGS PER SHARE (Note 20)				
Basic earnings per share	$ 1.54		$ 1.07	
Diluted earnings per share	$ 1.54		$ 1.06	

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

GLOBAL UNICHIP CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)
(Reviewed, Not Audited)

	Share Capital - Common Stock			Retained Earnings				Others	
	Shares (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Foreign Currency Translation Reserve	Total Equity
BALANCE, JANUARY 1, 2017	134,011	$ 1,340,119	$ 29,853	$ 523,303	$ -	$ 1,780,737	$ 2,304,040	$ (1,514)	$ 3,672,498
Net income for the three months ended March 31, 2017	-	-	-	-	-	142,986	142,986	-	142,986
Other comprehensive loss for the three months ended March 31, 2017, net of income tax	-	-	-	-	-	-	-	(8,623)	(8,623)
Total comprehensive income (loss) for the three months ended March 31, 2017	-	-	-	-	-	142,986	142,986	(8,623)	134,363
BALANCE, MARCH 31, 2017	134,011	$ 1,340,119	$ 29,853	$ 523,303	$ -	$ 1,923,723	$ 2,447,026	$ (10,137)	$ 3,806,861
BALANCE, JANUARY 1, 2018	134,011	$ 1,340,119	$ 32,513	$ 578,411	$ 1,514	$ 2,105,639	$ 2,685,564	$ (10,940)	$ 4,047,256
Dividends from claims extinguished by prescription	-	-	30	-	-	-	-	-	30
Net income for the three months ended March 31, 2018	-	-	-	-	-	206,599	206,599	-	206,599
Other comprehensive loss for the three months ended March 31, 2018, net of income tax	-	-	-	-	-	-	-	(44)	(44)
Total comprehensive income (loss) for the three months ended March 31, 2018	-	-	-	-	-	206,599	206,599	(44)	206,555
BALANCE, MARCH 31, 2018	$ 134,011	$ 1,340,119	$ 32,543	$ 578,411	$ 1,514	$ 2,312,238	$ 2,892,163	$ (10,984)	$ 4,253,841

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

GLOBAL UNICHIP CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Three Months Ended March 31	
	2018	**2017**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 238,493	$ 168,709
Adjustments for:		
Depreciation	37,648	21,663
Amortization	55,625	39,853
Net gain on financial assets at fair value through profit or loss	(637)	-
Finance costs	-	60
Interest income	(5,689)	(3,859)
Gain on disposal of financial assets	-	(239)
Gain on foreign exchange, net	(5,950)	(10,776)
Changes in operating assets and liabilities:		
Contract assets	1,750	-
Accounts receivable	(67,810)	108,872
Receivables from related parties	2,535	32,797
Inventories	(459,016)	67,697
Other financial assets	(186)	1
Other current assets	7,387	(237,643)
Contract liabilities	30,332	-
Accounts payable	(112,619)	(139,934)
Payables to related parties	88,889	(667,909)
Accrued employees' compensation and remuneration to directors	41,267	20,453
Provisions	-	(2,504)
Customer advances	-	332,880
Accrued expenses and other current liabilities	(17,403)	(28,193)
Net defined benefit liabilities	(101)	(88)
Cash used in operations	(165,485)	(298,160)
Income tax paid	(5,553)	(439)
Net cash used in operating activities	(171,038)	(298,599)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Financial assets at fair value through profit or loss	(940,000)	-
Available-for-sale financial assets	-	(700,000)
Property, plant and equipment	(138,875)	(57,389)
Intangible assets	(45,448)	(14,225)
Proceeds from disposal of:		
Financial assets at fair value through profit or loss	940,637	-
Available-for-sale financial assets	-	700,239
Refundable deposits paid	(4,278)	-
Refundable deposits refunded	235	72
Interest received	5,461	3,591
Net cash used in investing activities	(182,268)	(67,712)

(Continued)

GLOBAL UNICHIP CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Three Months Ended March 31	
	2018	**2017**
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	$ -	$ (60)
Dividends from claims extinguished by prescription reclassified to capital surplus	30	-
Net cash generated from (used in) financing activities	30	(60)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(344)	(7,737)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(353,620)	(374,108)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	5,090,202	3,950,540
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 4,736,582	$ 3,576,432

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)

1. GENERAL

Global Unichip Corp. (GUC), a Republic of China (R.O.C.) corporation, was incorporated on January 22, 1998. GUC is engaged mainly in researching, developing, producing, testing and selling of embedded memory and logic components for various application ICs, cell libraries for various application ICs, and EDA tools for various application ICs. On November 3, 2006, GUC's shares were listed on the Taiwan Stock Exchange (TWSE). The address of its registered office and principal place of business is No. 10 Li-Hsin 6th Rd., Hsinchu Science Park, Taiwan. GUC together with its consolidated subsidiaries are hereinafter referred to collectively as the "Company".

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were agreed by the Audit Committee and reported to the Board of Directors for issue on May 3, 2018.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC).

   Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Company's accounting policies:

   1) IFRS 9 "Financial Instruments" and related amendment

      IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Please refer to Note 4 for information relating to the relevant accounting policies.

      Classification, measurement and impairment of financial assets

      On the basis of the facts and circumstances that exist as at January 1, 2018, the Company has performed an assessment of the classification of recognized financial assets and has elected not to restate comparative figures.

      The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Company's financial assets as at January 1, 2018.

	Measurement Category		Carrying Amount		
	IAS 39	IFRS 9	IAS 39	IFRS 9	Note
Financial Assets					
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 5,090,202	$ 5,090,202	(1)
Accounts receivable (including related parties), other financial assets, refundable deposits and pledged time deposits	Loans and receivables	Amortized cost	941,376	941,376	(1)
Financial Liabilities					
Accounts payable (including related parties), payables on machinery and equipment, accrued expenses and other current liabilities, other long-term payables and guarantee deposits	Amortized cost	Amortized cost	2,184,268	2,184,268	

(1) Cash and cash equivalents, accounts receivable (including related parties), other financial assets, refundable deposits and pledged time deposits which were classified as loans and receivables under IAS 39 are now classified at amortized cost per the assessment of future 12-month or lifetime expected credit losses under IFRS 9.

(2) Mutual funds previously classified as available-for-sale were classified as at fair value through profit or loss because the contractual cash flows are not solely payments of principal and interest on the principal outstanding and they are not equity instruments. The Company's manual funds were sold in full on January 1, 2018.

(3) Unlisted shares previously measured at cost under IAS 39 were classified as at fair value through profit or loss under IFRS 9 and will be measured at fair value. The Company's assessed fair value of financial assets at fair value through profit or loss was zero on January 1, 2018.

2) IFRS 15 "Revenue from Contracts with Customers" and related amendment

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and supersedes IAS 18, "Revenue," IAS 11, "Construction Contracts," and a number of revenue-related interpretations. Please refer to Note 4 for information related to the relevant accounting policies.

After application of IFRS 15, NRE service is recognized when the NRE service is completed according to the contract which signed with customers. If each performance obligation can be measured reasonably by completion stages, the contract is restricted for another use, and the customer would compensate the company to recover the costs incurred plus a reasonable profit margin whenever the contract is terminated by the customer, revenues of the contract service will be recognized over time. Before application of IFRS 15, the company recognized revenue by the stage of completion of the contract.

Under IFRS 15, the net effect of revenue recognized and consideration received and receivable is recognized as a contract asset or a contract liability. Before application of IFRS 15, accounts receivable was recognized or customer advances received was reduced when revenue was recognized for the contract under IAS 18.

Before application of IFRS 15, the company recognize sales discount and return as sales discount and return provisions. After application of IFRS 15, the company recognize sales discount and return as refund liabilities (accrued expenses and other current liabilities).

The Company elects to retrospectively apply IFRS 15 to the contracts that are not complete on January 1, 2018 and recognize the cumulative effect of the change in the retained earnings on January 1, 2018.

Impact on assets, liabilities and equity for current period

	Carrying Amount as of January 1, 2018	Adjustments Arising from Initial Application	Restated Carrying Amount as of January 1, 2018
Accounts receivable, net	$ 907,709	$ (13,392)	$ 894,317
Contract assets	-	13,392	13,392
Total effect on assets	$ 907,709	$ -	$ 907,709
Contract liabilities	$ -	$ 1,630,281	$ 1,630,281
Customer advances	1,630,281	(1,630,281)	-
Refund liabilities (accrued expenses and other current liabilities)	-	485	485
Provisions	485	(485)	-
Total effect on liabilities	$ 1,630,766	$ -	$ 1,630,766

The impact of continuing the application of IAS 18 instead of IFRS 15 for the three months ended March 31, 2018 is detailed as follows:

Impact on assets, liabilities and equity

	March 31, 2018
Increase in inventories	$ 109,130
Decrease in contract assets	(11,642)
Decrease in accounts receivable, net	(134,174)
Total effect on assets	$ (36,686)
Decrease in contract liabilities	$ (1,660,613)
Increase in customer advances	1,660,613
Increase in provisions	485
Decrease in refund liabilities (accrued expenses and other current liabilities)	(485)
Decrease in current tax liabilities	(4,586)
Total effect on liabilities	$ (4,586)
Decrease in retained earnings	$ (32,100)
Total effect on equity	$ (32,100)

Impact on total comprehensive income

	Three Months Ended March 31, 2018
Decrease in net revenue	$ (146,041)
Decrease in cost of revenue	(109,130)
Increase in other gains and losses	225
Decrease in income tax expense	(4,586)
Decrease in net income for the period	$ (32,100)

3) IFRIC 22 "Foreign Currency Transactions and Advance Consideration"

IAS 21 stipulated that a foreign currency transaction shall be recorded on initial recognition in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. IFRIC 22 further explains that the date of the transaction is the date on which an entity recognizes a non-monetary asset or non-monetary liability from payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine the date of the transaction for each payment or receipt of advance consideration.

The Company applies IFRIC 22 prospectively to all assets, expenses and income recognized on or after January 1, 2018 within the scope of the Interpretation.

b. The IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC

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

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

Note 2: The FSC permits the election for early adoption of the amendments starting from January 1, 2018.

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

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

IFRS 16 “Leases”

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the convenience of readers, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the R.O.C. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language consolidated financial statements shall prevail.

Significant accounting policies are summarized as follows:

Statement of Compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual financial statements.

Basis of Preparation

These interim consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Basis of Consolidation

Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of GUC and entities controlled by GUC (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

All intercompany transactions, balances, income and expenses are eliminated in full upon consolidation.

The subsidiaries in the consolidated financial statements

The detail information of the subsidiaries at the end of reporting period was as follows:

Name of Investor	Name of Investee	Main Businesses and Products	Establishment and Operating Location	Percentage of Ownership			Remark
				March 31, 2018	December 31, 2017	March 31, 2017	
GUC	Global Unichip Corp.-NA (GUC-NA)	Products consulting, design and technical support service	U.S.A.	100%	100%	100%	Note 1
	Global Unichip Japan Co., Ltd. (GUC-Japan)	Products consulting, design and technical support service	Japan	100%	100%	100%	Note 1
	Global Unichip Corp. Europe B.V. (GUC-Europe)	Products consulting, design and technical support service	Netherlands	100%	100%	100%	Note 1
	Global Unichip (BVI) Corp. (GUC-BVI)	Investing activities	British Virgin Islands	100%	100%	100%	Note 1
	Global Unichip Corp. Korea (GUC-Korea)	Products consulting, design and technical support service	Korea	100%	100%	100%	Notes 1
	Global Unichip (Nanjing) Ltd. (GUC-Nanjing)	Products consulting, design and technical support service	Nanjing, China	100%	100%	-	Notes 1 & 2
GUC-BVI	Global Unichip (Shanghai) Company, Limited (GUC-Shanghai)	Products consulting, design and technical support service	Shanghai, China	100%	100%	100%	Note 1

Note 1: The subsidiaries are not significant subsidiaries, their financial statements have not been reviewed except for GUC-NA.

Note 2: Upon the approval of the Board of the Directors on May 4, 2017, GUC-Nanjing was established by GUC in July 2017.

Foreign Currencies

The financial statements of each individual consolidated entity were expressed in the currency, which reflected its primary economic environment (functional currency). The functional currency of GUC and presentation currency of the consolidated financial statements are both New Taiwan Dollars (NT$). In preparing the consolidated financial statement, the operating results and financial positions of each consolidated entity are translated into NT$.

In preparing the financial statements of each individual consolidated entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Such exchange differences are recognized in profit or loss in the period in which they arise. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations are translated into NT$ using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity.

Classification of Current and Noncurrent Assets and Liabilities

Current assets include:

a. Assets held primarily for the purpose of trading;

b. Assets expected to be realized within twelve months after the reporting period; and

c. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

a. Liabilities held primarily for the purpose of trading;

b. Liabilities due to be settled within twelve months after the reporting period; and

c. Liabilities for which the Company does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

Cash Equivalents

Cash equivalents, for the purpose of meeting short-term cash commitments, consist of highly liquid time deposits and investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Financial Instruments

Financial assets and liabilities shall be recognized when the Company becomes a party to the contractual provisions of the instruments.

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

Financial Assets

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

a. Measurement category

2018

Financial assets are classified into the following categories: financial assets at fair value through profit or loss (FVTPL) and financial assets at amortized cost.

1) Financial assets at FVTPL

Financial assets at FVTPL includes the financial assets are mandatorily classified as at FVTPL, which includes investments in equity instruments which are not designated as at fair value through other comprehensive income (FVOCI) and debt instruments that do not meet the amortized cost criteria or the FVOCI criteria.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 24.

2) Financial assets at amortized cost

Financial assets that meet the following 2 conditions are subsequently measured at amortized cost:

a) The financial asset is held within a business model whose objective is collecting contractual cash flows; and

b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost (including cash and cash equivalents, notes and accounts receivable (including related parties) and other receivables), are measured at amortized cost, which equals gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

2017

Financial assets are classified as available-for-sale financial assets and loans and receivables. Thus are depended at the time of initial recognition's characteristic and purpose. Convention trading of financial assets are recognized and derecognized on a settlement date basis. Convention trading purchases or sales of financial assets require delivery of assets within the time frame established by regulation or convention in the marketplace.

1) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives financial assets that are either designated as available-for-sale or not classified as (a) loans and receivables, (b) held-to-maturity financial assets or (c) FVTPL.

Open-end mutual funds held by the Company that are traded in an active market are classified as available-for-sale financial assets and are stated at fair value at the end of each reporting period. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss.

Fair value of open-end mutual funds is determined by the financial institution using the net assets value at the balance sheet date.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, the value are presented at cost less any identified impairment loss at the end of each reporting period and in a separate line item as financial assets measured at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

2) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables including cash and cash equivalents, notes and accounts receivable (including related parties) and other receivables are measured at amortized cost using the effective interest method less any impairment, except for those receivables with immaterial discounted effect.

b. Impairment of financial assets

<u>2018</u>

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables) and contract assets.

The Company always recognizes lifetime Expected Credit Losses (ECLs) for trade receivables. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For accounts receivable past due over 90 days, the Company recognizes loss allowance at full amount.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

<u>2017</u>

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

For financial assets carried at amortized cost, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. The Company assesses the collectability of receivables by evaluating the current financial condition of customers, historical experience and by performing account aging analysis. In the aging analysis, poor credit quality customers with balances past due for over 90 days should all be recognized an allowance for doubtful receivable.

For financial assets measured at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced by using an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account.

c. Derecognition of financial assets

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

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

Financial Liabilities and Equity Instruments

a. Classification as debt or equity

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

b. Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

c. Financial liabilities

Financial liabilities are subsequently measured at amortized cost using effective interest method.

Financial liabilities other than those held for trading purposes and designated as at FVTPL are subsequently measured at amortized cost at the end of each reporting period.

d. Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process. Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made on an item-by-item basis, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and necessary selling costs. Inventories are recorded at weighted-average cost on the balance sheet date.

Property, Plant and Equipment and Assets Leased to Others

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment. Costs include any incremental costs that are directly attributable to the construction or acquisition of the item of property, plant and equipment.

Depreciation is recognized so as to write off the cost of the assets less their residual values over their useful lives, and it is computed using the straight-line method over the following estimated useful lives:

Buildings	50 years
Machinery and equipment	4 to 7 years
Research and development equipment	3 to 5 years
Transportation equipment	5 years
Office equipment	3 to 5 years
Miscellaneous equipment	2 to 10 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Leases

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

Rental income from operating lease is recognized on a straight-line basis over the term of the relevant lease. Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Intangible Assets

Intangible assets are limited in a certain useful life. The initial book value is recorded on the purchasing cost itself. After that the subsequent book value is measured by cost less accumulated amortization and accumulated impairment losses. Amortization is recognized using the straight-line method over the following estimated useful lives:

Software	2 to 5 years
Technology license fees	The term of the technology transfer contract
Patents	Economic lives of the patents

The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Expenditure on research activities is recognized as an expense when incurred. An internally-generated intangible asset arising from development activities is capitalized and then amortized on a straight-line basis over its useful life if the recognition criteria for an intangible asset have been met; otherwise, the development expenditure is recognized as an expense when incurred.

Impairment of Tangible and Intangible Assets

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

Recoverable amount is the higher of fair value less costs to sell or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Before the Company recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories, property, plant and equipment and intangible assets related to the contract applicable under IFRS 15 shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Company expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

When an impairment loss subsequently reverses, the carrying amount of the asset, a cash-generating unit or asset related to contract cost is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset, cash-generating unit or asset related to contract cost in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Provision

<u>2017</u>

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Revenue Recognition

2018

The Company identifies the contract with the customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied. Revenue from sale of goods is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from sale of goods

Recognized when a customer obtains control of promised goods, at which time the goods are delivered to the customer's specific location and performance obligation is satisfied.

Rendering of Non-Recurring Engineering (NRE) services

Recognized the revenue when the NRE service is completed, which meet the qualifications of customer's contract. If each performance obligation can be measured reasonably by completion stages, the contract is restricted for another use, and the customer would compensate the company to recover the costs incurred plus a reasonable profit margin whenever the contract is terminated by the customer, revenues of the contract service will be recognized over time.

2017

Revenue is measured at the fair value of the consideration received or receivable. Revenue is also reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

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

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

Rendering of Non-Recurring Engineering (NRE) services

Revenue from a contract to provide NRE services is recognized by reference to the stage of completion of the contract.

Interest income

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

Retirement Benefits

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

Defined benefit costs under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost and net interest on the net defined benefit liability are recognized as employee benefits expense in the period they occur. Remeasurement is recognized in other comprehensive income in the period in which they occur, and it is reflected in retained earnings immediately and will not be reclassified to profit or loss.

Net defined benefit liability represents the actuarial deficit in the Company's defined benefit plan.

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings. The effect of a change in tax rate resulting from a change in tax law is recognized in consistent with the accounting for the transaction itself for which the tax consequence arises from, and is recognized in profit or loss in full in the period in which the change in tax rate occurs.

Current tax

Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

Income tax on unappropriated earnings (excluding earnings from foreign consolidated subsidiaries) at a rate of 10% is expensed in the year the shareholders approved the appropriation of earnings which is the year subsequent to the year the earnings are generated.

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

Deferred tax

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. The deferred tax assets which originally not recognized is also reviewed at the end of each reporting period and increased to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the period

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 4, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following are the critical judgments, apart from those involving estimations, that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Revenue Recognition

2018

The Company evaluates whether its performance obligation is satisfied over time or at a point in time in accordance with respective contract with a customer and applicable regulation when the conditions described in Note 4 are satisfied.

The Company also records a provision for estimated future allowances in the same period the related revenue is recorded. Provision for estimated sales allowances is generally made and adjusted based on management judgement, historical experience and any known factors that would significantly affect the allowance, and our management periodically reviews the adequacy of the allowance.

2017

The Company recognizes revenue when the conditions described in Note 4 are satisfied.

The Company also records a provision for estimated future allowances in the same period the related revenue is recorded. Provision for estimated sales allowances is generally made and adjusted based on management judgement, historical experience and any known factors that would significantly affect the allowance, and our management periodically reviews the adequacy of the allowance.

Impairment of Financial Assets (2018)

The provision for impairment of trade receivables is based on assumptions about the risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Please refer to Note 6 for the details of the key assumptions and inputs used. Where the actual future cash flows are less than expected, a material impairment loss may arise.

Impairment of Accounts Receivable (2017)

Accounts receivable are considered to be impaired when there is objective evidence of uncollectability; the Company will consider the estimated future cash flows to determine the impairment. The Company assesses the collectability of receivables by evaluating the current financial condition of customers, historical experience and by performing account aging analysis; the amount of impairment loss is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the financial assets original effective interest rate. It might be a critical impairment loss if the actual future cash flows are less than estimated future cash flows. In the aging analysis, poor credit quality customers with balances past due for over 90 days should all be recognized an allowance for doubtful receivable.

Realization of Deferred Income Tax Assets

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which those deferred tax assets can be utilized. Assessment of the realization of the deferred tax assets requires the Company's subjective judgment and estimation, including the future revenue growth and profitability, tax holidays, the amount of tax credits that can be utilized and feasible tax planning strategies. Any changes in the global economic environment, the industry trends and relevant laws and regulations could result in significant adjustments to deferred tax assets.

Valuation of Inventory

Inventories are stated at the lower of cost or net realizable value, and the Company has to determine and estimate to the net realizable value of inventory at the end of each reporting period.

Due to the rapid technological changes, the Company estimates the net realizable value of inventory for obsolescence and unmarketable items at the end of reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific time horizon.

6. ACCOUNTS RECEIVABLE, NET

	March 31, 2018	December 31, 2017	March 31, 2017
Accounts receivable	$ 960,372	$ 907,709	$ 624,788

2018

In principle, the payment term granted to customers is due 30 days from the invoice date or 30 days from the end of the month the invoice is issued.

The Company applies the simplified approach to provisions for expected credit losses prescribed by IFRS 9, which permits the use of a lifetime expected credit losses provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past account aging records of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors and an assessment of all the gross domestic product growth rates, unemployment rates and industrial indicators at the reporting date. The Company estimates expected credit losses based on the number of days for which receivables are past due. As the Company's historical credit losses experience does not show significantly different loss patterns for different customer segments, the provision for losses based on past due status of receivables is not further distinguished between the Company's different customer base; and an allowance for doubtful receivables is recognized for balances which are over 90 days past due.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery of the receivable. For trade receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables which are due. Where recoveries are made, these are recognized in profit or loss.

Aging analysis of accounts receivable

	March 31, 2018
Neither past due nor impaired	$ 886,049
Past due but not impaired	
Past due within 1-30 days	74,207
Past due within 31-60 days	116
	$ 960,372

Starting from 2018, the Company applies IFRS 9 to evaluate expected credit losses, the Company's loss allowance for expected credit losses was zero on March 31, 2018 and January 1, 2018.

2017

The Company applied the same credit policy in 2017 and 2018. The Company assesses the collectability of receivables by evaluating the current financial condition of customers, historical experience and by performing account aging analysis. In the aging analysis, poor credit quality customers with balances past due for over 90 days, should all be recognized an allowance for doubtful receivable. As of December 31, 2017 and March 31, 2017, the Company's allowance for doubtful receivables was zero.

Accounts receivable, aging analysis at the end of the reporting period is summarized in the following table. Accounts receivable include amounts that are past due but for which the Company has not recognized an allowance for doubtful receivables after the assessment since there has not been a significant change in the credit quality of its customers and the amounts are still considered recoverable.

Aging analysis of accounts receivable

	December 31, 2017	March 31, 2017
Neither past due nor impaired	$ 796,075	$ 587,572
Past due but not impaired		
Past due within 1-30 days	107,230	36,998
Past due within 31-60 days	4,404	-
Past due within 61-90 days	-	50
Past due over 90 days	-	168
	$ 907,709	$ 624,788

7. INVENTORIES

	March 31, 2018	December 31, 2017	March 31, 2017
Finished goods	$ 68,827	$ 86,932	$ 105,642
Work in process	1,108,741	912,267	397,925
Raw materials	433,962	153,315	156,236
	$ 1,611,530	$ 1,152,514	$ 659,803

Write-down of inventories to net realizable value were included in the cost of revenue, which were as follows:

	Three Months Ended March 31	
	2018	2017
Loss on inventory	$ (1,521)	$ (5,658)

8. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery and Equipment	Research and Development Equipment	Transportation Equipment	Office Equipment	Miscellaneous Equipment	Total
Cost							
Balance at January 1, 2018	$ 242,923	$ 23,430	$ 704,709	$ 9,390	$ 24,207	$ 293,665	$ 1,298,324
Additions	-	325	241,226	-	2,146	13,679	257,376
Disposals	-	-	(1,744)	-	-	(115)	(1,859)
Effect of exchange rate changes	-	-	(84)	-	(16)	79	(21)
Balance at March 31, 2018	$ 242,923	$ 23,755	$ 944,107	$ 9,390	$ 26,337	$ 307,308	$ 1,553,820
Accumulated depreciation							
Balance at January 1, 2018	$ 63,797	$ 3,311	$ 486,832	$ 5,383	$ 19,928	$ 245,823	$ 825,074
Depreciation	1,192	784	30,443	257	309	4,663	37,648
Disposals	-	-	(1,744)	-	-	(115)	(1,859)
Effect of exchange rate changes	-	-	(82)	-	(8)	23	(67)
Balance at March 31, 2018	$ 64,989	$ 4,095	$ 515,449	$ 5,640	$ 20,229	$ 250,394	$ 860,796
Carrying amount at January 1, 2018	$ 179,126	$ 20,119	$ 217,877	$ 4,007	$ 4,279	$ 47,842	$ 473,250
Carrying amount at March 31, 2018	$ 177,934	$ 19,660	$ 428,658	$ 3,750	$ 6,108	$ 56,914	$ 693,024

(Continued)

	Buildings	Machinery and Equipment	Research and Development Equipment	Transportation Equipment	Office Equipment	Miscellaneous Equipment	Total
Cost							
Balance at January 1, 2017	$ 242,923	$ 4,499	$ 609,098	$ 4,978	$ 21,161	$ 273,709	$ 1,156,368
Additions	-	-	15,152	-	-	1,150	16,302
Disposals	-	-	-	-	-	(15)	(15)
Effect of exchange rate changes	-	-	(265)	-	(214)	(1,061)	(1,540)
Balance at March 31, 2017	$ 242,923	$ 4,499	$ 623,985	$ 4,978	$ 20,947	$ 273,783	$ 1,171,115
Accumulated depreciation							
Balance at January 1, 2017	$ 59,031	$ 2,418	$ 449,514	$ 4,506	$ 19,963	$ 235,634	$ 771,066
Depreciation	1,192	90	16,260	108	159	3,854	21,663
Disposals	-	-	-	-	-	(15)	(15)
Effect of exchange rate changes	-	-	(239)	-	(162)	(513)	(914)
Balance at March 31, 2017	$ 60,223	$ 2,508	$ 465,535	$ 4,614	$ 19,960	$ 238,960	$ 791,800
Carrying amount at March 31, 2017	$ 182,700	$ 1,991	$ 158,450	$ 364	$ 987	$ 34,823	$ 379,315

(Concluded)

9. INTANGIBLE ASSETS

	Software	Technology License Fees	Patents	Total
Cost				
Balance at January 1, 2018	$ 687,166	$ 6,000	$ 519	$ 693,685
Additions	119,339	-	-	119,339
Balance at March 31, 2018	$ 806,505	$ 6,000	$ 519	$ 813,024
Accumulated amortization				
Balance at January 1, 2018	$ 363,757	$ 6,000	$ 395	$ 370,152
Amortization	55,617	-	8	55,625
Balance at March 31, 2018	$ 419,374	$ 6,000	$ 403	$ 425,777
Carrying amount at January 1, 2018	$ 323,409	$ -	$ 124	$ 323,533
Carrying amount at March 31, 2018	$ 387,131	$ -	$ 116	$ 387,247
Cost				
Balance at January 1, 2017	$ 594,129	$ 6,000	$ 519	$ 600,648
Additions	2,272	-	-	2,272
Balance at March 31, 2017	$ 596,401	$ 6,000	$ 519	$ 602,920
Accumulated amortization				
Balance at January 1, 2017	$ 327,924	$ 6,000	$ 367	$ 334,291
Amortization	39,846	-	7	39,853
Balance at March 31, 2017	$ 367,770	$ 6,000	$ 374	$ 374,144
Carrying amount at March 31, 2017	$ 228,631	$ -	$ 145	$ 228,776

10. OTHER CURRENT ASSETS

	March 31, 2018	December 31, 2017	March 31, 2017
Prepayment for purchases	$ 132,780	$ 96,602	$ 385,983
Tax receivable	89,785	107,070	81,819
Prepaid license fees	72,913	4,497	47,308
Prepaid expenses	52,765	40,161	42,788
Temporary payments	22,164	15,478	12,594
Prepaid income tax	969	120	-
	$ 371,376	$ 263,928	$ 570,492

11. PROVISIONS

	Three Months Ended March 31, 2017
Balance, beginning of period	$ 2,504
Write off	(2,504)
Balance, end of period	$ -

Provisions for sales allowances are generally estimated and adjusted based on management judgement, historical experience and any known factors that would significantly affect the allowance, and our management periodically reviews the adequacy of the allowance and are recognized as a reduction of revenue when the product are sold.

Starting from 2018, the Company recognizes the estimation of sales returns and allowance as refund liability (classified under accrued expenses and other current liabilities) upon initial application of IFRS 15.

12. OTHER LIABILITIES

	March 31, 2018	December 31, 2017	March 31, 2017
Current			
License fees payable	$ 177,406	$ 149,877	$ 87,620
Payable for salaries and bonuses	134,693	184,685	61,789
Payable for royalties	19,301	12,749	27,176
Others	256,356	229,834	123,856
	$ 587,756	$ 577,145	$ 300,441
Non-current			
License fees payable	$ 104,984	$ 64,186	$ 77,881

The license fees payable are primarily attributable to several agreements that GUC entered into for certain technology license and software.

13. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The pension mechanism under the Labor Pension Act is deemed a defined contribution retirement plan. Pursuant to the Act, GUC makes monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts. Furthermore, GUC-NA, GUC Japan, GUC Korea, GUC-Shanghai and GUC-Nanjing make monthly contributions at certain percentages of the salary of their employees. Accordingly, the Company recognized expenses of NT$12,555 thousand and NT$9,270 thousand in the consolidated statements of comprehensive income for the three months ended March 31, 2018 and 2017, respectively.

b. Defined benefit plans

GUC has a defined benefit plan under the Labor Standards Act, which provides benefits based on an employee's length of service and average monthly salary of the last six months prior to retirement. GUC contributes an amount equal to 2% of salaries paid each month to a pension fund (the Fund), which is administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the Committee's name in the Bank of Taiwan. Before the end of each year, the Company assesses the balance in the Fund. If the amount of the balance in the Fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The Fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); as such, GUC has no right to influence the investment policy and strategy.

GUC adopted projected unit credit method to measure the present value of the defined benefit obligation, current service costs and prior service costs.

GUC adopted the pension cost rate from the actuarial valuation as of December 31, 2017 and 2016 to determine and recognize pension expenses in general and administrative expenses of NT$328 thousand and NT$338 thousand in the consolidated statements of comprehensive income for the three months ended March 31, 2018 and 2017, respectively.

14. EQUITY

a. Share capital

	March 31, 2018	December 31, 2017	March 31, 2017
Authorized	$ 1,500,000	$ 1,500,000	$ 1,500,000
Issued	$ 1,340,119	$ 1,340,119	$ 1,340,119

As of March 31, 2018, December 31, 2017 and March 31, 2017 the authorized shares are 150,000 thousand shares, with par value of $10 per share is entitled to the right to vote and to receive dividends; GUC's issued and paid shares were 134,011 thousand shares.

b. Capital surplus

	March 31, 2018	December 31, 2017	March 31, 2017
From merger	$ 16,621	$ 16,621	$ 16,621
Additional paid-in capital	13,232	13,232	13,232
Donations	2,660	2,660	-
Dividends from claims extinguished by prescription	30	-	-
	$ 32,543	$ 32,513	$ 29,853

Under the Company Law, the capital surplus generated from the excess of the issuance price over the par value of capital stock (including the stock issued for new capital and mergers) and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be appropriated as cash dividends or stock dividends, which are limited to a certain percentage of GUC's paid-in capital under capital surplus. In addition, the capital surplus from dividends from claims extinguished by prescription may be used to offset a deficit.

c. Retained earnings and dividend policy

According to GUC's Articles of Incorporation when allocating the net profits for each fiscal year, GUC shall offset its losses in previous years before set aside the following items accordingly:

1) Legal reserve at 10% of the remaining profit;

2) Special reserve in accordance with the resolution in the shareholders' meeting;

3) Any balance remaining shall be allocated to shareholders according to the resolution in the shareholders' meeting.

The Articles of Incorporation provide the policy about employee' compensation and remuneration to directors, please refer to Note 21.

GUC's profit distribution, the proportion of cash dividends shall not be lower than 60% of the total dividends, depending on future expansion plans and cash needs.

The appropriation for legal reserve shall be made until the reserve equals GUC's paid-in capital. The reserve may be used to offset a deficit, or be distributed as dividends and bonuses to the extent that the portion exceeds 25% of the paid-in capital if GUC incurs no loss.

A special reserve equivalent to the net debit balance of other components of shareholders' equity such as exchange differences on the translation of foreign operations, shall be made from unappropriated earnings. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses.

The appropriations of earnings for 2017 and 2016 had been approved in GUC's Board of Directors and shareholders' meetings held on February 1, 2018 and May 18, 2017, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For Fiscal Year 2017	For Fiscal Year 2016	For Fiscal Year 2017	For Fiscal Year 2016
Legal reserve	$ 85,481	$ 55,108		
Special reserve	9,426	1,514		
Cash dividends to shareholders	670,060	469,042	$ 5.00	$ 3.50
	$ 764,967	$ 525,664		

The appropriations of earnings for 2017 are to be resolved in the GUC shareholders' meeting which is expected to be held on May 17, 2018.

d. Others

Changes in foreign currency translation reserve were as follows:

	Three Months Ended March 31	
	2018	2017
Balance, beginning of period	$ (10,940)	$ (1,154)
Exchange differences on translation of foreign operations	(44)	(8,623)
Balance, end of period	$ (10,984)	$ (10,137)

The exchange differences on translation of foreign operation's net assets from its functional currency to GUC's presentation currency are recognized directly in other comprehensive income and also accumulated in the foreign currency translation reserve.

15. NET REVENUE

The analysis of the Company's net revenue was as follows:

	Three Months Ended March 31	
	2018	2017
Revenue from customer contracts		
Net revenue from sale of goods	$ 1,741,018	$ 1,739,913
Net revenue from NRE service	1,017,356	668,801
	$ 2,758,374	$ 2,408,714

Revenue from sale of goods is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. The Company recognizes the estimation of refund liabilities based on historical experience and the consideration of varying contractual terms, which is classified under accrued expenses and other current liabilities.

a. Contract balances

	March 31, 2018	December 31, 2017
Account receivables	$ 960,372	$ 907,709
Contract assets - current	$ 11,642	$ -
Contract liabilities - current	$ 1,660,613	$ -

The changes in the contract asset and the contract liability balances primarily result from the timing difference between the satisfaction of performance obligation and the customer's payment.

In the first quarter of 2018, the Company recognized NT$677,689 thousand in revenue from the beginning balance of contract liability.

b. Disaggregation of revenue from contracts with customers

Production	Three Months Ended March 31, 2018
ASIC and wafer product	$ 1,741,018
NRE	992,461
Other	24,895
	$ 2,758,374

Region	Three Months Ended March 31, 2018
Taiwan	$ 842,219
United States	605,920
China	565,300
Japan	312,674
Korea	221,938
Europe	210,323
	$ 2,758,374

The Company categorized the net revenue mainly based on the country in which the customer is headquartered.

Application Type	Three Months Ended March 31, 2018
Consumer	$ 1,336,854
Communication	582,590
Computer	465,036
Other	373,894
	$ 2,758,374

Customer Type	Three Months Ended March 31, 2018
System House	$ 1,761,578
Fables	996,796
	$ 2,758,374

Resolution	Three Months Ended March 31, 2018 Net Revenue from NRE Service	Three Months Ended March 31, 2018 Net Revenue from Sale of Goods
7-nanometer	$ 14,975	$ -
12-nanometer	176,551	-
16-nanometer	87,725	5,392
28-nanometer	484,868	450,071
40-nanometer	104,698	178,214
65-nanometer and above	123,644	1,107,341
Other	24,895	-
	$ 1,017,356	$ 1,741,018

16. OTHER INCOME

	Three Months Ended March 31 2018	Three Months Ended March 31 2017
Interest income		
Bank deposits	$ 5,689	$ 3,859
Income (expenses) of rental assets		
Rental income	117	117
Depreciation of rental assets	(1)	(1)
Other income	435	3,505
	$ 6,240	$ 7,480

17. OTHER GAINS AND LOSSES

	Three Months Ended March 31 2018	Three Months Ended March 31 2017
Net gain on financial assets at fair value through profit or loss	$ 637	$ -
Gain on disposal of financial assets - available-for-sale	-	239
Foreign exchange gain (loss), net	(3,217)	22,301
	$ (2,580)	$ 22,540

18. FINANCE COSTS

	Three Months Ended March 31	
	2018	2017
Interest expense		
Bank loans	$ -	$ 60

19. INCOME TAX

a. Income tax expense recognized in profit or loss

Income tax expense consisted of the following:

	Three Months Ended March 31	
	2018	2017
Current income tax expense		
Current tax expense recognized in the current period	$ 29,379	$ 21,956
Deferred income tax expense		
Effect of tax rate changes	3,947	-
Temporary differences	(1,400)	3,725
Income tax credits	-	42
Operating loss carryforwards	(32)	-
	2,515	3,767
Income tax expense recognized in profit or loss	$ 31,894	$ 25,723

The Income Tax Law in the R.O.C was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. The effect of the change in tax rate on deferred tax expense to be recognized in profit or loss is recognized in full in the period in which the tax rate occurs. In addition, the tax rate applicable to 2018 unappropriated earnings will be reduced from 10% to 5%.

b. Income tax examination

The tax authorities have examined income tax returns of GUC through 2015.

20. EARNINGS PER SHARE

	Three Months Ended March 31	
	2018	2017
Basic EPS	$ 1.54	$ 1.07
Diluted EPS	$ 1.54	$ 1.06

EPS is computed as follows:

	Amounts (Numerator)	Number of Shares (Denominator) (In Thousands)	EPS (NT$)
Three months ended March 31, 2018			
Basic EPS			
Net income available to common shareholders	$ 206,599	134,011	$1.54
Effect of dilutive potential common stock	-	248	
Diluted EPS			
Net income available to common shareholders (including effect of dilutive potential common stock)	$ 206,599	134,259	$1.54
Three months ended March 31, 2017			
Basic EPS			
Net income available to common shareholders	$ 142,986	134,011	$1.07
Effect of dilutive potential common stock	-	508	
Diluted EPS			
Net income available to common shareholders (including effect of dilutive potential common stock)	$ 142,986	134,519	$1.06

If the Company settles employees' compensation by issuing share or by cash, the Company assumes the entire amount of the compensation will be settled in shares which should be included in the weighted average number of shares outstanding in calculation of diluted EPS, if the shares have a dilutive effect. Such dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until employees' compensation to be settled in the form of common stocks are approved in the following year.

21. ADDITIONAL INFORMATION OF EXPENSES BY NATURE

Net income included the following items:

	Three Months Ended March 31	
	2018	2017
a. Depreciation of property, plant and equipment		
Recognized in cost of revenue	$ 1,273	$ 470
Recognized in operating expenses	36,374	21,192
Recognized in other income - depreciation of rental assets	1	1
	$ 37,648	$ 21,663

	Three Months Ended March 31	
	2018	2017
b. Amortization of intangible assets		
Recognized in cost of revenue	$ 1,039	$ 874
Recognized in operating expenses	54,586	38,979
	$ 55,625	$ 39,853
c. Research and development costs expensed as occurred	$ 546,590	$ 316,526
d. Employee benefits expenses		
Post-employment benefits (Note 13)		
Defined contribution plans	$ 12,555	$ 9,270
Defined benefit plans	328	338
	12,883	9,608
Other employee benefits	475,418	338,838
	$ 488,301	$ 348,446
Employee benefits expense summarized by function		
Recognized in cost of revenue	$ 50,785	$ 40,680
Recognized in operating expenses	437,516	307,766
	$ 488,301	$ 348,446

e. Employee's compensation and remuneration to directors

GUC shall allocate employees' compensation and remuneration to directors no less than 2% and no more than 2% of net income before tax which is not deducted from employees' compensation and remuneration to directors, respectively. Directors who also serve as executive officers of GUC are not entitled to receive the remuneration to directors. GUC shall first offset its losses in previous years then allocate employees' compensation and remuneration to directors. GUC may issue stock or cash compensation to employees of an affiliated company upon meeting the conditions set by the Board of Directors.

For the three months ended March 31, 2018 and 2017, GUC accrued employees' compensation and remuneration to directors were based on certain percentage of net income before tax without deduction of the employees' compensation and remuneration to directors. The accrued amounts were as follows:

	Three Months Ended March 31	
	2018	2017
Employees' compensation	$ 37,750	$ 19,040
Remuneration to directors	3,517	1,414

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

GUC's employees' compensation and remuneration to directors in the amounts of NT$133,501 thousand and NT$12,206 thousand in cash for 2017, respectively, and in the amounts of NT$59,705 thousand and NT$4,317 thousand in cash for 2016, respectively, were approved by the Board of Directors in their meetings held on February 1, 2018 and February 9, 2017, respectively. The aforementioned approved amounts did not have any difference with the amounts recognized in the consolidated financial statements for the years ended December 31, 2017 and 2016, respectively.

The information about appropriations of GUC's employees' compensation and remuneration to directors is available on the Market Observation Post System website.

22. CASH FLOW INFORMATION

Reconciliation of liabilities arising from financing activities:

	Balance as of January 1, 2018	Non-cash Changes	Balance as of March 31, 2018
		Foreign Exchange Movement	
Guarantee deposits	$ 2,976	$ (65)	$ 2,911

23. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company are able to operate sustainability while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company engages in the semiconductor design services, which is closely tied with customer demand. Business is influenced by the cyclical nature of the semiconductor industry but not significantly. In consideration of the industry dynamics, the Company manages its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, capital asset purchases, research and development activities, dividend payments, debt service requirements and other business requirements associated with its existing operations over the next 12 months. Through capital management, the Company is capable of coping with changes in the industry, striving for improvement, and ultimately creating shareholder value.

24. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	March 31, 2018	December 31, 2017	March 31, 2017
Financial assets			
Amortized cost (Note)			
Cash and cash equivalents	$ 4,736,582	$ 5,090,202	$ 3,576,432
Accounts receivable, net (including related parties)	967,387	917,259	636,301
Other financial assets	1,612	1,198	1,081
Refundable deposits	1,607	719	359
Pledged time deposits	22,200	22,200	20,000
Contract assets	11,642	-	-
	$ 5,741,030	$ 6,031,578	$ 4,234,173

(Continued)

	March 31, 2018	December 31, 2017	March 31, 2017
Financial liabilities			
Amortized cost			
Accounts payable (including related parties)	$ 1,716,489	$ 1,626,206	$ 565,597
Payables on machinery and equipment	206,515	88,334	11,828
Accrued expenses and other current liabilities	245,409	252,689	132,261
Other long-term payables	282,390	214,063	165,501
Guarantee deposits	2,911	2,976	3,033
	$ 2,453,714	$ 2,184,268	$ 878,220

(Concluded)

Note: Starting from 2018, the Company classified loans and receivables to amortized cost upon initial application of IFRS 9.

b. Financial risk management objectives and policies

The Company's objectives of financial risk management are to manage its exposure to market risk, credit risk and liquidity risk related to the operating activities. To reduce the related financial risks, the Company engages in identifying, assessing and avoiding the market uncertainties with the objective to reduce the potentially adverse effects the market uncertainties may have on its financial performance.

The plans for material treasury activities are reviewed by the Audit Committee and Board of Directors in accordance with procedures required by relevant regulations and internal controls. During the implementation of such plans, the treasury function must comply with certain treasury procedures that provide guiding principles for overall financial risk management and segregation of duties.

c. Market risk

Foreign currency risk

The Company's operating activities are mainly denominated in foreign currency and exposed to foreign exchange risk. To protect the volatility of future cash flows arising from changes in foreign exchange rates, the Company maintains a balance of net foreign currency assets and liabilities in hedge.

The Company's sensitivity analysis to foreign currency risk mainly focuses on the foreign currency monetary items at the end of the reporting period. Assuming a 10% strengthening of New Taiwan Dollars against the relevant currencies, the net income before tax for the three months ended March 31, 2018 and 2017 would have increased by NT$37,176 thousand and decreased by NT$12,946 thousand, respectively.

d. Credit risk management

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Company. The Company is exposed to credit risk from operating activities, primarily trade receivables, and from investing activities of deposits with banks. Credit risk is managed separately for business related and financial related exposures. As of the balance sheet date, the Company's maximum credit risk exposure is mainly from the carrying amount of financial assets recognized in the consolidated balance sheet.

Business related credit risk

The Company has considerable trade receivables outstanding with its customers worldwide. A substantial majority of the Company's outstanding trade receivables are not covered by collateral or credit insurance. While the Company has procedures to monitor and limit exposure to credit risk on trade receivables, there can be no assurance such procedures will effectively limit its credit risk and avoid losses.

As of March 31, 2018, December 31, 2017 and March 31, 2017, the Company's ten largest customers accounted for 75%, 70% and 66% of accounts receivable, respectively. The Company believes the concentration of credit risk is insignificant for the remaining accounts receivable.

Financial credit risk

The Company monitors and reviews the transaction limit applied to counter parties and adjusts the concentration limit according to market conditions and the credit standing of the counter parties regularly. The Company mitigates its exposure by selecting financial institution with well credit.

e. Liquidity risk management

The objective of liquidity risk management is to ensure the Company has sufficient liquidity to fund its business requirements. The Company manages its liquidity risk by maintaining adequate cash and banking facilities.

As of March 31, 2018, December 31, 2017 and March 31, 2017, the unused financing facilities of the Company amounted to NT$1,100,000 thousand, NT$1,600,000 thousand and NT$1,600,000 thousand, respectively.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

Non-derivative financial liabilities	**Less Than 1 Year**	**2-3 Years**	**4+ Years**	**Total**
March 31, 2018				
Accounts payable (including related parties)	$ 1,716,489	$ -	$ -	$ 1,716,489
Payables on machinery and equipment	206,515	-	-	206,515
Accrued expenses and other current liabilities	245,409	-	-	245,409
Other long-term payables	177,406	104,984	-	282,390
Guarantee deposits	-	-	2,911	2,911
	$ 2,345,819	$ 104,984	$ 2,911	$ 2,453,714

(Continued)

Non-derivative financial liabilities	Less Than 1 Year	2-3 Years	4+ Years	Total
December 31, 2017				
Accounts payable (including related parties)	$ 1,626,206	$ -	$ -	$ 1,626,206
Payables on machinery and equipment	88,334	-	-	88,334
Accrued expenses and other current liabilities	252,689	-	-	252,689
Other long-term payables	149,877	64,186		214,063
Guarantee deposits	-	-	2,976	2,976
	$ 2,117,106	$ 64,186	$ 2,976	$ 2,184,268
March 31, 2017				
Accounts payable (including related parties)	$ 565,597	$ -	$ -	$ 565,597
Payables on machinery and equipment	11,828	-	-	11,828
Accrued expenses and other current liabilities	132,261	-	-	132,261
Other long-term payables	87,620	77,881	-	165,501
Guarantee deposits	-	-	3,033	3,033
	$ 797,306	$ 77,881	$ 3,033	$ 878,220

(Concluded)

f. Fair value of financial instruments

The carrying amounts of the Company's financial assets and financial liabilities measured at amortized cost at the end of financial reporting period recognized in the consolidated financial statements approximate their fair values. Further, the Company did not have any financial assets and financial liabilities measured at fair values at the end of the reporting period.

25. RELATED PARTY TRANSACTIONS

Intercompany balances and transactions between GUC and its subsidiaries, which are related parties of GUC, have been eliminated upon consolidation; therefore those items are not disclosed in this note. The following is a summary of transactions between the Company and other related parties:

a. Related party name and categories

Related Party Name	Related Party Categories
Taiwan Semiconductor Manufacturing Co., Ltd. (TSMC)	An investor accounted for using equity method
TSMC North America (TSMC-NA)	A subsidiary of TSMC
Vanguard International Semiconductor Corporation (VIS)	An associate of TSMC
VisEra Technologies Co., Ltd. (VisEra)	A subsidiary of TSMC

b. Operating transactions

Items	Related Party Name and Categories	For the Three Months Ended March 31 2018	2017
Net revenue from sale	Investor that have significant influence over the company	$ 25,382	$ 20,449
	Other related parties	29	-
		$ 25,411	$ 20,449
Purchases	Investor that have significant influence over the company		
	TSMC	$ 1,088,639	$ 1,050,850
	TSMC-NA	440,075	115,691
		1,528,714	1,166,541
	Other related parties	10,441	14,079
		$ 1,539,155	$ 1,180,620
Manufacturing overhead	Investor that have significant influence over the company		
	TSMC	$ 352,615	$ 129,252
	TSMC-NA	25,525	92,444
		$ 378,140	$ 221,696
Operating expenses	Investor that have significant influence over the company	$ 7,051	$ 3,003

The following balances were outstanding at the end of reporting period:

Items	Related Party Name and Categories	March 31, 2018	December 31, 2017	March 31, 2017
Receivables from related parties	Investor that have significant influence over the company			
	TSMC	$ 6,984	$ 9,550	$ 11,513
	Other related parties	31	-	-
		$ 7,015	$ 9,550	$ 11,513
Other current assets	Investor that have significant influence over the company			
	TSMC	$ 17,551	$ 96,602	$ 385,983
	Other	-	-	19
		$ 17,551	$ 96,602	$ 386,002

(Continued)

Items	Related Party Name and Categories	March 31, 2018	December 31, 2017	March 31, 2017
Refundable deposits	Investor that have significant influence over the company			
	VisEra	$ 2,832	$ -	$ -
	Other	428	438	446
		$ 3,260	$ 438	$ 446
Contract liabilities	Investor that have significant influence over the company	$ 6,785	$ -	$ -
Payables to related parties	Investor that have significant influence over the company			
	TSMC	$ 842,431	$ 779,361	$ 266,522
	TSMC-NA	275,802	245,796	38,330
		1,118,233	1,025,157	304,852
	Other related parties	6,670	10,857	3,212
		$ 1,124,903	$ 1,036,014	$ 308,064
Customer advances	Investor that have significant influence over the company	$ -	$ 6,785	$ 6,785
Accrued expenses and other current liabilities	Investor that have significant influence over the company	$ 120	$ 128	$ 97

(Concluded)

The terms of sales to related parties were not significantly different from those of sales to third parties. For other related party transactions, the terms of transactions were determined in accordance with mutual agreement because there were no comparable terms for third-party transactions. The payment term granted to related parties is due 30 days from the invoice date or 30 days from the end of the month of when the invoice is issued, while the payment term granted to third parties is due 30 days from the invoice date or 75 days from the end of the month of when the invoice is issued.

The Company leased server room and office from related parties. The lease terms and prices were determined in accordance with mutual agreements. The rental expense was paid monthly and the related expense was classified under manufacturing and operating expenses.

c. Compensation of key management personnel:

The remuneration to directors and other key management personnel were as follows:

	Three Months Ended March 31	
	2018	2017
Short-term employee benefits	$ 26,454	$ 13,456
Post-employment benefits	135	135
	$ 26,589	$ 13,591

The remuneration to directors and other key management personnel were determined by the Compensation Committee of GUC in accordance with the individual performance and the market trends.

26. PLEDGED OR MORTGAGED ASSETS

As of March 31, 2018, December 31, 2017 and March 31, 2017, GUC provided pledged time deposits of NT$20,000 thousand as collateral for customs clearance. As of March 31, 2018 and December 31, 2017, GUC also provided pledged time deposits of NT$2,200 thousand as collateral for lease a parcel of land from the Science Park Administration (SPA).

27. OPERATING LEASE ARRANGEMENTS

The Company's major significant operating leases are arrangements on several parcels of land and office premises.

The Company's expenses for lease payments were as follows:

	Three Months Ended March 31	
	2018	2017
Minimum lease payments	$ 13,169	$ 6,525

Future minimum lease payments under the above non-cancellable operating leases are as follows:

	March 31, 2018	December 31, 2017	March 31, 2017
Not later than 1 year	$ 52,706	$ 52,637	$ 25,611
Later than 1 year and not later than 5 years	100,489	112,402	51,587
	$ 153,195	$ 165,039	$ 77,198

28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

GUC has entered into license agreements with several companies that own intellectual property rights. According to the agreements, GUC shall pay specific amounts of money to obtain licenses of their intellectual property rights or shall pay royalties at specific percentages of sales amount of identified products. Under the agreements GUC shall pay at least US$4,000 thousand and US$9,400 thousand to the counter parties in the period from July 2017 to July 2020 and since December 2017, respectively.

GUC also has entered into an electrical and mechanical decoration agreement, and according to the agreement, GUC shall pay $61,000 thousand to the counterparty. The expected completion is in May 2018.

29. EXCHANGE RATE INFORMATION OF FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES

The following information was aggregated by the foreign currencies other than functional currencies of the Company entities. The significant foreign-currency financial assets and liabilities were as follows:

(Unit: Foreign Currency in Thousands)

	Foreign Currencies (In Thousands)	Exchange Rate (Note)	Carrying Amount
March 31, 2018			
Monetary items of financial assets			
USD	$ 54,619	29.105	$ 1,589,685
Monetary items of financial liabilities			
USD	66,517	29.105	1,935,977
JPY	52,504	0.2739	14,381
RMB	1,912	4.6286	8,850
December 31, 2017			
Monetary items of financial assets			
USD	75,036	29.76	2,233,084
Monetary items of financial liabilities			
USD	59,513	29.76	1,771,116
JPY	55,688	0.2642	14,713
RMB	912	4.5545	4,153
EUR	85	35.57	3,030
March 31, 2017			
Monetary items of financial assets			
USD	29,492	30.33	894,504
Monetary items of financial liabilities			
USD	24,783	30.33	751,682
JPY	29,990	0.2713	8,136
RMB	939	4.3961	4,128

Note: Exchange rate represents the number of N.T. dollars for which one foreign currency could be exchanged.

The significant (realized and unrealized) foreign exchange gains (losses) were as follows:

	Three Months Ended March 31					
	2018			2017		
Foreign Currencies	Exchange Rate		Net Foreign Exchange Gain (Loss)	Exchange Rate		Net Foreign Exchange Gain (Loss)
KRW	0.02752	(KRW:NTD)	$ (3)	0.02717	(KRW:NTD)	$ (16)
EUR	36.0106	(EUR:NTD)	(86)	33.1161	(EUR:NTD)	59
RMB	4.5914	(RMB:NTD)	(228)	4.5095	(RMB:NTD)	117
JPY	0.2703	(JPY:NTD)	(355)	0.2735	(JPY:NTD)	348
USD	29.3004	(USD:NTD)	(1,350)	31.0947	(USD:NTD)	21,864
USD	1,061.7998	(USD:KRW)	(26)	1,139.5609	(USD:KRW)	(22)
USD	6.3825	(USD:RMB)	(1,169)	6.8951	(USD:RMB)	(49)
			$ (3,217)			$ 22,301

30. OPERATING SEGMENT INFORMATION

The Company operates in individual industry on the basis of how the Company's chief operating decision maker regularly reviews information in order to allocate resources and assess performance. The basis for the measurement of the operating segment profit (loss), assets and liabilities is the same as that for the preparation of financial statements. Please refer to the consolidated financial statements for the related operating segment information.

31. ADDITIONAL DISCLOSURES

a. Significant transactions and b. Related information of reinvestment

1) Financings provided: None;

2) Endorsements/guarantees provided: None;

3) Marketable securities held (excluding investments in subsidiaries, associates and jointly controlled entities): Please see Table 1 attached;

4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: None;

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital: None;

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital: None;

7) Total purchases from or sales to related parties of at least NT$100 million or 20% of the paid-in capital: Please see Table 2 attached;

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: None;

9) Information about the derivative instruments transaction: None;

10) Others: Intercompany relationships and significant intercompany transactions: Please see Table 3 attached;

11) Names, locations, and related information of investees over which the Company exercises significant influence (excluding information on investment in Mainland China): Please see Table 4 attached;

c. Information on investment in Mainland China

1) The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, net income (losses) of the investee, investment income (losses), ending balance, amount received as dividends from the investee, and the limitation on investee: Please see Table 5 attached.

2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: Please see Table 3 attached.

TABLE 1

GLOBAL UNICHIP CORP. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
MARCH 31, 2018
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2018				Note
				Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
GUC	Preferred stock							
	eTopus Technology Inc.	-	Financial assets at fair value through profit or loss - noncurrent	1,515,151	$ -	3.0	$ -	

GLOBAL UNICHIP CORP. AND SUBSIDIARIES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
THREE MONTHS ENDED MARCH 31, 2018
(Amounts in Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Accounts Payable or Receivable		Note
			Purchases/ Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
GUC	TSMC	TSMC is an investor accounted for using equity method	Purchases	$ 1,088,639	71	30 days after monthly closing	Note 25	Note 25	$ (842,431)	(49)	
	TSMC-NA	TSMC-NA is a subsidiary of TSMC	Purchases	440,075	29	30 days after invoice date and 30 days after monthly closing	Note 25	Note 25	(275,802)	(16)	

GLOBAL UNICHIP CORP. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
THREE MONTHS ENDED MARCH 31, 2018
(Amounts in Thousands of New Taiwan Dollars)

No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Intercompany Transactions			
				Financial Statement Account	Amount	Terms (Note 2)	Percentage to Consolidated Net Revenue or Total Assets
0	GUC	GUC-NA	1	Manufacturing overhead	$ 43,553	-	2%
				Operating expenses	53,145	-	2%
				Accrued expenses and other current liabilities	25,963	-	-
		GUC-Japan	1	Manufacturing overhead	27,685	-	1%
				Operating expenses	17,946	-	1%
				Accrued expenses and other current liabilities	14,381	-	-
		GUC-Europe	1	Manufacturing overhead	1,893	-	-
				Operating expenses	6,860	-	-
				Accrued expenses and other current liabilities	2,912	-	-
		GUC-Korea	1	Manufacturing overhead	858	-	-
				Operating expenses	1,089	-	-
				Accrued expenses and other current liabilities	647	-	-
		GUC-Shanghai	1	Manufacturing overhead	12,878	-	-
				Operating expenses	8,654	-	-
				Accrued expenses and other current liabilities	4,942	-	-
		GUC-Nanjing	1	Manufacturing overhead	8,902	-	-
				Operating expenses	3,569	-	-
				Accrued expenses and other current liabilities	3,908	-	-

Note 1: No. 1 represents the transactions from parent company to subsidiary.

Note 2: The intercompany transactions, prices and terms are determined in accordance with mutual agreements and no other similar transactions could be compared with.

GLOBAL UNICHIP CORP. AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
THREE MONTHS ENDED MARCH 31, 2018
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2018			Net Income (Losses) of the Investee	Investment Income (Losses)	Note
				March 31, 2018 (Foreign Currencies in Thousands)	December 31, 2017 (Foreign Currencies in Thousands)	Shares	Percentage of Ownership (%)	Carrying Amount			
GUC	GUC-NA	U.S.A.	Products consulting, design and technical support service	$ 40,268 (US$ 1,264)	$ 40,268 (US$ 1,264)	800,000	100	$ 104,330	$ 3,645	$ 3,645	
	GUC-BVI	British Virgin Islands	Investing activities	152,603 (US$ 5,050)	152,603 (US$ 5,050)	5,050,000	100	33,562	435	435	
	GUC-Japan	Japan	Products consulting, design and technical support service	15,393 (YEN 55,000)	15,393 (YEN 55,000)	1,100	100	36,394	1,857	1,857	
	GUC-Europe	Netherlands	Products consulting design and technical support service	8,109 (EUR 200)	8,109 (EUR 200)	-	100	8,177	352	352	
	GUC- Korea	Korea	Products consulting design and technical support service	5,974 (KRW 222,545)	5,974 (KRW 222,545)	44,000	100	6,437	70	70	

GLOBAL UNICHIP CORP. AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
THREE MONTHS ENDED MARCH 31, 2018
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (US$ in Thousands)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2018 (US$ in Thousands)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2018 (US$ in Thousands)	Net Income (Losses) of the Investee	Percentage of Ownership	Investment Income (Losses) (Note 3)	Carrying Amount as of March 31, 2018	Accumulated Inward Remittance of Earnings as of March 31, 2018
					Outflow	Inflow						
GUC-Nanjing	Products consulting, design and technical support service	$ 45,417 (US$ 1,500)	(Note 1)	$ 45,417 (US$ 1,500)	$ -	$ -	$ 45,417 (US$ 1,500)	$ (248)	100%	$ (248)	$ 39,516	$ -
GUC-Shanghai	Products consulting, design and technical support service	31,165 (US$ 1,000)	(Note 2)	31,165 (US$ 1,000)	-	-	31,165 (US$ 1,000)	448	100%	448	30,634	-

Accumulated Investment in Mainland China as of March 31, 2018 (US$ in Thousands)	Investment Amounts Authorized by Investment Commission, MOEA (US$ in Thousands)	Upper Limit on Investment (US$ in Thousands)
$ 76,582 (US$ 2,500)	$ 121,999 (US$ 4,000)	$ 2,552,305 (Note 4)

Note 1: The Company invested the investee directly.

Note 2: The Company’s investee with a controlling financial interest; indirectly invested in GUC-Shanghai through GUC-BVI.

Note 3: Investment income (losses) was determined based on unreviewed financial statements.

Note 4: Subject to 60% of net asset value of GUC according to the revised “Guidelines Governing the Approval of Investment or Technical Cooperation in Mainland China” issued by the Investment Commission.