GCS HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

SEPTEMBER 30, 2017 AND 2016

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

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REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

PWCR17000098

To GCS Holdings, Inc.

We have reviewed the accompanying consolidated balance sheets of GCS Holdings, Inc. and subsidiaries as of September 30, 2017 and 2016, and the related consolidated statements of comprehensive income for the three-month and nine-month periods then ended, as well as the changes in equity and of cash flows for the nine-month periods then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express a conclusion on these financial statements based on our reviews.

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

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

LI, TIEN-YI　　　　Chih-Cheng Hsieh

Li, Tien-Yi　　　　Hsieh, Chih-Cheng

For and on behalf of PricewaterhouseCoopers, Taiwan

November 2, 2017

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

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GCS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(THE CONSOLIDATED BALANCE SHEETS AS OF SEPTEMBER 30, 2017 AND 2016 ARE REVIEWED, NOT AUDITED)

	Assets	Notes	September 30, 2017 AMOUNT	%	December 31, 2016 AMOUNT	%	September 30, 2016 AMOUNT	%
	Current assets							
1100	Cash and cash equivalents	6(1)	$ 1,102,027	36	$ 1,381,894	48	$ 1,355,827	48
1150	Notes receivable, net		317	-	-	-	-	-
1170	Accounts receivable, net	6(3)	316,790	10	197,245	7	266,988	9
1200	Other receivables		20,550	1	19,869	1	15,614	1
130X	Inventories, net	6(4)	371,005	12	348,402	12	359,952	13
1410	Prepayments		9,196	-	6,210	-	10,333	-
1470	Other current assets	8	30,444	1	-	-	-	-
11XX	**Total current assets**		1,850,329	60	1,953,620	68	2,008,714	71
	Non-current assets							
1523	Available-for-sale financial assets, non-current	6(2)	-	-	31,605	1	22,370	1
1550	Investment accounted for using equity method	6(5)	14,930	1	-	-	-	-
1600	Property, plant and equipment, net	6(6) and 8	638,352	21	487,303	17	475,107	17
1780	Intangible assets	6(27)	185,926	6	14,671	1	13,341	-
1840	Deferred income tax assets		199,687	6	212,819	7	194,849	7
1900	Other non-current assets	6(7) and 8	197,622	6	186,789	6	114,874	4
15XX	**Total non-current assets**		1,236,517	40	933,187	32	820,541	29
1XXX	**Total assets**		$ 3,086,846	100	$ 2,886,807	100	$ 2,829,255	100

(Continued)

GCS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(THE CONSOLIDATED BALANCE SHEETS AS OF SEPTEMBER 30, 2017 AND 2016 ARE REVIEWED, NOT AUDITED)

			September 30, 2017		December 31, 2016		September 30, 2016	
	Liabilities and Equity	Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%
	Current liabilities							
2100	Short-term borrowings	6(8)	$ 20,000	1	$ -	-	$ -	-
2120	Financial liabilities at fair value through profit or loss, current	6(9)	23,782	1	69,504	2	104,318	4
2170	Accounts payable		39,202	1	4,979	-	22,195	1
2200	Other payables	6(12)	267,070	9	159,919	6	150,470	5
2230	Current income tax liabilities		781	-	15,266	1	19,467	1
2320	Long-term borrowings, current portion	6(10)(11)	129,394	4	346,029	12	358,169	13
2399	Other current liabilities	6(13)	37,211	1	33,300	1	16,559	-
21XX	**Total current liabilities**		517,440	17	628,997	22	671,178	24
	Non-current liabilities							
2540	Long-term borrowings	6(11)	82,061	2	103,126	4	106,897	4
2570	Deferred income tax liabilities		57,396	2	70,547	2	64,879	2
2600	Other non-current liabilities	6(13)	6,807	-	15,032	-	17,481	-
25XX	**Total non-current liabilities**		146,264	4	188,705	6	189,257	6
2XXX	**Total liabilities**		663,704	21	817,702	28	860,435	30
	Equity							
	Equity attributable to owners of parent							
	Share capital	6(16)						
3110	Common stock		794,604	26	744,023	26	740,119	26
	Capital surplus	6(17)						
3200	Capital surplus		910,121	29	644,626	23	622,149	23
	Retained earnings	6(18)						
3320	Special reserve		6,821	-	6,821	-	6,821	-
3350	Unappropriated retained earnings		822,516	27	618,930	21	547,219	19
	Other equity interest	6(19)						
3400	Other equity interest		(20,050)	-	132,620	5	62,420	2
3500	**Treasury stocks**	6(16)	(90,870)	(3)	(77,915)	(3)	(9,908)	-
31XX	**Equity attributable to owners of the parent**		2,423,142	79	2,069,105	72	1,968,820	70
3XXX	**Total equity**		2,423,142	79	2,069,105	72	1,968,820	70
	Significant contigent liabilities and unrecognized contract commitments	9						
	Significant events after the reporting period	11						
3X2X	**Total liabilities and equity**		$ 3,086,846	100	$ 2,886,807	100	$ 2,829,255	100

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

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

			Three months ended September 30				Nine months ended September 30			
			2017		2016		2017		2016	
	Items	Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000	**Operating revenue**	6(20)	$ 529,100	100	$ 455,727	100	$ 1,399,020	100	$ 1,400,785	100
5000	**Cost of operating revenue**	6(4)(23)	(305,541)	(58)	(216,831)	(48)	(740,074)	(53)	(733,610)	(53)
5900	**Net operating margin**		223,559	42	238,896	52	658,946	47	667,175	47
	Operating expenses	6(23)(24)								
6100	Selling expenses		(14,556)	(3)	(11,584)	(3)	(42,046)	(3)	(31,980)	(2)
6200	General and administrative expenses		(67,378)	(12)	(74,576)	(16)	(176,346)	(12)	(232,399)	(17)
6300	Research and development expenses		(40,939)	(8)	(42,801)	(9)	(123,729)	(9)	(127,935)	(9)
6000	**Total operating expenses**		(122,873)	(23)	(128,961)	(28)	(342,121)	(24)	(392,314)	(28)
6900	**Operating profit**		100,686	19	109,935	24	316,825	23	274,861	19
	Non-operating income and expenses									
7010	Other income		771	-	689	-	2,945	-	2,276	-
7020	Other gains and losses	6(21)	28,286	5	32,320	7	13,678	1	(3,707)	-
7050	Finance costs	6(22)	(4,990)	(1)	(7,314)	(1)	(18,900)	(1)	(24,563)	(2)
7060	Share of loss of associate and joint venture accounted for using equity method	6(5)	(303)	-	-	-	(303)	-	-	-
7000	**Total non-operating income and expenses**		23,764	4	25,695	6	(2,580)	-	(25,994)	(2)
7900	**Profit before income tax**		124,450	23	135,630	30	314,245	23	248,867	17
7950	Income tax expense	6(25)	(11,848)	(2)	(16,931)	(4)	(37,384)	(3)	(30,708)	(2)
8200	**Net income for the period**		$ 112,602	21	$ 118,699	26	$ 276,861	20	$ 218,159	15
	Other comprehensive income									
	Other comprehensive income components that will be reclassified to profit or loss									
8361	Financial statements translation differences of foreign operations	6(19)	($ 10,701)	(2)	($ 53,089)	(12)	($ 128,852)	(9)	($ 66,876)	(5)
8362	Unrealized gain (loss) on valuation of available-for-sale financial assets	6(19)	(35,381)	(7)	(18,398)	(4)	(23,542)	(2)	13,397	1
8399	Income tax related to other comprehensive income component that will be reclassified to profit or loss	6(19)(25)	14,092	3	7,328	2	9,376	1	(5,336)	-
8300	**Total other comprehensive loss, net**		($ 31,990)	(6)	($ 64,159)	(14)	($ 143,018)	(10)	($ 58,815)	(4)
8500	**Total comprehensive income for the period**		$ 80,612	15	$ 54,540	12	$ 133,843	10	$ 159,344	11
	Profit, attributable to:									
8610	Owners of the parent		$ 112,602	21	$ 118,699	26	$ 276,861	20	$ 218,159	15
	Total comprehensive income attributable to:									
8710	Owners of the parent		$ 80,612	15	$ 54,540	12	$ 133,843	10	$ 159,344	11
9750	**Basic earnings per share (in dollars)**	6(26)	$ 1.49		$ 1.67		$ 3.76		$ 3.04	
9850	**Diluted earnings per share (in dollars)**	6(26)	$ 1.47		$ 1.21		$ 3.72		$ 3.00	

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

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

	Notes	Equity Attributable To Owners Of The Parent								
				Retained Earnings		Other equity interest				
		Common Stock	Capital Surplus	Special Reserve	Unappropriated Retained Earnings	Financial Statements Translation Differences of Foreign Operations	Unrealized Gains (Loss) on Valuation of Available-for-Sale Financial Assets	Other Equity Interest - Others	Treasury Stocks	Total
For the nine-month period ended September 30, 2016										
Balance at January 1, 2016		$ 577,999	$ 468,688	$ 6,821	$ 473,560	$ 128,882	$ 682	($ 13,069)	$ -	$ 1,643,563
Distribution of 2015 earnings:										
Cash dividends	6(18)	-	-	-	(14,450)	-	-	-	-	(14,450)
Stock dividends	6(18)	130,050	-	-	(130,050)	-	-	-	-	-
Compensation cost of share-based payment	6(15)(17)(19)	-	10,145	-	-	-	-	11,712	-	21,857
Consolidated net income for the period	6(18)	-	-	-	218,159	-	-	-	-	218,159
Issuance of restricted stocks to employees	6(16)(17)(19)	1,017	6,221	-	-	-	-	(7,228)	-	10
Retirement of restricted stocks to employees	6(16)(17)	(40)	(216)	-	-	-	-	256	-	-
Exercise of employee stock options	6(16)(17)	7,476	6,228	-	-	-	-	-	-	13,704
Conversion of convertible bonds	6(16)(17)	23,617	131,083	-	-	-	-	-	-	154,700
Purchase of treasury stocks		-	-	-	-	-	-	-	(9,908)	(9,908)
Other comprehensive income (loss) for the period	6(19)	-	-	-	-	(66,876)	8,061	-	-	(58,815)
Balance at September 30, 2016		$ 740,119	$ 622,149	$ 6,821	$ 547,219	$ 62,006	$ 8,743	($ 8,329)	($ 9,908)	$ 1,968,820
For the nine-month period ended September 30, 2017										
Balance at January 1, 2017		$ 744,023	$ 644,626	$ 6,821	$ 618,930	$ 122,002	$ 14,166	($ 3,548)	($ 77,915)	$ 2,069,105
Distribution of 2016 earnings:										
Cash dividends	6(18)	-	-	-	(73,275)	-	-	-	-	(73,275)
Compensation costs of share-based payment	6(15)(17)(19)	-	15,593	-	-	-	-	3,765	-	19,358
Consolidated net income for the period	6(18)	-	-	-	276,861	-	-	-	-	276,861
Issuance of restricted stocks to employees	6(16)(17)(19)	1,800	11,604	-	-	-	-	(13,417)	-	(13)
Exercise of employee stock options	6(16)(17)	4,151	13,769	-	-	-	-	-	-	17,920
Conversion of convertible bonds	6(16)(17)	44,630	224,529	-	-	-	-	-	-	269,159
Purchase of treasury stocks	6(16)	-	-	-	-	-	-	-	(12,955)	(12,955)
Other comprehensive loss for the period	6(19)	-	-	-	-	(128,852)	(14,166)	-	-	(143,018)
Balance at September 30, 2017		$ 794,604	$ 910,121	$ 6,821	$ 822,516	($ 6,850)	$ -	($ 13,200)	($ 90,870)	$ 2,423,142

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

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

	Notes	For the nine-month periods ended September 30, 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 314,245	$ 248,867
Adjustments			
Adjustments to reconcile profit (loss)			
Bad debt expense	6(3)	83	5,225
Depreciation	6(6)(23)	56,021	46,888
Amortisation	6(23)	5,950	6,538
Interest expense	6(22)	18,900	24,563
Interest income		(2,710)	(2,276)
Compensation cost of share-based payment	6(15)	19,358	21,857
Net (gain) loss on financial liabilities at fair value through profit or loss	6(21)	(10,211)	23,935
Gain on disposal of investments	6(2)	(29,381)	(36,383)
Dividend income	6(18)	-	(917)
Loss on investment accounted for using equity method	6(5)	303	-
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(317)	-
Accounts receivable		(69,609)	(78,782)
Other receivables		-	(1,059)
Inventories		32,025	(44,401)
Prepayments		(1,454)	(5,628)
Changes in operating liabilities			
Accounts payable		18,489	(17,941)
Other payables		35,807	13,722
Other current liabilities		6,362	1,024
Cash inflow generated from operations		393,861	205,232
Interest received		2,710	2,276
Dividend received		-	917
Interest paid		(4,340)	(4,926)
Income tax paid		(49,142)	(16,229)
Net cash flows from operating activities		343,089	187,270
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investment accounted for using equity method	6(5)	(14,906)	-
Acquisition of property, plant and equipment	6(29)	(161,120)	(101,969)
Acquisition of intangible assets		(1,455)	(47)
Acquisition of a subsidiary	6(27)	(395,070)	-
Proceeds from disposal of available-for-sale financial assets		37,016	79,004
Decrease in refundable deposits		5	4,865
Increase in other current assets		(30,416)	-
Decrease in other non-current assets		-	2,713
Net cash flows used in investing activities		(565,946)	(15,434)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings		20,000	-
Repayments of long-term borrowings		(14,250)	(16,095)
Proceeds from excercise of employee stock options		17,920	13,704
Payments to acquire treasury stocks		(12,955)	(9,908)
Net cash flows from (used in) financing activities		10,715	(12,299)
Effect of changes in exchange rates		(67,725)	(41,223)
Net (decrease) increase in cash and cash equivalents		(279,867)	118,314
Cash and cash equivalents at beginning of period	6(1)	1,381,894	1,237,513
Cash and cash equivalents at end of period	6(1)	$ 1,102,027	$ 1,355,827

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

GCS HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)
(UNAUDITED)

1. HISTORY AND ORGANIZATION

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

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

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

These consolidated financial statements were authorized for issuance by the Board of Directors on November 2, 2017.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments endorsed by FSC effective from 2017 are as follows:

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

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

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

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

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

New Standards, Interpretations and Amendments	Effective date by IASB
Classification and measurement of share-based payment transactions (amendments to IFRS 2)	January 1, 2018
Applying IFRS 9 'Financial instruments' with IFRS 4 'Insurance contracts' (amendments to IFRS 4)	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Clarifications to IFRS 15, 'Revenue from contracts with customers' (amendments to IFRS 15)	January 1, 2018
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017
Transfers of investment property (amendments to IAS 40)	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

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

A. IFRS 9, 'Financial instruments'

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

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

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

B. IFRS 15, 'Revenue from contracts with customers'

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

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

Step 1: Identify contracts with customer.

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

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price.

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

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

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

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

D. Amendments to IAS 7, 'Disclosure initiative'

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

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

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

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

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

A. IFRS 16, 'Leases'

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

B. Amendments to IAS 28, "Long-term interests in associates and joint ventures'

The amendment clarifies that, for any long-term interest that, in substance, form part of the entity's net investment in an associate or joint venture, an entity should apply IFRS 9 to such interests before it applies IAS 28, to recognize losses.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2016, except for the compliance statement, basis of preparation, basis of consolidation and additional policies set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

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

B. These consolidated financial statements are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2016.

(2) Basis of preparation

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

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

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

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

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			
			September 30, 2017	December 31, 2016	September 30, 2016	Note
The Company	Global Communication Semiconductors, LLC	1. Manufacturing of compound semiconductor wafer and foundry related services as well as granting royalty rights for intellectual property 2. Manufacturing and selling of advanced optoelectronics technology products	100%	100%	100%	
The Company	Global Device Technologies, Co., Ltd.	Product design and research development services	100%	100%	100%	
Global Communication Semiconductors, LLC	D-Tech Optoelectronics Inc.	Development, manufacturing and selling of positive, intrinsic, negative components and avalanche photo diodes for telecommunication systems and data communication networks	100%	-	-	(Note)
D-Tech Optoelectronics, Inc.	D-Tech Optoelectronics (Taiwan) Corporation	Manufacturing and selling of optical chips	100%	-	-	(Note)

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

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

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

E. Significant restrictions: None.

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

(4) Investment accounted for using equity method- joint ventures

The Group accounts for its interest in a joint venture using equity method. Unrealised profits and losses arising from the transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the joint venture. However, when the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, all such losses shall be recognized immediately. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture together with any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

(5) Income tax

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

(6) Business combinations

A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognized and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognized directly in profit or loss on the acquisition date.

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

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

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

None.

(2) Critical accounting estimates and assumptions

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

A. Realizability of deferred income tax assets

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

As of September 30, 2017, the Group recognized deferred income tax assets amounting to $202,731.

B. Evaluation of inventories

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

As of September 30, 2017, the carrying amount of inventories was $371,005.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	September 30, 2017	December 31, 2016	September 30, 2016
Cash on hand	$ 135	$ 115	$ 113
Checking accounts and demand deposits	1,101,892	1,180,266	1,160,021
Cash equivalents - money market fund	-	201,513	195,693
Total	$ 1,102,027	$ 1,381,894	$ 1,355,827

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

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

(2) Available-for-sale financial assets

	September 30, 2017	December 31, 2016	September 30, 2016
Non-current items:			
Listed stocks	$ -	$ 8,063	$ 7,840
Valuation adjustment	-	23,542	14,530
	$ -	$ 31,605	$ 22,370

A. The Group recognized ($4,278), ($14,201), $7,561 and $31,494 in other comprehensive income (loss) for fair value change for the three-month and nine-month periods ended September 30, 2017 and 2016, respectively.

B. The Group reclassified $18,203, $4,197, $18,715 and 18,097 from equity to profit or loss and recognized $28,024, $12,660, $29,381 and $27,643 in gain on disposal of available-for-sale financial assets for the three-month and nine-month periods ended September 30, 2017 and 2016, respectively.

(3) Accounts receivable, net

	September 30, 2017	December 31, 2016	September 30, 2016
Accounts receivable - third parties	$ 324,160	$ 219,659	$ 273,118
Less: Allowance for bad debts	(4,374)	(20,910)	(5,052)
Allowance for sales returns and discounts	(2,996)	(1,504)	(1,078)
	$ 316,790	$ 197,245	$ 266,988

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

	September 30, 2017	December 31, 2016	September 30, 2016
Group 1	$ 145,589	$ 92,546	$ 95,975
Group 2	119,114	66,851	126,441
Group 3	5,855	5,910	6,330
	$ 270,558	$ 165,307	$ 228,746

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

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

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

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

	September 30, 2017	December 31, 2016	September 30, 2016
Up to 30 days	$ 33,766	$ 29,498	$ 32,413
31 to 60 days	6,849	1,193	1,324
61 to 90 days	1,129	1,247	1,960
Over 90 days	4,488	-	2,545
	$ 46,232	$ 31,938	$ 38,242

C. Analysis of movement of impaired accounts receivable:

(a) As of September 30, 2017, December 31, 2016 and September 30, 2016, the Group's accounts receivable that were impaired amounted to $4,374, $20,910 and $5,052, respectively.

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

	2017		
	Individual provision	Group provision	Total
At January 1	$ 20,910	$ -	$ 20,910
Acquired through business combination	-	4,301	4,301
Provision for impairment	-	73	73
Write-offs during the period	(20,910)	-	(20,910)
At September 30	$ -	4,374	$ 4,374

	2016		
	Individual provision	Group provision	Total
At January 1	$ -	$ -	$ -
Provision for impairment	5,052	-	5,052
At September 30	$ 5,052	-	$ 5,052

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

(4) Inventories

	September 30, 2017		
	Cost	Allowance	Book value
Raw materials	$ 172,849	($ 32,699)	$ 140,150
Work in process	207,261	(42,753)	164,508
Finished goods	77,044	(10,697)	66,347
	$ 457,154	($ 86,149)	$ 371,005

	December 31, 2016		
	Cost	Allowance	Book value
Raw materials	$ 134,925	($ 24,733)	$ 110,192
Work in process	234,570	(42,685)	191,885
Finished goods	57,321	(10,996)	46,325
	$ 426,816	($ 78,414)	$ 348,402

	September 30, 2016		
	Cost	Allowance	Book value
Raw materials	$ 132,131	($ 19,727)	$ 112,404
Work in process	225,610	(34,672)	190,938
Finished goods	64,788	(8,178)	56,610
	$ 422,529	($ 62,577)	$ 359,952

Expenses and costs incurred as cost of operating revenue for the three-month and nine-month periods ended September 30, 2017 and 2016 were as follows:

	For the three-month periods ended September 30,	
	2017	2016
Cost of inventories sold	$ 316,427	$ 214,464
(Recovery of) loss on market price decline	(3,174)	12,887
Revenue from sale of scraps	(7,712)	(10,520)
	$ 305,541	$ 216,831

	For the nine-month periods ended September 30,	
	2017	2016
Cost of inventories sold	$ 757,874	$ 792,648
Loss on (recovery of) market price decline	7,936	(24,763)
Revenue from sale of scraps	(25,736)	(34,275)
	$ 740,074	$ 733,610

The Group recognized recovery of loss on market price decline for the three-month and nine-month periods ended September 30, 2016 because part of the inventories previously written down were sold.

(5) Investment accounted for using equity method

	2017
At January 1	$ -
Acquisition of investment accounted for using equity method	14,906
Share of profit or loss of investments accounted for using equity method	(303)
Translation differences of foreign operations	327
At September 30	$ 14,930

For the nine-month period ended September 30, 2016, the Group had no investment accounted for using equity method.

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

Company name	Principal place of business	Shareholding ratio	Nature of relationship	Methods of measurement
		September 30, 2017		
Xiamen Global Advanced Semiconductor Co., Ltd.	Xiamen City, Fujian Province, China	49% (Note)	Affiliate	Equity method

Note: Xiamen Global Advanced Semiconductor Co., Ltd., is a joint venture company, which was established by the Company and Xiamen San'an Integrated Circuit Co., Ltd. on February 23, 2017.

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

Balance sheet

	Xiamen Global Advanced Semiconductor Co., Ltd.
	September 30, 2017
Cash and cash equivalents	$ 30,479
Current assets	30,479
Total assets	30,479
Other current liabilities	10
Current liabilities	10
Total liabilities	10
Total net assets	$ 30,469
Share in joint venture's net assets	14,930
Carrying amount of the joint venture	$ 14,930

Statement of comprehensive income

	Xiamen Global Advanced Semiconductor Co., Ltd.	
	For the nine-month period ended September 30, 2017	
Administrative expenses	$	219
Interest income	(	13)
Net foreign exchange losses		413
Net loss / total comprehensive loss	$	619
Dividends received from joint venture	$	-

(6) Property, plant and equipment

	Land	Buildings	Machinery equipment	Computer and communication equipment	Research equipment	Office equipment	Leased assets	Leasehold improvements	Total
At January 1, 2017									
Cost	$ 148,511	$ 99,008	$ 780,103	$ 11,852	$ 57,524	$ 5,346	$ 45,325	$ 218,033	$ 1,365,702
Accumulated depreciation	-	(4,008)	(620,858)	(7,356)	(29,790)	(3,468)	(18,736)	(194,183)	(878,399)
	$ 148,511	$ 95,000	$ 159,245	$ 4,496	$ 27,734	$ 1,878	$ 26,589	$ 23,850	$ 487,303
Nine-month periods ended September 30, 2017									
Opening net book amount	$ 148,511	$ 95,000	$ 159,245	$ 4,496	$ 27,734	$ 1,878	$ 26,589	$ 23,850	$ 487,303
Acquired through business combination	-	-	47,781	-	-	2,495	-	52,891	103,167
Additions	-	-	116,024	125	18,379	28	-	-	134,556
Depreciation charges	-	(2,009)	(33,855)	(1,040)	(4,426)	(505)	(4,599)	(9,587)	(56,021)
Net exchange differences	(9,164)	(5,844)	(10,702)	(232)	(1,403)	(106)	(1,599)	(1,603)	(30,653)
Closing net book amount	$ 139,347	$ 87,147	$ 278,493	$ 3,349	$ 40,284	$ 3,790	$ 20,391	$ 65,551	$ 638,352
At September 30, 2017									
Cost	$ 139,347	$ 92,898	$ 1,003,132	$ 10,779	$ 72,712	$ 11,849	$ 42,528	$ 281,394	$ 1,654,639
Accumulated depreciation	-	(5,751)	(724,639)	(7,430)	(32,428)	(8,059)	(22,137)	(215,843)	(1,016,287)
	$ 139,347	$ 87,147	$ 278,493	$ 3,349	$ 40,284	$ 3,790	$ 20,391	$ 65,551	$ 638,352

	Land	Buildings	Machinery equipment	Computer and communication equipment	Research equipment	Office equipment	Leased assets	Leasehold improvements	Total
At January 1, 2016									
Cost	$ 151,159	$ 100,773	$ 726,535	$ 10,134	$ 43,678	$ 5,484	$ 46,133	$ 221,910	$ 1,305,806
Accumulated depreciation	-	(1,200)	(600,091)	(6,217)	(25,961)	(3,085)	(12,480)	(183,138)	(832,172)
	$ 151,159	$ 99,573	$ 126,444	$ 3,917	$ 17,717	$ 2,399	$ 33,653	$ 38,772	$ 473,634
Nine-month periods ended September 30, 2016									
Opening net book amount	$ 151,159	$ 99,573	$ 126,444	$ 3,917	$ 17,717	$ 2,399	$ 33,653	$ 38,772	$ 473,634
Additions	-	-	53,481	1,813	14,610	-	-	-	69,904
Depreciation charges	-	(2,133)	(24,514)	(1,143)	(3,091)	(368)	(4,883)	(10,756)	(46,888)
Net exchange differences	(6,746)	(4,374)	(6,577)	(167)	(891)	(83)	(1,341)	(1,364)	(21,543)
Closing net book amount	$ 144,413	$ 93,066	$ 148,834	$ 4,420	$ 28,345	$ 1,948	$ 27,429	$ 26,652	$ 475,107
At September 30, 2016									
Cost	$ 144,413	$ 96,275	$ 745,852	$ 11,236	$ 56,172	$ 5,207	$ 44,074	$ 212,032	$ 1,315,261
Accumulated depreciation	-	(3,209)	(597,018)	(6,816)	(27,827)	(3,259)	(16,645)	(185,380)	(840,154)
	$ 144,413	$ 93,066	$ 148,834	$ 4,420	$ 28,345	$ 1,948	$ 27,429	$ 26,652	$ 475,107

A. Amount of borrowing costs capitalized as part of property, plant and equipment for the nine-month periods ended September 30, 2017 and 2016:

None.

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

(7) Non-current assets

Item	September 30, 2017	December 31, 2016	September 30, 2016
Time deposits (Note)	$ 60,520	$ 64,500	$ 62,720
Prepayments for equipment	133,602	120,552	50,454
Other non-current assets	3,500	1,737	1,700
Total	$ 197,622	$ 186,789	$ 114,874

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

(8) Short-term borrowings

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

As of December 31, 2016 and September 30, 2016, the Group had no short-term borrowings.

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

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

Item	September 30, 2017	December 31, 2016	September 30, 2016
Current items:			
Financial liabilities held for trading			
Call options, put options and conversion options embedded in convertible bonds	$ 19,963	$ 60,321	$ 63,771
Valuation adjustment	3,819	9,183	40,547
Total	$ 23,782	$ 69,504	$ 104,318

The Group recognized net (gains) losses of ($2,400), ($21,933), ($10,211) and $23,935, respectively, on financial liabilities at fair value through profit or loss for the three-month and nine-month periods ended September 30, 2017 and 2016.

(10) Bonds payable

Item	September 30, 2017	December 31, 2016	September 30, 2016
Convertible bonds			
First secured convertible bonds	$ 300,000	$ 300,000	$ 300,000
Second unsecured convertible bonds	300,000	300,000	300,000
	600,000	600,000	600,000
Less: Bonds converted	(485,400)	(243,500)	(221,600)
Less: Discount on bonds payable	(4,698)	(30,625)	(37,979)
	109,902	325,875	340,421
Less: Call options exercisable (Note)	(109,902)	(325,875)	(340,421)
	$ -	$ -	$ -

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

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

(a) Issue amount: $300,000

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

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

(d) Coupon rate: 0% per annum

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

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

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

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

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

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

(k) As of September 30, 2017, convertible bonds amounting to $216,700 was converted to ordinary shares of 3,790,719 shares.

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

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

(a) Issue amount: $300,000

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

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

(d) Coupon rate: 0% per annum

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

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

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

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

(i) Call options of the Company: The bonds may be called, in whole or in part, at the option of the Company after one month from the issue date (June 15, 2015) to forty days before the maturity date (April 4, 2018) at 100% of their principal amount, provided the closing price of the Company's common shares on the Taiwan Exchange exceeds 130% (inclusive) of the then-current conversion price of the bonds during 30 consecutive trading days, or when over 90%

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

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

(k) As of September 30, 2017, convertible bonds amounting to $268,700 was converted to ordinary shares of $4,385,200 shares.

(11) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	September 30, 2017	December 31, 2016	September 30, 2016
Long-term bank borrowings Secured borrowings (Note 1)	(Note 2)	4%	Land and buildings (Note 3)	$ 101,553	$ 123,280	$ 124,645
Less: Current portion				(19,492)	(20,154)	(17,748)
				$ 82,061	$ 103,126	$ 106,897

Note 1: According to the secured loan contract, the Group was required to comply with certain financial covenants by maintaining certain financial ratios, such as debt coverage ratio, on an annual basis. As of September 30, 2017, December 31, 2016 and September 30, 2016, the Group had not violated any of the required financial covenants.

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

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

(12) Other payables

	September 30, 2017	December 31, 2016	September 30, 2016
Accrued salaries and bonuses	$ 47,979	$ 36,603	$ 32,550
Accrued employees' compensation and directors' remuneration	38,565	21,914	35,439
Accrued unused compensated absences	24,623	21,207	19,044
Dividends payable	73,275	-	14,450
Accrued payable for equipment	18,083	29,272	6,181
Accrued miscellaneous expenses	5,903	3,455	4,161
Accrued service fee	369	3,967	2,991
Accrued utilities	2,989	1,926	2,518
Accrued rental expenses	147	99	87
Other accrued expenses	55,137	41,476	33,049
	$ 267,070	$ 159,919	$ 150,470

(13) Finance lease liabilities

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

	September 30, 2017		
	Total finance lease liabilities	Future finance charges	Present value of finance lease liabilities
Current			
No later than one year (shown as "Other current liabilities")	$ 10,847	($ 469)	$ 10,378
Non-current			
Later than one year but not later than five years (shown as "Other non-current liabilities")	6,642	(152)	6,490
	$ 17,489	($ 621)	$ 16,868

	December 31, 2016		
	Total finance lease liabilities	Future finance charges	Present value of finance lease liabilities
Current			
No later than one year (shown as "Other current liabilities")	$ 12,456	($ 852)	$ 11,604
Non-current			
Later than one year but not later than five years (shown as "Other non-current liabilities")	15,525	(493)	15,032
	$ 27,981	($ 1,345)	$ 26,636

	September 30, 2016		
	Total finance lease liabilities	Future finance charges	Present value of finance lease liabilities
Current			
No later than one year (shown as "Other current liabilities")	$ 12,112	($ 942)	$ 11,170
Non-current			
Later than one year but not later than five years (shown as "Other non-current liabilities")	18,125	(644)	17,481
	$ 30,237	($ 1,586)	$ 28,651

(14) Pension plan

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

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

C. The pension costs under the above pension plans of the Group for the three-month and nine-month periods ended September 30, 2017 and 2016 amounted to $4,389, $3,949, $12,243 and $11,944, respectively.

(15) Share-based payment-employee compensation plan

A. As of September 30, 2017 and 2016, the Company's share-based payment transactions are set forth below:

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

Note 1: Some employee stock options shall be vested and become exercisable as to 50% of the shares after fulfilling two years of service, and in accordance with the agreement, the remaining 50% of such options will be exercisable ratably in equal installments as of the last day of each of the succeeding 24 months.

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

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

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

	For the nine-month period ended September 30, 2017			
	No. of options	Currency	Weighted average exercise price	
				(in dollars)
Options outstanding at beginning of the period	2,178,139	NTD	$	44.84
Options granted	230,000	NTD		65.89
Options exercised	(415,138)	NTD		28.42
Options forfeited	(49,043)	NTD		56.84
Options outstanding at end of the period	1,943,958	NTD		50.30
Options exercisable at end of the period	643,888	NTD		26.54

	For the nine-month period ended September 30, 2016			
	No. of options	Currency	Weighted average exercise price	
				(in dollars)
Options outstanding at beginning of the period	2,089,902	NTD	$	29.47
Options granted	900,000	NTD		65.76
Options exercised	(747,526)	NTD		15.31
Options forfeited	(94,990)	NTD		33.33
Options outstanding at end of the period	2,147,386	NTD		44.48
Options exercisable at end of the period	428,307	NTD		13.67

C. The weighted-average stock price of stock options at exercise dates for the nine-month periods ended September 30, 2017 and 2016 was $61.30 (in dollars) and $84.72 (in dollars), respectively.

D. As of September 30, 2017, December 31, 2016 and September 30, 2016, the range of exercise prices of stock options outstanding are as follows:

		September 30, 2017		
Grant date	Expiration	No. of Shares	Currency	Stock options exercise price
				(in dollars)
April 2013	April 2023	225,896	NTD	$ 11.35
October 2013	October 2023	95,002	NTD	17.63
February 2014	February 2024	7,500	NTD	19.20
November 2014	November 2024	58,667	NTD	32.65
January 2015	January 2025	12,500	NTD	42.09
February 2015	February 2025	413,393	NTD	41.21
March 2016	March 2026	5,000	NTD	71.01
August 2016	August 2026	870,000	NTD	65.73
November 2016	November 2026	26,000	NTD	64.40
February 2017	February 2027	15,000	NTD	57.10
August 2017	August 2027	215,000	NTD	66.50
		1,943,958		

		December 31, 2016		
Grant date	Expiration	No. of Shares	Currency	Stock options exercise price
				(in dollars)
April 2013	April 2023	317,397	NTD	$ 11.35
August 2013	August 2023	1,957	NTD	17.37
October 2013	October 2023	189,085	NTD	17.63
February 2014	February 2024	22,500	NTD	19.20
November 2014	November 2024	62,000	NTD	32.65
January 2015	January 2025	30,000	NTD	42.09
February 2015	February 2025	621,200	NTD	41.21
March 2016	March 2026	5,000	NTD	71.01
August 2016	August 2026	895,000	NTD	65.73
November 2016	November 2026	34,000	NTD	64.40
		2,178,139		

Grant date	Expiration	September 30, 2016 No. of Shares	Currency	Stock options exercise price
				(in dollars)
April 2013	April 2023	320,644	NTD	11.35
August 2013	August 2023	1,957	NTD	17.37
October 2013	October 2023	189,085	NTD	17.63
February 2014	February 2024	22,500	NTD	19.20
November 2014	November 2024	62,000	NTD	32.65
January 2015	January 2025	30,000	NTD	42.09
February 2015	February 2025	621,200	NTD	41.21
March 2016	March 2026	5,000	NTD	71.01
August 2016	August 2026	895,000	NTD	65.73
		2,147,386		

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

Employee restricted stocks	For the nine-month periods ended September 30, 2017	 2016
	No. of Shares	No. of Shares
Outstanding at beginning of the period	244,850	316,300
Granted (Note)	180,000	101,700
Vested	(185,000)	(146,150)
Retired	(11,000)	(4,000)
Outstanding at end of the period	228,850	267,850

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

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

Type of arrangement	Grant date	Currency	Share price	Exercise price	Expected volatility	Expected life	Expected dividend yield rate	Risk-free interest rate	Fair value
			(in dollars)	(in dollars)		(years)			(in dollars)
Employee stock options	April 2013	NTD	$ 18.28	$ 18.10	51.47%	6.26	1.16%	1.07%	$ 8.18
Employee stock options	August 2013	NTD	27.40	27.71	51.47%	6.26	1.16%	1.47%	12.29
Employee stock options	October 2013	NTD	27.94	28.11	51.47%	6.26	1.16%	1.44%	12.55
Employee stock options	February 2014	NTD	35.97	30.62	51.47%	6.26	1.16%	1.20%	17.48
Employee stock options	November 2014	NTD	50.22	48.25	47.00%	6.26	1.10%	1.75%	28.00
Employee stock options	January 2015	NTD	55.20	62.20	44.96%	6.26	1.10%	1.67%	28.31
Employee stock options	February 2015	NTD	60.62	60.90	40.89%	6.26	1.00%	1.67%	31.54
Employee stock options	March 2016	NTD	87.87	86.20	55.74%	6.26	1.00%	0.94%	53.71
Employee stock options	August 2016	NTD	84.91	79.80	39.67%	6.26	1.00%	0.91%	45.91
Employee stock options	November 2016	NTD	68.36	64.40	48.92%	6.26	1.00%	0.82%	40.15
Employee stock options	February 2017	NTD	57.98	57.10	34.41%	6.26	1.00%	1.19%	29.14
Employee stock options	August 2017	NTD	64.90	66.50	36.37%	6.26	1.00%	1.10%	32.53

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

	For the three-month periods ended September 30,	
	2017	2016
Equity-settled	$ 7,599	$ 8,445

	For the nine-month periods ended September 30,	
	2017	2016
Equity-settled	$ 19,358	$ 21,857

(16) Common stock

A. As of September 30, 2017, the Company's paid-in capital was $794,604, consisting of 79,460,443 shares with a par value of $10 (in dollars) per share.

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

Unit: Numbers of shares

	2017	2016
At January 1	74,402,266	57,799,943
Stock dividends	-	13,004,988
Exercise of employee stock options	415,138	747,526
Conversion of convertible bonds	4,463,039	2,361,694
Issuance of restricted stocks to employees	180,000	101,700
Retirement of restricted stocks to employees	-	(4,000)
At September 30	79,460,443	74,011,851

B. On June 3, 2016, the stockholders adopted a resolution to appropriate $130,050 of year 2015 earnings as stock dividends by issuing 13,004,988 shares. Pursuant to resolution adopted at the Board of Directors' meeting on August 1, 2016, the record date for stock dividend distribution was set on September 26, 2016. The capital increase has been completed.

C. On May 15, 2015, the stockholders adopted a resolution to issue 600,000 employee restricted stocks with par value of $10 (in dollars) per share, with the effective date set on July 13, 2015. The subscription price is $0 (in dollar) per share. The employee restricted stocks issued are subject to certain transfer restrictions before their vesting conditions are met. Other than these restrictions, the rights and obligations of these shares issued are the same as other issued ordinary shares. On July 27, 2015, November 5, 2015, January 14, 2016 and March 2, 2016, the Board of Directors adopted resolutions to grant 297,300, 22,000, 93,700 and 8,000 employee restricted stocks, respectively. As of September 30, 2017, the Company retrieved 19,000 employee restricted stocks due to the employees' resignation and the retrieved shares have been retired. In July and September 2017, the Company retrieved 11,000 employee restricted stocks due to the employees' resignation, which have not been retired.

D. On June 1, 2017, the stockholders adopted a resolution to reserve 1,000,000 shares for the purpose of granting employee restricted stocks with par value of $10 (in dollars) per shares, with the effective date filed with the regulator on August 8, 2017. The subscription price is $0 (in dollar) per share. The employee restricted stocks issued are subject to certain transfer restrictions before their vesting conditions are met. Other than these restrictions, the rights and obligations as these shares issued are the same as other issued ordinary shares. On August 21, 2017, the Board of Directors adopted a resolution to grant 180,000 employee restricted stocks.

E. Treasury shares

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

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

		December 31, 2016	
Name of company holding the shares	Reason for repurchase	Number of shares	Carrying amount
The Company	To be reissued to employees	1,127,000	$ 77,915

		September 30, 2016	
Name of company holding the shares	Reason for repurchase	Number of shares	Carrying amount
The Company	To be reissued to employees	127,000	$ 9,908

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

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

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

(17) Capital surplus

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

	2017				
	Share premium	Employee stock options	Employee restricted stocks	Others	Total
At January 1	$ 541,476	$ 46,850	$ 26,588	$ 29,712	$ 644,626
Compensation costs of share-based payment	-	15,593	-	-	15,593
Issuance of restricted stocks to employees	-	-	11,604	-	11,604
Exercise of employee stock options	31,249	(17,480)	-	-	13,769
Conversion of convertible bonds	224,529	-	-	-	224,529
Forfeiture of employee stock options	-	(845)	-	845	-
At September 30	$ 797,254	$ 44,118	$ 38,192	$ 30,557	$ 910,121

	2016				
	Share premium	Employee stock options	Employee restricted stocks	Others	Total
At January 1	$ 368,914	$ 50,655	$ 21,309	$ 27,810	$ 468,688
Compensation costs of share-based payment	-	10,145	-	-	10,145
Issuance of restricted stocks to employees	-	-	6,221	-	6,221
Retirement of restricted stocks to employees	-	-	(216)	-	(216)
Exercise of employee stock options	23,703	(17,475)	-	-	6,228
Conversion of convertible bonds	131,083	-	-	-	131,083
Forfeiture of employee stock options	-	(1,814)	-	1,814	-
At September 30	$ 523,700	$ 41,511	$ 27,314	$ 29,624	$ 622,149

(18) Retained earnings

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

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

C. On June 1, 2017 and June 3, 2016, the shareholders at the annual shareholders' meeting resolved the appropriations of 2016 and 2015 earnings, respectively. Details are summarized below:

	2016		2015	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Cash dividends	$ 73,275	$ 1.00	$ 14,450	$ 0.25
Stock dividends	-	-	130,050	2.25
	$ 73,275	$ 1.00	$ 144,500	$ 2.50

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

(19) Other equity interest

	2017			
	Currency translation differences	Unearned employee compensation	Available-for-sale financial assets	Total
At January 1	$ 122,002	($ 3,548)	$ 14,166	$ 132,620
Currency translation differences	(128,852)	-	-	(128,852)
Compensation costs of share-based payment	-	3,765	-	3,765
Issuance of restricted stocks to employees	-	(13,417)	-	(13,417)
Changes of fair value in financial instruments				
- Transfer out of revaluation - gross	-	-	(31,103)	(31,103)
- Transfer out of revaluation - tax	-	-	12,388	12,388
- Revaluation - gross	-	-	7,561	7,561
- Revaluation - tax	-	-	(3,012)	(3,012)
At September 30	($ 6,850)	($ 13,200)	$ -	($ 20,050)

	2016			
	Currency translation differences	Unearned employee compensation	Available-for-sale financial assets	Total
At January 1	$ 128,882	($ 13,069)	$ 682	$ 116,495
Currency translation differences	(66,876)	-	-	(66,876)
Compensation costs of share-based payment	-	11,712	-	11,712
Issuance of restricted stocks to employees	-	(7,228)	-	(7,228)
Retirement of restricted stocks to employees	-	256	-	256
Changes of fair value in financial instruments				
- Transfer out of revaluation - gross	-	-	(586)	(586)
- Transfer out of revaluation - tax	-	-	233	233
- Revaluation - gross	-	-	13,983	13,983
- Revaluation - tax	-	-	(5,569)	(5,569)
At September 30	$ 62,006	($ 8,329)	$ 8,743	$ 62,420

(20) Operating revenue

	For the three-month periods ended September 30, 2017	2016
Sales revenue	$ 517,444	$ 417,898
Service revenue	3,783	32,185
Royalty revenue	7,873	5,644
	$ 529,100	$ 455,727

	For the nine-month periods ended September 30, 2017	2016
Sales revenue	$ 1,364,287	$ 1,325,654
Service revenue	11,453	55,131
Royalty revenue	23,280	20,000
	$ 1,399,020	$ 1,400,785

(21) Other gains and losses

	For the three-month periods ended September 30, 2017	2016
Net gains on financial liabilities at fair value through profit or loss	$ 2,400	$ 21,933
Net currency exchange losses	(2,138)	(11,930)
Gain on disposal of investments	28,024	21,400
Dividend income	-	917
	$ 28,286	$ 32,320

	For the nine-month periods ended September 30, 2017	2016
Net gains (losses) on financial liabilities at fair value through profit or loss	$ 10,211	($ 23,935)
Net currency exchange losses	(25,914)	(17,072)
Gain on disposal of investments	29,381	36,383
Dividend income	-	917
	$ 13,678	($ 3,707)

(22) Finance costs

	For the three-month periods ended September 30,	
	2017	2016
Interest expense:		
Convertible bonds	$ 3,612	$ 5,649
Other interest expense	1,378	1,665
	$ 4,990	$ 7,314

	For the nine-month periods ended September 30,	
	2017	2016
Interest expense:		
Convertible bonds	$ 14,540	$ 19,255
Other interest expense	4,360	5,308
	$ 18,900	$ 24,563

(23) Expenses by nature

	For the three-month periods ended September 30,	
	2017	2016
Employee benefit expense	$ 175,940	$ 161,243
Depreciation charges on property, plant and equipment	23,101	16,035
Amortisation charges on intangible assets (recognized as cost of operating revenue and operating expenses)	2,090	2,123
	$ 201,131	$ 179,401

	For the nine-month periods ended September 30,	
	2017	2016
Employee benefit expense	$ 485,601	$ 478,796
Depreciation charges on property, plant and equipment	56,021	46,888
Amortisation charges on intangible assets (recognized as cost of operating revenue and operating expenses)	5,950	6,538
	$ 547,572	$ 532,222

(24) Employee benefit expense

	For the three-month periods ended September 30,	
	2017	2016
Wages and salaries	$ 148,338	$ 133,430
Compensation costs of share-based payment	7,599	8,445
Insurance expense	14,772	14,966
Pension costs	4,389	3,949
Other personnel expenses	842	453
	$ 175,940	$ 161,243

	For the nine-month periods ended September 30,	
	2017	2016
Wages and salaries	$ 412,300	$ 403,561
Compensation costs of share-based payment	19,358	21,857
Insurance expense	40,212	40,344
Pension costs	12,243	11,944
Other personnel expenses	1,488	1,090
	$ 485,601	$ 478,796

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

B. For the three-month and nine-month periods ended September 30, 2017 and 2016, employees' compensation was accrued at $6,658, $6,293, $16,812 and $12,443, respectively; directors' remuneration was accrued at $2,663, $2,517, $6,725 and $4,977, respectively. The aforementioned amounts were recognized in cost of operating revenue and wages and salaries, respectively. The employees' compensation and directors' remuneration were estimated and accrued based on 5% and 2% of distributable profit of current period from January 1 to September 30, 2017. The difference between the amount resolved by the Board of Directors and the amounts recognized in the 2016 financial statements had been adjusted in the profit or loss of 2017.

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

(25) Income tax

A. Income tax expense

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

	For the three-month periods ended September 30,	
	2017	2016
Current tax:		
Current tax on profit for the period	$ 11,323	$ 14,380
Effect from alternative minimum tax	2,395	3,015
Prior year income tax underestimation	5	-
Origination and reversal of temporary differences	(1,875)	(464)
Income tax expense	$ 11,848	$ 16,931

	For the nine-month periods ended September 30,	
	2017	2016
Current tax:		
Current tax on profit for the period	$ 33,159	$ 25,078
Effect from alternative minimum tax	6,501	4,288
Prior year income tax overestimation	(401)	-
Origination and reversal of temporary differences	(1,875)	1,342
Income tax expense	$ 37,384	$ 30,708

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

	For the three-month periods ended September 30,	
	2017	2016
Unrealized valuation gain / loss of available-for-sale financial assets	$ 4,716	$ 7,328

	For the nine-month periods ended September 30,	
	2017	2016
Unrealized valuation gain / loss of available-for-sale financial assets	$ 9,376	($ 5,336)

(26) Earnings per share (EPS)

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

	For the three-month period ended September 30, 2017		
	Amount after tax	Weighted average outstanding stocks	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 112,602	75,338	$ 1.49
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 112,602	75,338	
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	1,918	2,124	
Employees' bonus	-	138	
Employee stock options	-	400	
Employee restricted stocks	-	40	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 114,520	78,040	$ 1.47

	For the three-month period ended September 30, 2016		
	Amount after tax	Weighted average outstanding stocks	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 118,699	71,089	$ 1.67
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 118,699	71,089	
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	(23,109)	6,989	
Employees' bonus	-	101	
Employee stock options	-	668	
Employee restricted stocks	-	154	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 95,590	79,001	$ 1.21

	For the nine-month period ended September 30, 2017		
	Amount after tax	Weighted average outstanding stocks	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 276,861	73,714	$ 3.76
Diluted earnings per share (Note)			
Profit attributable to ordinary shareholders of the parent	$ 276,861	73,714	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	294	
Employee stock options	-	359	
Employee restricted stocks	-	39	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 276,861	74,406	$ 3.72

	For the nine-month period ended September 30, 2016		
	Amount after tax	Weighted average outstanding stocks	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 218,159	71,753	$ 3.04
Diluted earnings per share (Note)			
Profit attributable to ordinary shareholders of the parent	$ 218,159	71,753	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	188	
Employee stock options	-	689	
Employee restricted stocks	-	154	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 218,159	72,784	$ 3.00

Note: The unsecured convertible domestic bonds have anti-dilutive effect, and as a result, would not be considered while calculating the diluted EPS.

(27) Business combinations

A. The Company's Board of Directors approved on July 13, 2017 that its wholly owned subsidiary, Global Communication Semiconductors, LLC enter into an Acquisition Agreement with D-Tech Optoelectronics, Inc. ("D-Tech") to acquire all of the outstanding shares of D-Tech at an aggregate consideration of US$13,000,000 in cash. The above acquisition transaction has been completed on July 20, 2017 (USA date). With the completion of the acquisition, the Company acquired 100% shareholding of the wholly owned subsidiary of D-Tech, D-Tech Optoelectronics (Taiwan) Corporation. The Group expects that the acquisition will allow the Group and D-Tech to further integrate research technology, manufacturing capabilities and workforce to enhance their product offering at an accelerated pace, optimise their product integration, and provide customers with better services and products. The main goal of the acquisition is to gain a competitive advantage, and enhance market and margin expansion opportunities with greater scale.

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

		July 20, 2017
Consideration		
Cash paid (US$ 13,000,000)	$	395,070
Fair value of the identifiable assets acquired and liabilities assumed		
Notes receivable and accounts receivable		60,915
Other receivables and prepayments		3,828
Other current assets		308
Inventories		75,922
Property, plant and equipment		103,167
Other non-current assets		9,329
Accounts payable	(	16,216)
Other payables	(	18,270)
Other current liabilities	(	174)
Other non-current liabilities	(	308)
Total identifiable net assets		218,501
Goodwill	$	176,569

C. The identifiable net assets recognized in the consolidated financial statements as of September 30, 2017 were based on a provisional assessment of fair value. The result of this valuation is subject to adjustment through goodwill upon finalizing the valuation report.

D. The operating revenue and profit before income tax included in the consolidated statement of comprehensive income since July 20, 2017 contributed by D-Tech was $71,702 and $7,491, respectively, over the same period. Had D-Tech been consolidated from January 1, 2017, the consolidated statement of comprehensive income would show an increase of operating revenue of $330,303 and a decrease of profit before income tax of $26,725.

(28) Operating lease commitments

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

	September 30, 2017	December 31, 2016	September 30, 2016
Not later than one year	$ 8,853	$ 1,333	$ 1,538
Later than one year but not later than five years	28,762	2,807	3,157
	$ 37,615	$ 4,140	$ 4,695

(29) Supplemental cash flow information

A. Investing activities with partial cash payments:

	For the nine-month periods ended September 30,	
	2017	2016
Acquisition of property, plant and equipment	$ 134,556	$ 69,904
Add: Ending balance of prepayments for equipment	133,602	50,453
Less: Beginning balance of prepayments for equipment	(120,552)	(33,017)
Less: Prepayments for equipment - acquired through business combinations	(7,443)	-
Less: Ending balance of accrued lease liabilities	(16,868)	(28,651)
Add: Beginning balance of accrued lease liabilities	26,636	38,453
Less: Ending balance of payables for equipment	(18,083)	(6,181)
Add: Beginning balance of payables for equipment	29,272	11,008
Cash paid during the period	$ 161,120	$ 101,969

B. Financing activities with no cash flow effect:

	For the nine-month periods ended September 30,	
	2017	2016
Convertible bonds being converted to capital stocks	$ 241,900	$ 154,700
Cash dividends	$ 73,275	$ 14,450
Less: Other payables	(73,275)	(14,450)
Cash paid during the period	$ -	$ -

7. RELATED PARTY TRANSACTIONS

Key management compensation

	For the three-month periods ended September 30,	
	2017	2016
Salaries and other short-term employee benefits	$ 13,946	$ 14,072
Post-employment benefits	438	502
Compensation costs of share-based payment	2,801	3,511
	$ 17,185	$ 18,085

	For the nine-month periods ended Setptember 30,	
	2017	2016
Salaries and other short-term employee benefits	$ 50,923	$ 53,612
Post-employment benefits	1,793	1,954
Compensation costs of share-based payment	8,841	8,160
	$ 61,557	$ 63,726

8. PLEDGED ASSETS

As of September 30, 2017, December 31, 2016 and September 30, 2016, the Group's assets pledged as collaterals were as follows:

Assets	September 30, 2017	December 31, 2016	September 30, 2016	Purpose
Land	$ 139,347	$ 148,511	$ 144,413	Long-term borrowings
Buildings	87,147	95,000	93,066	Long-term borrowings
Time deposits (shown as "Other non-current assets")	91,088	64,500	62,720	Short-term borrowings, custom guarantee for imported goods and secured convertible bonds
Other financial assets, non-current	3,270	1,290	1,254	Deposits for office rental and waste water treatment

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

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

(2) Capital commitments

	September 30, 2017	December 31, 2016	September 30, 2016
Property, plant and equipment	$ 22,569	$ 98,483	$ 98,466

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

None.

12. OTHERS

(1) Capital management

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

(2) Financial instruments

A. (a) Except for the item listed in the table below, the carrying amounts measured at amortized cost approximate the fair values of the Group's financial instruments, including cash and cash equivalents, accounts receivable, other receivables, short-term borrowings, accounts payable, other payables and long-term borrowings (including current portion). The fair value information of financial instruments measured at fair value is provided in Note 12(3).

		September 30, 2017		
		Fair value		
	Book value	Level 1	Level 2	Level 3
Bonds payable	$ 109,902	$ -	$ -	$ 109,902

		December 31, 2016		
		Fair value		
	Book value	Level 1	Level 2	Level 3
Bonds payable	$ 325,875	$ -	$ -	$ 325,875

		September 30, 2016		
		Fair value		
	Book vaue	Level 1	Level 2	Level 3
Bonds payable	$ 340,421	$ -	$ -	$ 340,421

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

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

B. Financial risk management policies

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

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

C. Significant financial risks and degrees of financial risks

a) Market risk

Foreign exchange risk

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

Price risk

i. The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet as available-for-sale financial assets. The Group is not exposed to commodity price risk.

ii. The Group's investments in equity securities are foreign listed stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 10% with all other variables held constant, post-tax profit would have increased / decreased by $0 and $2,237 for the nine-month periods ended September 30, 2017 and 2016, respectively.

Interest rate risk

i. The Group's interest rate risk arises from short-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During the nine-month periods ended September 30, 2017 and 2016, the Group's borrowings at variable rate were denominated in the NTD.

ii. Based on the simulations performed, the impact on post-tax profit of a 1% shift, with all other variables held constant, would be a maximum increase or decrease of $125 and $0 for the nine-month periods ended September 30, 2017 and 2016, respectively. The variation is resulted by the decrease or increase of interest expense which is affected by variable rates.

b) Credit risk

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

ii. As of September 30, 2017 and 2016, the Group's maximum credit risk exposure is mainly from the carrying amount of financial assets recognized in the consolidated balance sheet.

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

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

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

c) Liquidity risk

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

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

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

	Less than 1 year	Over 1 year
Non-derivative financial liabilities:		
September 30, 2017		
Short-term borrowings	$ 20,000	$ -
Accounts payable	39,202	-
Other payables	267,070	-
Finance lease liabilities	10,847	6,642
Bonds payable (including current portion)	109,902	-
Long-term borrowings (including current portion)	23,251	90,656

	Less than 1 year	Over 1 year
Non-derivative financial liabilities:		
December 31, 2016		
Accounts payable	$ 4,979	$ -
Other payables	159,919	-
Finance lease liabilities	12,456	15,525
Bonds payable (including current portion)	325,875	-
Long-term borrowings (including current portion)	24,780	113,138

	Less than 1 year	Over 1 year
Non-derivative financial liabilities:		
September 30, 2016		
Accounts payable	$ 22,195	$ -
Other payables	150,470	-
Finance lease liabilities	12,112	18,125
Long-term borrowings (including current portion)	24,096	118,048

	Less than 1 year	Over 1 year
Derivative financial liabilities:		
September 30, 2017		
Financial liabilities at fair value through profit or loss	$ 23,782	$ -

	Less than 1 year	Over 1 year
Derivative financial liabilities:		
December 31, 2016		
Financial liabilities at fair value through profit or loss	$ 69,504	$ -

	Less than 1 year	Over 1 year
Derivative financial liabilities:		
September 30, 2016		
Financial liabilities at fair value through profit or loss	$ 104,318	$ -

(3) Fair value information

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

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

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

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

Level 3: Unobservable inputs for the asset or liability.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at September 30, 2017, December 31, 2016 and September 30, 2016, is as follows:

	Level 1	Level 2	Level 3
September 30, 2017			
Liabilities			
Recurring fair value measurements			
Financial liabilities at fair value through profit or loss	$ -	$ -	$ 23,782

	Level 1	Level 2	Level 3
December 31, 2016			
Assets			
Recurring fair value measurements			
Available-for-sale financial assets			
Equity securities	$ 31,605	$ -	$ -
Liabilities			
Recurring fair value measurements			
Financial liabilities at fair value through profit or loss	$ -	$ -	$ 69,504

	Level 1	Level 2	Level 3
September 30, 2016			
Assets			
Recurring fair value measurements			
Available-for-sale financial assets			
Equity securities	$ 22,370	$ -	$ -
Liabilities			
Recurring fair value measurements			
Financial liabilities at fair value through profit or loss	$ -	$ -	$ 104,318

For the nine-month periods ended September 30, 2017 and 2016, there were no non-recurring fair value measurement financial instruments.

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

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

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

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

E. For the nine-month periods ended September 30, 2017 and 2016, there was no transfer between Level 1 and Level 2 financial instruments.

F. The following chart is the movement of Level 3 financial instruments for the nine-month periods ended September 30, 2017 and 2016:

	Financial liabilities at fair value through profit or loss	
	2017	2016
At January 1	$ 69,504	$ 120,164
Converted in the period	(35,736)	(40,119)
Exchange effect	225	338
(Gain) / loss recognized in profit or loss	(10,211)	23,935
At September 30	$ 23,782	$ 104,318

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

	Fair value at September 30, 2017	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of input to fair value
Conversion option, redemption option and put option of convertible bonds	$ 23,782	Binomial model	Stock price volatility	39.17%	The higher the volatility, the higher the fair value

	Fair value at December 31, 2016	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of input to fair value
Conversion option, redemption option and put option of convertible bonds	$ 69,504	Binomial model	Stock price volatility	34.99%	The higher the volatility, the higher the fair value

	Fair value at September 30, 2016	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of input to fair value
Conversion option, redemption option and put option of convertible bonds	$ 104,318	Binomial model	Stock price volatility	39.37%	The higher the volatility, the higher the fair value

H. The Group has carefully assessed the valuation model and assumptions used to measure fair value; therefore, the fair value measurement is reasonable. However, use of different valuation model or assumptions may result in different measurement. A sensitivity analysis shows that a 5% increase in the stock price volatility would lead to a decrease in net income by $415. On the other hand, a 5% decrease in the stock price volatility would increase net income by $494. A 1% increase in the stock price volatility would lead to a increase in net income by $147. However, a 1% decrease in the stock price volatility would decrease net income by $147.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

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

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

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

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

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

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

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

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

(i) Derivative financial instruments undertaken during the nine-month period ended September 30, 2017: Please refer to Notes 6(9) and 6(10).

(j) Significant inter-company transactions during the nine-month period ended September 30, 2017: Please refer to table 9.

(2) Information on investees

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

(3) Information on investments in Mainland China

Please refer to table 11.

14. SEGMENT INFORMATION

(1) General information

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

(2) Segment information

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

	For the nine-month periods ended September 30,			
	2017		2016	
Revenue from external customers	$	1,399,020	$	1,400,785
Inter-segment revenue		-		-
Total segment revenue	$	1,399,020	$	1,400,785
Segment income (Note)	$	314,245	$	248,867
Segment assets	$	3,086,846	$	2,829,255
Segment liabilities	$	663,704	$	860,435

Note: Exclusive of income tax.

(3) Reconciliation for segment income (loss)

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

GCS HOLDINGS, INC.

Loans to others

For the nine-month period ended September 30, 2017

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the nine-month period ended September 30, 2017 (Note 3)	Balance at September 30, 2017	Actual amount drawn down	Interest rate	Nature of loan (Note 2)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral Item	Collateral Value	Limit on loans granted to a single party (Note 3)	Ceiling on total loans granted (Note 3)	Footnote
0	GCS Holdings, Inc.	Global Device Technologies, Co., Ltd.	Other receivable - related party	Yes	$ 50,000	$ -	$ -	2%	2	$ -	Operation	$ -	None	$ -	$ 242,313	$ 969,251	

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

(1)The Company is '0'.

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

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

(1)The business transaction is'1'.

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

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

GCS HOLDINGS, INC.

Provision of endorsements and guarantees to others

For the nine-month period ended September 30, 2017

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed: Company name	Party being endorsed/guaranteed: Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount for the nine-month period ended September 30, 2017	Outstanding endorsement/ guarantee amount at September 30, 2017	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
0	GCS Holdings, Inc.	Global Device Technologies, Co., Ltd.	2	$ 969,251	$ 31,345	$ 30,260	$ 20,000	$ 30,260	1.25%	$ 969,251	Y	N	N	-
1	Global Communication Semiconductors, LLC	GCS Holdings, Inc.	4	969,251	188,070	181,560	-	-	7.49%	969,251	N	Y	N	-

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:
(1)The Company is '0'.
(2)The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories; fill in the number of category each case belongs to:
(1)Having business relationship.
(2)The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.
(3)The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.
(4)The endorsed/guaranteed parent company directly or indirectly owns more than 50% voting shares of the endorser/guarantor subsidiary.
(5)Mutual guarantee of the trade as required by the construction contract.
(6)Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

Note 3: According to the Company's "Procedures for Endorsement and Guarantee", the total amount of endorsement/guarantee provided by the Company is limited to forty percent (40%) of the Company's net worth, and the total amount of the guarantee provided by the Company to any individual entity is limited to ten percent of the Company's net worth. The total amount of the guarantee provided by the Company to any subsidiary whose voting shares are 100% owned, directly or indirectly, by the Company shall notexceed forty percent (40%) of the Company's net worth.
The aggregate total amount of endorsement/guarantee provided by the Company and its subsidiaries shall not exceed fifty percent (50%) of the Company's net worth.

GCS HOLDINGS, INC.

Significant inter-company transactions during the reporting period

For the nine-month period ended September 30, 2017

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

				Transaction			
Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
1	Global Device Technologies, Co., Ltd.	Global Communication Semiconductors, LLC	3	Service revenue	$ 16,204	Conducted in the ordinary course of business with terms similar to those with third parties	1.16%
1	Global Device Technologies, Co., Ltd.	Global Communication Semiconductors, LLC	3	Accounts receivable - related party	8,317	Conducted in the ordinary course of business with terms similar to those with third parties	0.27%
2	D-Tech Optoelectronics (Taiwan) Corporation	D-Tech Optoelectronics, Inc.	3	Service revenue	13,953	Conducted in the ordinary course of business with terms similar to those with third parties	1.00%
2	D-Tech Optoelectronics (Taiwan) Corporation	D-Tech Optoelectronics, Inc.	3	Accounts receivable - related party	11,281	Conducted in the ordinary course of business with terms similar to those with third parties	0.37%

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

(1)Parent company is '0'.

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

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

(1)Parent company to subsidiary.

(2)Subsidiary to parent company.

(3)Subsidiary to subsidiary.

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

GCS HOLDINGS, INC.

Information on investees (not including investees in Mainland China)

For the nine-month period ended September 30, 2017

Table 10

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee (Note 1、2)	Location	Main business activities	Initial investment amount: Balance as at September 30, 2017	Initial investment amount: Balance as at December 31, 2016	Shares held as at September 30, 2017: Number of shares	Shares held as at September 30, 2017: Ownership (%)	Shares held as at September 30, 2017: Book value	Net profit (loss) of the investee for the nine-month period ended September 30, 2017 (Note 2(2))	Investment income (loss) recognized by the Company for the nine-month period ended September 30, 2017 (Note 2(3))	Footnote
GCS Holdings, Inc.	Global Communication Semiconductors, LLC	Los Angeles, USA	1. Manufacturing of high-end radio frequency ICs, optoelectronic device compound semiconductor wafer and foundry related services as well as granting royalty rights for intellectual property. 2. Manufacturing and selling of advanced optoelectronics technology products	$ 403,975	$ 403,975	-	100%	$ 1,963,979	$ 302,972	$ 302,972	-
GCS Holdings, Inc.	Global Device Technologies, Co., Ltd.	Taiwan	Product design and research development services	12,000	12,000	1,200,000	100%	28,136	4,405	4,405	-
Global Communication Semiconductors, LLC	D-Tech Optoelectronics, Inc.	Los Angeles, USA	Development, manufacturing and selling of positive, intrinsic, negative components and avalanche photo diodes for telecommunication systems and data communication networks	393,380	-	360,000	100%	400,803	(26,749)	7,491	-
D-Tech Optoelectronics, Inc.	D-Tech Optoelectronics (Taiwan) Corporation	Taiwan	Manufacturing and selling of optical chips	89,840	-	5,800,000	100%	85,701	(29,375)	(4,139)	-

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

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

(1)The columns of 'Investee', 'Location', 'Main business activities', Initial investment amount' and 'Shares held as at September 30, 2017' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.

(2)The 'Net profit (loss) of the investee for the nine-month period ended September 30, 2017' column should fill in amount of net profit (loss) of the investee for this period.

(3)The 'Investment income (loss) recognized by the Company for the nine-month period ended September 30, 2017' column should fill in the Company (public company) recognized investment income (loss) of its direct subsidiary and recognized investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognized investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognized by regulations.

GCS HOLDINGS, INC.

Information on investments in Mainland China

For the nine-month period ended September 30, 2017

Table 11

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2017	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the nine-month period ended September 30, 2017: Remitted to Mainland China	Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2017	Net income of investee as of September 30, 2017	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the nine-month period ended September 30, 2017 (Note 2)	Book value of investments in Mainland China as of September 30, 2017	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2017	Footnote
Xiamen Global Advanced Semiconductor Co., Ltd.	Developing, manufacturing and selling of mobile phone radio frequency, filter, optical communication chip, power management and optical fiber	$ 30,633	2	$ -	$ -	$ -	$ -	($ 619)	49%	($ 303)	$ 14,930	$ -	(Note 4)

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2017	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Xiamen Global Advanced Semiconductor Co., Ltd.	$ -	$ -	$ -

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

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

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

(3) Others

Note 2: In the 'Investment income (loss) recognized by the Company for the nine-month period ended September 30, 2017' column:

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

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

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

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

C.Others.

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

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