GCS HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

SEPTEMBER 30, 2019 AND 2018

For the convenience of readers and for information purpose only, the review report 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 and financial statements shall prevail.

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REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

PWCR19000137

To GCS Holdings, Inc.

Introduction

We have reviewed the accompanying consolidated balance sheets of GCS Holdings, Inc. and subsidiaries (the "Group") as of September 30, 2019 and 2018, and the related consolidated statements of comprehensive income, for the three-month and nine-month periods then ended, as well as the consolidated statements of changes in equity and of cash flows for the nine-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of our review

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

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2019 and 2018, and of its consolidated financial performance for the three-month and nine-month periods then ended and its consolidated cash flows for the nine-month periods then ended in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission.

LI, TIEN-YI　　　　Chih-Cheng H

Li, Tien-Yi　　　　Hsieh, Chih-Cheng

For and on behalf of PricewaterhouseCoopers, Taiwan

November 7, 2019

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 audit 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 BALANCE SHEETS AS OF SEPTEMBER 30, 2019 AND 2018 ARE REVIEWED, NOT AUDITED)

	Assets	Notes	September 30, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%	September 30, 2018 AMOUNT	%
	Current assets							
1100	Cash and cash equivalents	6(1)	$ 1,941,017	48	$ 1,512,863	44	$ 1,392,649	42
1150	Notes receivable, net		161	-	127	-	69	-
1170	Accounts receivable, net	6(3)	265,606	7	212,806	6	282,365	9
1200	Other receivables		30,456	1	19,026	1	16,398	1
1220	Current income tax assets		-	-	28,459	1	12,576	-
130X	Inventories	6(4)	347,914	9	330,694	10	327,667	10
1410	Prepayments		11,695	-	14,813	-	12,469	-
1470	Other current assets	8	94,125	2	92,571	3	91,999	3
11XX	**Total current assets**		2,690,974	67	2,211,359	65	2,136,192	65
	Non-current assets							
1517	Non-current financial assets at fair value through other comprehensive income	6(2)	165,171	4	-	-	-	-
1600	Property, plant and equipment	6(5) and 8	720,514	18	723,641	21	711,777	22
1755	Right-of-use assets	6(6)	35,100	1	-	-	-	-
1780	Intangible assets	6(7)	202,994	5	185,489	6	183,647	5
1840	Deferred income tax assets		152,849	4	171,323	5	155,701	5
1900	Other non-current assets	6(8) and 8	51,659	1	110,472	3	90,412	3
15XX	**Total non-current assets**		1,328,287	33	1,190,925	35	1,141,537	35
1XXX	**Total assets**		$ 4,019,261	100	$ 3,402,284	100	$ 3,277,729	100

(Continued)

GCS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(THE BALANCE SHEETS AS OF SEPTEMBER 30, 2019 AND 2018 ARE REVIEWED, NOT AUDITED)

			September 30, 2019		December 31, 2018		September 30, 2018	
	Liabilities and Equity	Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%
	Current liabilities							
2100	Short-term borrowings	6(9)	$ 20,000	1	$ 20,300	1	$ 20,000	1
2130	Current contract liabilities	6(19)	6,704	-	16,302	-	19,434	1
2170	Accounts payable		22,149	1	19,423	-	9,293	-
2200	Other payables	6(11)	256,461	6	164,280	5	147,941	4
2230	Current income tax liabilities		4,989	-	-	-	-	-
2280	Current lease liabilities		11,902	-	-	-	-	-
2320	Long-term borrowings, current portion	6(10)	23,576	1	20,818	1	20,479	1
2399	Other current liabilities	6(12)	1,752	-	6,185	-	6,841	-
21XX	**Total current liabilities**		347,533	9	247,308	7	223,988	7
	Non-current liabilities							
2540	Long-term borrowings	6(10)	49,455	1	57,424	2	62,314	2
2570	Deferred income tax liabilities		75,699	2	84,451	2	55,393	1
2580	Non-current lease liabilities		20,391	-	-	-	-	-
2600	Other non-current liabilities	6(12)	318	-	316	-	1,501	-
25XX	**Total non-current liabilities**		145,863	3	142,191	4	119,208	3
2XXX	**Total liabilities**		493,396	12	389,499	11	343,196	10
	Equity							
	Equity attributable to owners of the parent							
	Share capital	6(15)						
3110	Common stock		907,911	23	821,691	24	821,691	25
	Capital surplus	6(16)						
3200	Capital surplus		1,443,283	36	1,092,635	32	1,087,366	34
	Retained earnings	6(17)						
3320	Special reserve		6,821	-	6,821	-	6,821	-
3350	Unappropriated retained earnings		1,200,854	30	1,143,944	34	1,091,540	33
	Other equity interest	6(18)						
3400	Other equity interest		51,499	1	27,805	1	4,685	-
3500	**Treasury stocks**	6(15)	(90,870)	(2)	(90,870)	(3)	(90,870)	(3)
31XX	**Equity attributable to owners of the parent**		3,519,498	88	3,002,026	88	2,921,233	89
36XX	**Non-controlling interest**		6,367	-	10,759	1	13,300	1
3XXX	**Total equity**		3,525,865	88	3,012,785	89	2,934,533	90
	Significant contingent liabilities and unrecognized contract commitments	9						
	Significant events after the reporting period	11						
3X2X	**Total liabilities and equity**		$ 4,019,261	100	$ 3,402,284	100	$ 3,277,729	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 DOLLAR FOR EARNINGS PER SHARE)
(REVIEWED, NOT AUDITED)

			Three months ended September 30				Nine months ended September 30			
			2019		2018		2019		2018	
	Items	Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000	**Operating revenue**	6(19)	$ 466,566	100	$ 514,359	100	$ 1,309,821	100	$ 1,516,044	100
5000	**Cost of operating revenue**	6(4)(22)	(269,264)	(58)	(267,045)	(52)	(737,386)	(56)	(798,209)	(52)
5900	**Net operating margin**		197,302	42	247,314	48	572,435	44	717,835	48
	Operating expenses	6(22)(23)								
6100	Selling and marketing expenses		(10,305)	(2)	(10,742)	(2)	(32,289)	(3)	(37,203)	(3)
6200	General and administrative expenses		(70,748)	(15)	(72,477)	(14)	(200,561)	(15)	(214,171)	(14)
6300	Research and development expenses		(44,713)	(10)	(46,433)	(9)	(134,709)	(10)	(137,349)	(9)
6450	Net impairment income (loss) on financial assets	12(2)	90	-	606	-	(10,063)	(1)	(204)	-
6000	**Total operating expenses**		(125,676)	(27)	(129,046)	(25)	(377,622)	(29)	(388,927)	(26)
6900	**Operating profit**		71,626	15	118,268	23	194,813	15	328,908	22
	Non-operating income and expenses									
7010	Other income		7,184	2	1,173	-	19,491	1	4,929	-
7020	Other gains and losses	6(20)	480	-	338	-	(37)	-	914	-
7050	Finance costs	6(21)	(1,232)	-	(1,081)	-	(3,901)	-	(4,126)	-
7060	Share of net loss of associates and joint ventures accounted for using equity method		-	-	(765)	-	-	-	(756)	-
7000	**Total non-operating income and expenses**		6,432	2	(335)	-	15,553	1	961	-
7900	**Profit before income tax**		78,058	17	117,933	23	210,366	16	329,869	22
7950	Income tax expense	6(24)	(18,489)	(4)	(26,172)	(5)	(51,166)	(4)	(61,971)	(4)
8200	**Net income for the period**		$ 59,569	13	$ 91,761	18	$ 159,200	12	$ 267,898	18
	Other comprehensive (loss) income									
	Other comprehensive (loss) income components that will not be reclassified to profit or loss									
8361	Financial statements translation differences of foreign operations	6(18)	($ 2,962)	(1)	$ 2,496	-	$ 32,903	3	$ 62,837	4
8300	**Total other comprehensive (loss) income, net**		($ 2,962)	(1)	$ 2,496	-	$ 32,903	3	$ 62,837	4
8500	**Total comprehensive income for the period**		$ 56,607	12	$ 94,257	18	$ 192,103	15	$ 330,735	22
	Profit attributable to:									
8610	Owners of the parent		$ 60,540	13	$ 91,761	18	$ 163,471	12	$ 267,898	18
8620	Non-controlling interest		(971)	-	-	-	(4,271)	-	-	-
	Total		$ 59,569	13	$ 91,761	18	$ 159,200	12	$ 267,898	18
	Total comprehensive income attributable to:									
8710	Owners of the parent		$ 57,840	12	$ 94,257	18	$ 196,495	15	$ 330,735	22
8720	Non-controlling interest		(1,233)	-	-	-	(4,392)	-	-	-
	Total		$ 56,607	12	$ 94,257	18	$ 192,103	15	$ 330,735	22
	Earnings per share	6(25)								
9750	**Basic earnings per share (in dollars)**		$ 0.68		$ 1.14		$ 1.86		$ 3.36	
9850	**Diluted earnings per share (in dollars)**		$ 0.68		$ 1.14		$ 1.84		$ 3.32	

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

GCS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(REVIEWED, NOT AUDITED)

		Equity Attributable To Owners Of The Parent									
				Retained Earnings		Other Equity Interest					
	Notes	Common stock	Capital Surplus	Special Reserve	Unappropriated Retained Earnings	Financial Statements Translation Differences of Foreign Operations	Unearned Compensation Costs	Treasury Stocks	Total	Non-Controlling Interest	Total Equity
Nine-month period ended September 30, 2018											
Balance at January 1, 2018		$ 804,389	$ 958,751	$ 6,821	$ 902,702	($ 35,464)	($ 8,760)	($ 90,870)	$ 2,537,569	$ -	$ 2,537,569
Consolidated net income for the period		-	-	-	267,898	-	-	-	267,898	-	267,898
Other comprehensive income for the period	6(18)	-	-	-	-	62,837	-	-	62,837	-	62,837
Total comprehensive income for the period		-	-	-	267,898	62,837	-	-	330,735	-	330,735
Distribution of 2017 earnings:											
Cash dividends	6(17)	-	-	-	(79,060)	-	-	-	(79,060)	-	(79,060)
Compensation costs of share-based payment	6(14)(16)(18)	-	16,288	-	-	-	21,199	-	37,487	-	37,487
Issuance of restricted stocks to employees	6(14)(15)(16)(18)	4,260	31,259	-	-	-	(35,519)	-	-	-	-
Retirement of restricted stocks to employees	6(14)(15)(16)(18)	(50)	(342)	-	-	-	392	-	-	-	-
Exercise of employee stock options	6(14)(15)(16)	2,231	3,707	-	-	-	-	-	5,938	-	5,938
Conversion of convertible bonds	6(15)(16)	10,861	77,703	-	-	-	-	-	88,564	-	88,564
Non-controlling interest-acquisition of a subsidiary		-	-	-	-	-	-	-	-	13,300	13,300
Balance at September 30, 2018		$ 821,691	$ 1,087,366	$ 6,821	$ 1,091,540	$ 27,373	($ 22,688)	($ 90,870)	$ 2,921,233	$ 13,300	$ 2,934,533
Nine-month period ended September 30, 2019											
Balance at January 1, 2019		$ 821,691	$ 1,092,635	$ 6,821	$ 1,143,944	$ 43,005	($ 15,200)	($ 90,870)	$ 3,002,026	$ 10,759	$ 3,012,785
Consolidated net income (loss) for the period		-	-	-	163,471	-	-	-	163,471	(4,271)	159,200
Other comprehensive income (loss) for the period	6(18)	-	-	-	-	33,024	-	-	33,024	(121)	32,903
Total comprehensive income (loss) for the period		-	-	-	163,471	33,024	-	-	196,495	(4,392)	192,103
Distribution of 2018 earnings:											
Cash dividends	6(17)	-	-	-	(106,561)	-	-	-	(106,561)	-	(106,561)
Compensation costs of share-based payment	6(14)(16)(18)	-	9,922	-	-	-	24,679	-	34,601	-	34,601
Issuance of restricted stocks to employees	6(14)(15)(16)(18)	5,700	29,058	-	-	-	(34,758)	-	-	-	-
Retirement of restricted stocks to employees	6(14)(15)(16)(18)	(105)	(644)	-	-	-	749	-	-	-	-
Exercise of employee stock options	6(14)(15)(16)	625	1,757	-	-	-	-	-	2,382	-	2,382
Issuance of share capital - Global Depositary Receipts	6(15)(16)	80,000	310,555	-	-	-	-	-	390,555	-	390,555
Balance at September 30, 2019		$ 907,911	$ 1,443,283	$ 6,821	$ 1,200,854	$ 76,029	($ 24,530)	($ 90,870)	$ 3,519,498	$ 6,367	$ 3,525,865

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)
(REVIEWED, NOT AUDITED)

	Notes	Nine months ended September 30 2019	Nine months ended September 30 2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 210,366	$ 329,869
Adjustments			
Adjustments to reconcile profit (loss)			
Net impairment loss on financial assets	12(2)	10,063	204
Depreciation	6(5)(6)(22)	97,399	83,987
Amortization	6(7)(22)	3,695	4,092
Interest expense	6(21)	3,901	4,126
Interest income		(19,491)	(4,102)
Compensation cost of share-based payment	6(14)	34,601	37,487
Net gain on financial liabilities at fair value through profit or loss	6(20)	-	(2,322)
Gain on disposal of property, plant and equipment	6(20)	639	-
Share of net loss of associates and joint ventures accounted for using equity method		-	756
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(34)	525
Accounts receivable		(61,978)	22,487
Other receivables		(11,337)	(744)
Inventories		(14,015)	9,612
Prepayments		877	(4,600)
Other current assets		-	(400)
Changes in operating liabilities			
Contract liabilities		(9,771)	(5,233)
Accounts payable		2,549	(8,808)
Other payables		10,051	3,181
Other current liabilities		255	(1,612)
Cash inflow generated from operations		257,770	468,505
Interest received		17,090	4,102
Interest paid		(2,994)	(3,367)
Income tax refund received		(8,204)	(47,491)
Net cash flows from operating activities		263,662	421,749
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of non-current financial assets at fair value through other comprehensive income	12(3)	(164,000)	-
Acquisition of property, plant and equipment	6(28)	(61,107)	(116,726)
Proceeds from disposal of property, plant and equipment		-	35
Acquisition of intangible assets	6(7)	(5,770)	(3,118)
Acquisition of a subsidiary	6(26)	-	(2,442)
Increase in other current assets		(590)	-
(Increase) decrease in other non-current assets		(2,801)	131
Cash inflows from business combination	6(26)	-	27,263
Net cash flows used in investing activities		(234,268)	(94,857)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings		20,000	20,000
Repayments of short-term borrowings		(20,300)	(20,000)
Proceeds from long-term borrowings		10,000	-
Repayments of long-term borrowings		(16,031)	(14,536)
Repayments of bonds payable	6(29)	-	(2,800)
Repayments of lease liabilities	6(29)	(12,333)	-
Payments of cash dividends	6(28)	-	(79,060)
Proceeds from exercise of employee stock options		2,382	5,938
Proceeds from issuance of share capital - Global Depositary Receipts		390,555	-
Net cash flows from (used in) financing activities		374,273	(90,458)
Effect of changes in exchange rates		24,487	36,503
Net increase in cash and cash equivalents		428,154	272,937
Cash and cash equivalents at beginning of period	6(1)	1,512,863	1,119,712
Cash and cash equivalents at end of period	6(1)	$ 1,941,017	$ 1,392,649

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

GCS HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)
(REVIEWED, NOT AUDITED)

1. HISTORY AND ORGANISATION

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

The Company and subsidiaries (collectively referred herein as the "Group") are engaged in the manufacturing of compound semiconductor wafer and foundry related services as well as licensing of intellectual property. The Group is also engaged in the research, development, manufacture and sales of advanced optoelectronics technology products.

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

These consolidated financial statements were reported to the Board of Directors on November 7, 2019.

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 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board ("IASB")
Amendments to IFRS 9, 'Prepayment features with negative	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

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

IFRS 16, 'Leases' ("IFRS 16")

(a) 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) The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the 'modified retrospective approach') when applying the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") effective in 2019. Accordingly, the Group decreased 'property, plant and equipment' by $12,992, and increased 'right-of-use asset' and 'lease liabilities' by $46,467 and $43,420, respectively, with respect to the lease contracts of lessees on January 1, 2019.

(c) The Group has adopted the following practical expedients permitted by the standard at the date of initial application of IFRS 16:

i. Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.

ii.The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.

iii.The accounting for operating leases whose period will end before December 31, 2019 as short-term leases and accordingly, rent expense of $217 was recognized in the first nine months of 2019.

iv.The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

(d) The Group calculated the present value of lease liabilities by using the incremental borrowing interest rate ranging from 2.22% to 6.50%.

(e) The reconciliation between operating lease commitments for the remaining lease payments under IAS 17 and lease liabilities recognized as of January 1, 2019, measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	$ 42,413
Add: Lease payable recognised under finance lease by applying IAS 17 as at December 31, 2018	4,793
Less: Short-term leases	(217)
Total lease contracts amount recognized as lease liabilities by applying IFRS 16 on January 1, 2019	$ 46,989
Incremental borrowing interest rate at the date of initial application	2.22% to 6.50%
Lease liabilities recognized as at January 1, 2019 by applying IFRS 16	$ 43,420

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

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by IASB
Amendment to IAS 1 and IAS 8, 'Disclosure initiative-definition of material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020

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

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

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

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IFRS 9, IAS 39 and IFRS 7, 'Interest rate benchmark	January 1, 2020
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by IASB
IFRS 17, 'Insurance contracts'	January 1, 2021

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

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, 2018, except for the compliance statement, basis of preparations, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

A. The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the IAS 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, 2018.

(2) Basis of preparation

A. Except for the non-current financial assets at fair value through other comprehensive income, the consolidated financial statements have been prepared under the historical cost convention.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

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

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

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Note
			September 30, 2019	December 31, 2018	September 30, 2018	
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	GCS Device Technologies, Co., Ltd.	Product design and research development services	100	100	100	-
The Company	Xiamen Global Advanced Semiconductor Co., Ltd.	Developing, manufacturing and selling of mobile phone radio frequency, filter, optical communication chip, power management and optical fiber	51	51	51	(Note 1)
The Company	GCOM Semiconductor Co., Ltd.	Wholesaling and retailing of electronic components, product design, and outsourcing management services	100	-	-	(Note 2)
Global Communication Semiconductors, LLC	D-Tech Optoelectronics, Inc.	Developing, manufacturing and selling of positive, intrinsic, negative components and avalanche photo diodes for telecommunication systems and data communication networks	100	100	100	-
D-Tech Optoelectronics, Inc.	D-Tech Optoelectronics (Taiwan) Corporation	Manufacturing, retailing and wholesaling of telecommunications devices, and manufacturing and wholesaling of electronic components	100	100	100	-

Note1: The Group completed the acquisition of an additional 2% shareholding of Xiamen Global Advanced Semiconductor Co., Ltd. ('Xiamen Global') in September 2018, and has included Xiamen Global in the Group's consolidated financial statements since then.

Note2: GCOM Semiconductor Co., Ltd. was established on February 22, 2019.

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) Financial assets at fair value through other comprehensive income

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:

The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(5) Leasing arrangements (lessee)—right-of-use assets/ lease liabilities

Effective from 2019

A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using theincremental borrowing interest rate. Lease payments are comprised of the following fixed payments, less any lease incentives receivable.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(a) The amount of the initial measurement of lease liability;

(b) Any lease payments made at or before the commencement date;

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

(6) Income tax

A. 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.

B. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognizes the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognized outside profit or loss is recognized in other comprehensive income or equity while the effect of the change on items recognized in profit or loss is recognized in profit or loss.

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

There have been no significant changes during the period. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2018.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	September 30, 2019	December 31, 2018	September 30, 2018
Cash on hand	$ 131	$ 117	$ 130
Checking accounts and demand deposits	1,155,326	1,512,746	1,392,519
Time deposits	785,560	-	-
	$ 1,941,017	$ 1,512,863	$ 1,392,649

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.

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

(2) Financial assets at fair value through other comprehensive income

Items	September 30, 2019
Non-current items:	
Equity instruments	
Unlisted stocks	$ 164,000
Net exchange difference	1,171
Total	$ 165,171

As of December 31, 2018 and September 30, 2018, the Group has no financial assets at fair value through other comprehensive income.

The Group has elected to classify financial assets that are considered to be strategic investments or steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to $165,171 as of September 30, 2019.

(3) Accounts receivable

	September 30, 2019	December 31, 2018	September 30, 2018
Accounts receivable	$ 270,800	$ 213,433	$ 283,719
Less: Loss allowance	(5,194)	(627)	(1,354)
	$ 265,606	$ 212,806	$ 282,365

A. As of September 30, 2019, December 31, 2018 and September 30 2018, accounts receivable were all from contracts with customers. And as of January 1, 2018, the balance of receivables from contracts with customers was $296,921.

B. Information relating to credit risk of accounts receivable is provided in Note 12(2).

(4) Inventories

	September 30, 2019		
	Cost	Allowance	Book value
Raw materials	$ 134,033	($ 17,264)	$ 116,769
Work in progress	232,241	(41,396)	190,845
Finished goods	44,591	(4,291)	40,300
	$ 410,865	($ 62,951)	$ 347,914

	December 31, 2018		
	Cost	Allowance	Book value
Raw materials	$ 145,388	($ 31,297)	$ 114,091
Work in progress	185,761	(31,979)	153,782
Finished goods	66,146	(3,325)	62,821
	$ 397,295	($ 66,601)	$ 330,694

	September 30, 2018		
	Cost	Allowance	Book value
Raw materials	$ 134,388	($ 27,667)	$ 106,721
Work in progress	197,473	(40,509)	156,964
Finished goods	69,803	(5,821)	63,982
	$ 401,664	($ 73,997)	$ 327,667

Expenses and costs incurred as cost of operating revenue for the three-month and nine-month periods ended September 30, 2019 and 2018 were as follows:

	Three-month periods ended September 30,	
	2019	2018
Cost of inventories sold	$ 285,243	$ 273,804
Loss on market price decline	1,746	4,454
Revenue from sale of scraps	(17,725)	(11,213)
	$ 269,264	$ 267,045

	Nine-month periods ended September 30,	
	2019	2018
Cost of inventories sold	$ 779,453	$ 835,769
Recovery of market price decline	(4,275)	(6,489)
Revenue from sale of scraps	(37,792)	(31,071)
	$ 737,386	$ 798,209

The Group recognized recovery of loss of market price decline for the nine-month periods ended September 30, 2019 and 2018 because some of the inventories previously written down were sold.

(5) Property, plant and equipment

	Land	Buildings	Machinery equipment	Computer and communication equipment	Research equipment	Office equipment	Leased assets	Leasehold improvements	Total
At January 1, 2019									
Cost	$ 141,466	$ 94,310	$ 1,174,986	$ 10,547	$ 100,089	$ 11,738	$ 43,175	$ 300,876	$ 1,877,187
Accumulated depreciation	-	(9,207)	(820,064)	(8,254)	(39,736)	(9,413)	(30,183)	(236,689)	(1,153,546)
	141,466	85,103	354,922	2,293	60,353	2,325	12,992	64,187	723,641
Effect of initial application of IFRS 16 (Note 1)	-	-	-	-	-	-	(12,992)	-	(12,992)
	$ 141,466	$ 85,103	$ 354,922	$ 2,293	$ 60,353	$ 2,325	$ -	$ 64,187	$ 710,649
2019									
Opening net book amount	$ 141,466	$ 85,103	$ 354,922	$ 2,293	$ 60,353	$ 2,325	$ -	$ 64,187	$ 710,649
Additions	-	-	20,076	390	1,838	-	-	-	22,304
Transfers (Note 2)	-	-	66,505	-	-	-	-	-	66,505
Disposals	-	-	(639)	-	-	-	-	-	(639)
Depreciation charges	-	(2,043)	(64,072)	(835)	(8,709)	(815)	-	(9,172)	(85,646)
Net exchange differences	1,473	889	3,686	21	581	21	-	670	7,341
Closing net book amount	$ 142,939	$ 83,949	$ 380,478	$ 1,869	$ 54,063	$ 1,531	$ -	$ 55,685	$ 720,514
At September 30, 2019									
Cost	$ 142,939	$ 95,293	$ 1,249,527	$ 10,960	$ 102,880	$ 11,835	$ -	$ 303,924	$ 1,917,358
Accumulated depreciation	-	(11,344)	(869,049)	(9,091)	(48,817)	(10,304)	-	(248,239)	(1,196,844)
	$ 142,939	$ 83,949	$ 380,478	$ 1,869	$ 54,063	$ 1,531	$ -	$ 55,685	$ 720,514

	Land	Buildings	Machinery equipment	Computer and communication equipment	Research equipment	Office equipment	Leased assets	Leasehold improvements	Total
At January 1, 2018									
Cost	$ 137,045	$ 91,363	$ 1,020,035	$ 10,103	$ 116,587	$ 11,545	$ 41,826	$ 292,911	$ 1,721,415
Accumulated depreciation	-	(6,308)	(725,444)	(7,081)	(33,730)	(8,156)	(23,265)	(216,776)	(1,020,760)
	$ 137,045	$ 85,055	$ 294,591	$ 3,022	$ 82,857	$ 3,389	$ 18,561	$ 76,135	$ 700,655
2018									
Opening net book amount	$ 137,045	$ 85,055	$ 294,591	$ 3,022	$ 82,857	$ 3,389	$ 18,561	$ 76,135	$ 700,655
Acquired through business combination	-	-	-	52	-	-	-	-	52
Additions	-	-	74,700	434	2,164	-	-	424	77,722
Reclassifications	-	-	42,338	-	(42,338)	-	-	-	-
Depreciation charges	-	(1,968)	(58,582)	(961)	(5,782)	(829)	(4,505)	(11,360)	(83,987)
Net exchange differences	3,546	2,160	8,349	59	1,072	24	388	1,737	17,335
Closing net book amount	$ 140,591	$ 85,247	$ 361,396	$ 2,606	$ 37,973	$ 2,584	$ 14,444	$ 66,936	$ 711,777
At September 30, 2018									
Cost	$ 140,591	$ 93,727	$ 1,155,795	$ 10,763	$ 75,564	$ 11,709	$ 42,908	$ 299,066	$ 1,830,123
Accumulated depreciation	-	(8,480)	(794,399)	(8,157)	(37,591)	(9,125)	(28,464)	(232,130)	(1,118,346)
	$ 140,591	$ 85,247	$ 361,396	$ 2,606	$ 37,973	$ 2,584	$ 14,444	$ 66,936	$ 711,777

Note 1: Please refer to Note 6(6) for the information about the adjustment of initial application of IFRS 16 on January 1, 2019.

Note 2: Transfer from prepayment for equipment (shown as "Other non-current assets).

A. Amount of borrowing costs capitalized as part of property, plant and equipment for the nine-month periods ended September 30, 2019 and 2018: None.

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

(6) Leasing arrangements—lessee

Effective from 2019

A. The Group leases various assets including plant, office premise and machinery equipment. Lease agreements are typically made for periods of 1 to 8 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants.

B. The carrying amount of right-of-use assets and the depreciation charges are as follows:

	September 30, 2019	Three-month period ended September 30, 2019	Nine-month period ended September 30, 2019
	Carrying amount	Depreciation charge	Depreciation charge
Buildings	$ 26,647	$ 2,366	$ 7,077
Machinery equipment	8,453	2,382	4,676
	$ 35,100	$ 4,748	$ 11,753

C. The information on income and expense accounts relating to lease agreements is as follows:

	Three-month period ended September 30, 2019	Nine-month period ended September 30, 2019
Items affecting profit or loss		
Interest expense on lease liabilities	$ 413	$ 1,351
Expense on short-term lease agreements	288	867
Expense on leases of low-value assets	22	68

D. For the nine-month period ended September 30, 2019, the Group's total cash outflow for leases amounted to $13,714.

(7) Intangible assets

	Software	Goodwill	Total
At January 1, 2019			
Cost	$ 62,791	$ 178,486	$ 241,277
Accumulated amortization and impairment	(55,788)	-	(55,788)
	$ 7,003	$ 178,486	$ 185,489
2019			
At January 1	$ 7,003	$ 178,486	$ 185,489
Additions	5,770	-	5,770
Transfers (Note)	13,363	-	13,363
Amortization charges	(3,695)	-	(3,695)
Net exchange differences	207	1,860	2,067
At September 30	$ 22,648	$ 180,346	$ 202,994
At September 30, 2019			
Cost	$ 81,653	$ 180,346	$ 261,999
Accumulated amortization and impairment	(59,005)	-	(59,005)
	$ 22,648	$ 180,346	$ 202,994

	Software	Goodwill	Total
At January 1, 2018			
Cost	$ 56,744	$ 176,569	$ 233,313
Accumulated amortization and impairment	(49,659)	-	(49,659)
	$ 7,085	$ 176,569	$ 183,654
2018			
At January 1	$ 7,085	$ 176,569	$ 183,654
Additions	3,118	-	3,118
Amortization charges	(4,092)	-	(4,092)
Net exchange differences	153	814	967
At September 30	$ 6,264	$ 177,383	$ 183,647
At September 30, 2018			
Cost	$ 60,328	$ 177,383	$ 237,711
Accumulated amortization and impairment	(54,064)	-	(54,064)
	$ 6,264	$ 177,383	$ 183,647

Note: Transfer from prepayments for equipment (shown as "Other non-current assets").

A. Details of amortization on intangible assets are as follows:

	Three-month periods ended September 30, 2019	Three-month periods ended September 30, 2018
Cost of operating revenue	$ 1,575	$ 1,233
General and administrative expenses	49	50
	$ 1,624	$ 1,283

	Nine-month periods ended September 30, 2019	Nine-month periods ended September 30, 2018
Cost of operating revenue	$ 3,548	$ 3,944
General and administrative expenses	147	148
	$ 3,695	$ 4,092

B. Goodwill is tested annually for impairment. The recoverable amount is determined based on the value-in-use.

As of September 30, 2019, the Group's assumptions used for impairment testing did not change significantly. Please refer to Note 6(6) for the goodwill impairment testing in the consolidated financial statements for the year ended December 31, 2018.

(8) Non-current assets

Item	September 30, 2019	December 31, 2018	September 30, 2018
Prepayments for equipment	$ 40,962	$ 106,676	$ 86,716
Refundable deposits	4,691	3,425	3,289
Reserve account-demand deposits (Note)	2,500	-	-
Time deposits (Note)	314	371	311
Other non-current assets	3,192	-	96
	$ 51,659	$ 110,472	$ 90,412

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

(9) Short-term borrowings

Type of borrowings	June 30, 2019	December 31, 2018	June 30, 2018	Interest rate range	Collateral
Bank borrowings					
Secured borrowings	$ 20,000	$ 20,300	$ 20,000	1.75%~2.22%	Time deposit (Note)

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

(10) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	September 30, 2019	December 31, 2018
Subsidiary-Global Communication Semiconductor, LLC					
Secured borrowings (Note 1)	(Note 3)	4.00%	Land and buildings (Note 5)	$ 63,356	$ 78,242
Subsidiary- D-Tech Optoelectronics (Taiwan) Corporation					
Secured borrowings (Note 1)	(Note 4)	2.67%	(Note2)	9,675	-
Less: Current portion				(23,576)	(20,818)
				$ 49,455	$ 57,424

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	September 30, 2018
Long-term bank borrowings				
Secured borrowings (Note 1)	(Note 3)	4%	Land and buildings (Note 5)	$ 82,793
Less: Current portion				(20,479)
				$ 62,314

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, 2019, December 31, 2018 and September 30, 2018, the Group had not violated any of the required financial covenants.

Note 2: The Group commits to hold 100% equity interests of outstanding shares in its wholly-owned subsidiary, D-Tech Optoelectronics (Taiwan) Corporation, and to maintain its management right through out the duration of the secured loan contract. In addition, the Group deposited 20% and 30% of demand deposit to the reserve account for drawing amount under and over $10,000, respectively.

Note 3: Borrowing period is from August 6, 2015 to August 6, 2022; interest and principal are repayable monthly.

Note 4: Borrowing period is from September 4, 2019 to July 4, 2021; interest and principal are repayable monthly.

Note 5: Please refer to Note 8 for the information of the Group's assets pledged for secured borrowings.

(11) Other payables

	September 30, 2019	December 31, 2018	September 30, 2018
Accrued salaries and bonuses	$ 54,159	$ 48,852	$ 51,539
Accrued employees' compensation and directors' remuneration	36,137	29,431	27,407
Accrued unused compensated absences	25,958	27,117	24,869
Dividends payable	106,561	-	-
Accrued professional service fees	6,268	7,179	1,536
Accrued utilities	3,567	2,089	2,612
Payables for equipment	2,811	27,460	7,882
Accrued outsourcing manufacturing services charges	1,817	2,885	2,849
Accrued rental expenses	-	503	471
Other accrued expenses	19,183	18,764	28,776
	$ 256,461	$ 164,280	$ 147,941

(12) Finance lease liabilities

Effective 2018

The Group leases machinery equipment 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 and present value as of December 31, 2018 and September 30, 2018 are as follows:

	December 31, 2018		
	Total finance lease liabilities	Future finance charges	Present value of finance lease liabilities
Current			
No later than one year (shown as "Other current liabilities")	$ 4,793	($ 98)	$ 4,695

	September 30, 2018		
	Total finance lease liabilities	Future finance charges	Present value of finance lease liabilities
Current			
No later than one year (shown as "Other current liabilities")	$ 5,511	($ 146)	$ 5,365
Non-current			
Later than one year but not later than five years (shown as "Other non-current liabilities")	1,191	(8)	1,183
	$ 6,702	($ 154)	$ 6,548

(13) Pension plan

A. The Group'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 Group's Taiwan subsidiaries have 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 subsidiaries contribute 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, 2019 and 2018 amounted to $4,787, $4,957, $14,303 and $14,811, respectively.

(14) Share-based payment-employee compensation plan

A. Through September 30, 2019 and December 31, 2018 and September 30, 2018, the Group'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	October 2013	538,000 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)
Employee stock options	January 2018	13,000 shares	10 years	(Note 1)
Employee stock options	February 2018	355,000 shares	10 years	(Note 1)
Employee stock options	August 2018	27,000 shares	10 years	(Note 1)
Employee stock options	November 2018	5,000 shares	10 years	(Note 1)
Employee stock options	March 2019	578,000 shares	10 years	(Note 1)
Employee stock options	August 2019	40,000 shares	10 years	(Note 1)
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)
Restricted stocks to employees (Note 3)	February 2018	398,000 shares	2 years	(Note 2)
Restricted stocks to employees (Note 3)	September 2018	28,000 shares	2 years	(Note 2)
Restricted stocks to employees (Note 3)	March 2019	570,000 shares	2 years	(Note 2)

Note 1: Some employee stock options shall be vested and become exercisable up 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 vested 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 up 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:

	Nine-month period ended September 30, 2019		
	No. of options	Currency	Weighted average exercise price
			(in dollars)
Options outstanding at beginning of the period	2,029,457	NTD	$ 58.48
Options granted	618,000	NTD	60.60
Options exercised	(62,503)	NTD	38.27
Options forfeited	(5,000)	NTD	64.00
Options outstanding at end of the period	2,579,954	NTD	58.04
Options exercisable at end of the period	1,325,621	NTD	51.17

	Nine-month period ended September 30, 2018		
	No. of options	Currency	Weighted average exercise price
			(in dollars)
Options outstanding at beginning of the period	1,912,541	NTD	$ 50.44
Options granted	395,000	NTD	82.36
Options exercised	(223,084)	NTD	26.49
Options forfeited	(50,000)	NTD	80.03
Options outstanding at end of the period	2,034,457	NTD	58.54
Options exercisable at end of the period	1,039,182	NTD	46.79

C. The weighted-average stock price of stock options at exercise dates for the nine-month periods ended September 30, 2019 and 2018 was $59.63 (in dollars) and $80.22 (in dollars), respectively.

D. As of September 30, 2019, December 31, 2018 and September 30, 2018, the range of exercise prices of stock options outstanding are as follows:

		September 30, 2019		
Grant date	Expiry date	No. of Shares	Currency	Stock options exercise price
				(in dollars)
April 2013	April 2023	168,896	NTD	$ 11.10
October 2013	October 2023	23,022	NTD	17.30
November 2014	November 2024	53,667	NTD	31.90
January 2015	January 2025	7,500	NTD	41.10
February 2015	February 2025	267,869	NTD	40.20
March 2016	March 2026	5,000	NTD	69.20
August 2016	August 2026	835,000	NTD	64.10
November 2016	November 2026	26,000	NTD	62.70
February 2017	February 2027	15,000	NTD	55.70
August 2017	August 2027	205,000	NTD	64.80
January 2018	January 2028	13,000	NTD	84.50
February 2018	February 2028	315,000	NTD	81.40
August 2018	August 2028	22,000	NTD	62.30
November 2018	November 2028	5,000	NTD	48.20
March 2019	March 2029	578,000	NTD	59.50
August 2019	August 2029	40,000	NTD	58.00
		2,579,954		

		December 31, 2018		
Grant date	Expiry date	No. of Shares	Currency	Stock options exercise price
				(in dollars)
April 2013	April 2023	170,396	NTD	$ 11.35
October 2013	October 2023	33,335	NTD	17.63
November 2014	November 2024	54,188	NTD	32.65
January 2015	January 2025	7,500	NTD	42.09
February 2015	February 2025	313,038	NTD	41.21
March 2016	March 2026	5,000	NTD	71.01
August 2016	August 2026	840,000	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	205,000	NTD	66.50
January 2018	January 2028	13,000	NTD	86.70
February 2018	February 2028	315,000	NTD	83.60
August 2018	August 2028	27,000	NTD	64.00
November 2018	November 2028	5,000	NTD	49.50
		2,029,457		

		September 30, 2018		
Grant date	Expiry date	No. of Shares	Currency	Stock options exercise price
				(in dollars)
April 2013	April 2023	170,396	NTD	$ 11.35
October 2013	October 2023	33,335	NTD	17.63
November 2014	November 2024	54,188	NTD	32.65
January 2015	January 2025	7,500	NTD	42.09
February 2015	February 2025	313,038	NTD	41.21
March 2016	March 2026	5,000	NTD	71.01
August 2016	August 2026	840,000	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
January 2018	January 2028	13,000	NTD	86.70
February 2018	February 2028	315,000	NTD	83.60
August 2018	August 2028	27,000		64.00
		2,034,457		

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

Employee restricted stocks	Nine-month periods ended September 30, 2019	2018
	No. of shares	No. of shares
Outstanding at beginning of the period	510,500	215,850
Granted (Notes 1 and 2)	570,000	426,000
Vested	(290,000)	(125,850)
Retired	(22,500)	(3,000)
Outstanding at end of the period	768,000	513,000

Note 1: For the restricted stocks granted with the compensation cost accounted for using the fair value method, the fair values on the grant date are calculated based on the closing price on the grant date.

Note 2: The fair value of restricted stocks granted in March 2019, February 2018, and September 2018 was $60.70, $83.60, $55.40 (in dollars), respectively.

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

Type of arrangement	Grant date	Currency	Fair value	Exercise price	Expected price volatility	Expected option period	Expected dividend yield rate	Risk-free interest rate	Weighted average fair value
			(in dollars)	(in dollars)		(years)			(in dollars)
Employee stock options	January 2018	NTD	$ 86.43	$ 86.70	42.83%	6.26	1.00%	0.97%	$ 45.74
Employee stock options	February 2018	NTD	84.61	83.60	45.43%	6.26	1.00%	0.97%	46.31
Employee stock options	August 2018	NTD	67.41	64.00	32.93%	6.26	1.00%	0.90%	38.38
Employee stock options	November 2018	NTD	50.24	49.50	58.84%	6.26	1.00%	0.89%	34.22
Employee stock options	March 2019	NTD	60.70	60.70	37.33%	6.26	1.00%	0.78%	36.30
Employee stock options	August 2019	NTD	58.36	59.20	24.47%	6.26	1.00%	0.66%	29.14

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

	Three-month periods ended September 30,	
	2019	2018
Equity-settled	$ 13,858	$ 13,491

	Nine-month periods ended September 30,	
	2019	2018
Equity-settled	$ 34,601	$ 37,487

(15) Common stock

A. As of September 30, 2019, the Company's paid-in capital was $907,911, consisting of 90,791,129 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

	2019	2018
Outstanding ordinary shares at January 1	80,789,626	79,059,886
Exercise of employee stock options	62,503	223,084
Conversion of convertible bonds	-	1,086,156
Issuance of restricted stocks to employees	570,000	426,000
Retirement of restricted stocks to employees	(8,000)	(3,000)
Retrieved restricted stocks to employees, not yet retired	(14,500)	-
Issuance of share capital - Global Depositary Receipts	8,000,000	-
Outstanding ordinary shares at September 30	89,399,629	80,792,126
Treasury stocks	1,377,000	1,377,000
Retrieved restricted stocks to employees, not yet retired	14,500	-
Issued ordinary shares at September 30	90,791,129	82,169,126

B. On June 1, 2017, the shareholders 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 of these shares issued are the same as other issued ordinary shares. On August 21, 2017 and February 27, 2018, the Board of Directors adopted a resolution to grant 180,000 and 398,000 employee restricted stocks, respectively. In April 2018, October 2018 and January 2019, the Company had retrieved 3,000, 2,500 and 8,000 employee restricted stocks, respectively, due to the employees' resignation and the retrieved shares have been retired. In July 2019, the Company had retrieved 1,500 employee restricted stocks due to the employees' resignation, and the retrieved shares have not been retired.

C. On May 15, 2018, the shareholders 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 16, 2018. 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 August 2, 2018 and on March 5, 2019, the Board of Directors resolved to grant 28,000 and 570,000 employee restricted stocks, respectively. In May and September 2019, the Company had retrieved 13,000 employee restricted stocks in total due to the employees' resignation, and the retrieved shares have not been retired.

D. On April 2, 2018, the Board of Directors resolved to increase cash capital by issuing ordinary shares for participating in issuance of Global Depositary Receipts ("GDRs") in order to fund the purchase of plant, machinery and equipment, and overseas purchases of raw materials. On July 31, 2018, the Company received the official letter No. 1070326367 from the FSC of approval of the issuance of ordinary shares for participating in issuance of GDRs, while on October 31, 2018, the Company received another official letter No.1070118798 for the extension of three months to complete the aforementioned issuance. On December 19, 2018, the Board of Directors resolved to adjust the number of shares to be issued from the range of 15,000,000 to 25,000,000 ordinary shares to 8,000,000 to 25,000,000 ordinary shares. The aforementioned adjustment was approved by the FSC with the receipt of the official letter No.1070121974. The Company's GDRs began trading on the Luxembourg Stock Exchange on January 21, 2019.

The actual units of GDRs for this offering were 1,600,000 and each GDR represents five of the Company's ordinary shares, which in the aggregate representing 8,000,000 ordinary shares. The offering price per GDR was US$8.20 (in dollars). The actual cash received was US$12,989 thousand (approximately $400,717) after deducting issuance costs. The fundraising had been fully collected by the Company as of January 22, 2019, and the change registration of this capital increase had been completed. As of September 30, 2019, the outstanding GDRs were 1,236 thousand units, or 6,180 thousand shares of common stock, representing 6.81% of the Company's total common stocks.

The terms of GDR are as follows:

(a)Voting rights

The voting right of GDR holders may, pursuant to the Depositary Agreement and the relevant laws and regulations of the R.O.C., exercise the voting rights pertaining to the underlying common shares represented by the GDRs.

(b)Dividends, stocks warrants and other rights

GDR holders and common shareholders are all entitled to receive dividends, stock warrants and other rights.

E. Treasury stocks

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

		September 30, 2019	
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, 2018	
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

		September 30, 2018	
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

(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 realised capital surplus.

(c) Pursuant to the R.O.C. Securities and Exchange Act, treasury stocks 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 stocks 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 stocks to enhance the Company's credit rating and the shareholders' equity should be retired within six months of repurchase.

(16) 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 shareholders.

	2019				
	Share premium	Employee stock options	Employee restricted stocks	Others	Total
At January 1	$ 965,170	$ 57,456	$ 38,457	$ 31,552	$ 1,092,635
Compensation costs of share-based payment	-	9,922	-	-	9,922
Issuance of restricted stocks to employees	-	-	29,058	-	29,058
Restricted stocks to employees vested	20,894	-	(20,894)	-	-
Retrieve restricted stocks from employees	-	-	(644)	-	(644)
Exercise of employee stock options	5,177	(3,420)	-	-	1,757
Issuance of share capital - GDRs	310,555	-	-	-	310,555
At September 30	$1,301,796	$ 63,958	$ 45,977	$ 31,552	$ 1,443,283

	2018				
	Share premium	Employee stock options	Employee restricted stocks	Others	Total
At January 1	$ 843,765	$ 46,693	$ 37,550	$ 30,743	$ 958,751
Compensation costs of share-based payment	-	16,288	-	-	16,288
Issuance of restricted stocks to employees	-	-	31,259	-	31,259
Restricted stocks to emplyees vested	30,020	-	(30,020)	-	-
Retrieve restricted stocks from employees	-	-	(342)	-	(342)
Exercise of employee stock options	12,755	(9,048)	-	-	3,707
Conversion of convertible bonds	77,703	-	-	-	77,703
Forfeiture of employee stock options	-	(803)	-	803	-
At September 30	$ 964,243	$ 53,130	$ 38,447	$ 31,546	$ 1,087,366

(17) 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 shareholders.

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. The appropriations of 2018 earnings had been resolved by the Board of Directors on June 5, 2019 and the appropriations of 2017 earnings had been resolved by the shareholders' meeting on May 15, 2018. Details are summarized below:

	2018		2017	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Cash dividends	$ 106,561	$ 1.20	$ 79,060	$ 1.00

D. For the information relating to employees' compensation and directors' remuneration, please refer to Note 6(23).

(18) Other equity interest

	2019		
	Currency translation differences	Unearned employee compensation	Total
At January 1	$ 43,005	($ 15,200)	$ 27,805
Currency translation differences	33,024	-	33,024
Compensation costs of share-based payment	-	24,679	24,679
Issuance of restricted stocks to employees	-	(34,758)	(34,758)
Retrieve restricted stocks from employees	-	749	749
At September 30	$ 76,029	($ 24,530)	$ 51,499

	2018		
	Currency translation differences	Unearned employee compensation	Total
At January 1	($ 35,464)	($ 8,760)	($ 44,224)
Currency translation differences	62,837	-	62,837
Compensation costs of share-based payment	-	21,199	21,199
Issuance of restricted stocks to employees	-	(35,519)	(35,519)
Retrieve restricted stocks from employees	-	392	392
At September 30	$ 27,373	($ 22,688)	$ 4,685

(19) Operating revenue

	Three-month period ended September 30, 2019	Three-month period ended September 30, 2018
Revenue from contracts with customers	$ 466,566	$ 514,359

	Nine-month period ended September 30, 2019	Nine-month period ended September 30, 2018
Revenue from contracts with customers	$ 1,309,821	$ 1,516,044

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical regions:

Three-month period ended September 30, 2019	Sales revenue	Service revenue	Royalty revenue	Total
China	$ 230,548	$ 3,899	$ 1,871	$ 236,318
United States	172,878	-	-	172,878
Taiwan	30,384	-	4,031	34,415
Others	22,955	-	-	22,955
	$ 456,765	$ 3,899	$ 5,902	$ 466,566

Three-month period ended September 30, 2018	Sales revenue	Service revenue	Royalty revenue	Total
China	$ 242,459	$ 3,835	$ 19	$ 246,313
United States	181,833	-	-	181,833
Taiwan	57,226	-	6,538	63,764
Others	22,449	-	-	22,449
	$ 503,967	$ 3,835	$ 6,557	$ 514,359

	Nine-month period ended September 30, 2019			
	Sales revenue	Service revenue	Royalty revenue	Total
China	$ 657,827	$ 11,644	$ 2,095	$ 671,566
United States	507,317	-	-	507,317
Taiwan	69,179	-	9,562	78,741
Others	52,197	-	-	52,197
	$ 1,286,520	$ 11,644	$ 11,657	$ 1,309,821

	Nine-month period ended September 30, 2018			
	Sales revenue	Service revenue	Royalty revenue	Total
China	$ 746,679	$ 11,220	$ 1,467	$ 759,366
United States	525,132	-	-	525,132
Taiwan	162,213	-	24,056	186,269
Others	45,277	-	-	45,277
	$ 1,479,301	$ 11,220	$ 25,523	$ 1,516,044

B. Contract liabilities

The Group has recognized the following revenue-related contract liabilities:

	September 30, 2019	December 31, 2018	September 30, 2018
Contract liabilities – advance sales receipts	$ 6,704	$ 16,302	$ 19,434

Revenue recognized that was included in the contract liability balance at the beginning of the year:

	Three-month periods ended September 30,	
	2019	2018
Contract liabilities – advance sales receipts	$ 3,230	$ 4,406

	Nine-month periods ended September 30,	
	2019	2018
Contract liabilities – advance sales receipts	$ 15,346	$ 17,862

(20) Other gains and losses

	Three-month periods ended September 30, 2019	Three-month periods ended September 30, 2018
Loss on disposal of property, plant and equipment	($ 2)	$ -
Net currency exchange gains	483	290
Other (losses) gains	(1)	48
	$ 480	$ 338

	Nine-month periods ended September 30, 2019	Nine-month periods ended September 30, 2018
Loss on disposal of property, plant and equipment	($ 639)	$ -
Net currency exchange gains (losses)	1,131	(458)
Net gains on financial liabilities at fair value through profit or loss	-	2,322
Other losses	(529)	(950)
	($ 37)	$ 914

(21) Finance costs

	Three-month periods ended September 30, 2019	Three-month periods ended September 30, 2018
Interest expense	$ 819	$ 1,081
Leased liabilities - Interest expense	413	-
	$ 1,232	$ 1,081

	Nine-month periods ended September 30, 2019	Nine-month periods ended September 30, 2018
Interest expense	$ 2,550	$ 4,126
Leased liabilities - Interest expense	1,351	-
	$ 3,901	$ 4,126

(22) Expenses by nature

	Three-month periods ended September 30,	
	2019	2018
Employee benefit expense	$ 195,741	$ 190,951
Depreciation charges on property, plant and equipment and right-of-use assets	$ 33,362	$ 28,383
Amortization charges on intangible assets (recognized as cost of operating revenue and operating expenses)	$ 1,624	$ 1,283

	Nine-month periods ended September 30,	
	2019	2018
Employee benefit expense	$ 585,361	$ 571,526
Depreciation charges on property, plant and equipment and right-of-use assets	$ 97,399	$ 83,987
Amortization charges on intangible assets (recognized as cost of operating revenue and operating expenses)	$ 3,695	$ 4,092

(23) Employee benefit expense

	Three-month periods ended September 30,	
	2019	2018
Wages and salaries	$ 161,532	$ 156,062
Compensation costs of share-based payment	13,858	13,491
Insurance expenses	15,147	15,704
Pension costs	4,787	4,957
Other personnel expenses	417	737
	$ 195,741	$ 190,951

	Nine-month periods ended September 30,	
	2019	2018
Wages and salaries	$ 488,900	$ 470,746
Compensation costs of share-based payment	34,601	37,487
Insurance expenses	46,236	46,048
Pension costs	14,303	14,811
Other personnel expenses	1,321	2,434
	$ 585,361	$ 571,526

A. According to the Articles of Incorporation of the Company, when distributing earnings, an amount equal to the 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, 2019 and 2018, employees' compensation was accrued at $4,197, $6,396, $11,310 and $17,735, respectively; directors' remuneration was accrued at $1,679, $2,558, $4,524 and $7,093, respectively. The aforementioned amounts were recognized in wages and salaries. 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, 2019. Employees' compensation and directors' remuneration of 2018 as resolved by the Board of Directors were in agreement with those amount recognized in the 2018 financial statements. The employees' compensation will be distributed in the form of cash.

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.

(24) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Three-month periods ended September 30,	
	2019	2018
Current tax:		
Current tax on profit for the period	$ 12,531	$ 17,567
Prior year income tax over estimation	-	(59)
Total current tax	12,531	17,508
Deferred tax:		
Origination and reversal of temporary differences	5,958	8,664
Total deferred tax	5,958	8,664
Income tax expense	$ 18,489	$ 26,172

	Nine-month periods ended September 30,	
	2019	2018
Current tax:		
Current tax on profit for the period	$ 43,243	$ 38,659
Tax on undistributed surplus earnings	335	776
Prior year income tax over estimation	-	(4,738)
Total current tax	43,578	34,697
Deferred tax:		
Origination and reversal of temporary differences	7,588	28,773
Impact of change in tax rate	-	(1,499)
Total deferred tax	7,588	27,274
Income tax expense	$ 51,166	$ 61,971

B. Through September 30, 2019, the assessment of income tax returns of the Taiwan subsidiaries are as follows:

Name of subsidiary	Assessment of income tax returns
Global Device Technologies, Co., Ltd.	Assessed and approved up to 2017
D-Tech Optoelectronics (Taiwan) Corporation	Assessed and approved up to 2016

(25) Earnings per share (EPS)

The basic EPS is determined by the net income divided by the weighted average number 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 year. The revenue and expense generated from the conversion shall be included in the computation.

Details of ordinary stocks per share are as follows:

	Three-month period ended September 30, 2019		
	Amount after tax	Weighted average outstanding stocks (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 60,540	88,627	$ 0.68
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 60,540	88,627	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	69	
Employee stock options	-	266	
Employee restricted stocks	-	411	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 60,540	89,373	$ 0.68

	Three-month period ended September 30, 2018		
	Amount after tax	Weighted average outstanding stocks (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 91,761	80,261	$ 1.14
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 91,761	80,261	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	115	
Employee stock options	-	265	
Employee restricted stocks	-	136	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 91,761	80,777	$ 1.14

	Nine-month period ended September 30, 2019		
	Amount after tax	Weighted average outstanding stocks (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 163,471	87,811	$ 1.86
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 163,471	87,811	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	285	
Employee stock options	-	268	
Employee restricted stocks	-	450	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 163,471	88,814	$ 1.84

	Nine-month period ended September 30, 2019		
	Amount after tax	Weighted average outstanding stocks (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 267,898	79,741	$ 3.36
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 267,898	79,741	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	407	
Employee stock options	-	341	
Employee restricted stocks	-	182	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 267,898	80,671	$ 3.32

(26) Business combinations

The Acquisition of Xiamen San'an Integrated Circuit Co., Ltd.

A. The Company's Board of Directors approved on June 25, 2018 that the Company enter into an Equity Interest Transfer Agreement (the "Agreement") with Xiamen San'an Integrated Circuit Co., Ltd. ("San'an") to acquire the 2% shareholding of Xiamen Global Advanced Semiconductor Co., Ltd. ("Xiamen Global") in the amount of US$80 thousand. After the completion of the transfer, Xiamen Global became a subsidiary of the Group. After the 2% shareholding of Xiamen Global was transferred to the Company, the Company's investment in Xiamen Global will be US$2.04 million and San'an's investment will be US$1.96 million, which represents 51% and 49% of the registered capital, respectively. The purpose of this equity transfer is to speed up the manufacturing transfer process, enabling the Group to accelerate the application of advanced production process in connection with 5^{th} generation wireless system and other smartphones.

B. The following table summarizes the consideration paid for Xiamen Global and the fair values of the assets acquired and liabilities assumed at the acquisition date:

		September 30, 2018
Consideration		
Cash paid (US$80 thousand)	$	2,442
		2,442
Fair value of equity interest in Xiamen Global held before the business combination		11,401
Fair value of the non-controlling interest		13,300
		27,143
Fair value of the identifiable assets acquired and liabilities assumed		
Cash		27,263
Property, plant and equipment		52
Other payables	(	168)
Other current liabilities	(	4)
Total identifiable net assets		27,143
Goodwill	$	-

C. The operating revenue and profit before income tax included in the consolidated statement of comprehensive income since September 2018 contributed by Xiamen Global were $0 and ($5,319), respectively. Had Xiamen Global been consolidated from January 1, 2018, the 2018 consolidated statement of comprehensive income would show an increase in operating revenue of $0 and a decrease in profit before income tax of ($6,862).

(27) Operating lease commitments

Effective 2018

The Group leases property and plant under non-cancellable operating lease agreements. Most of the lease agreements can be renewed based on the market prices upon termination of the lease. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2018		September 30, 2018	
Not later than one year	$	11,602	$	11,595
Later than one year but not later than five years		30,811		33,182
	$	42,413	$	44,777

(28) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Nine-month periods ended September 30, 2019	Nine-month periods ended September 30, 2018
Acquisition of property, plant and equipment (including transfers)	$ 88,809	$ 77,722
Add: Ending balance of prepayments for equipment (Note)	40,962	86,716
Less: Beginning balance of prepayments for equipment (Note)	(106,676)	(52,857)
Less: Beginning balance of prepayments for equipment being transferred to intangible assets	13,363	-
Less: Ending balance of finance lease liabilities	-	(6,548)
Add: Beginning balance of finance lease liabilities	-	13,872
Less: Ending balance of payables for equipment	(2,811)	(7,882)
Add: Beginning balance of payables for equipment	27,460	5,703
Cash paid	$ 61,107	$ 116,726

Note: Shown as "Other non-current assets".

B. Financing activities with no cash flow effect:

	Nine-month periods ended September 30, 2019	Nine-month periods ended September 30, 2018
Convertible bonds being converted to capital stocks	$ -	$ 58,700
Cash dividends	$ 106,561	$ 79,060
Less: Other payables	(106,561)	-
Dividends paid	$ -	$ 79,060

(29) Changes in liabilities from financing activities

	Short-term borrowings	Lease liabilities	Long-term borrowings (including current portion)	Liabilities from financing activities
At January 1, 2019	$ 20,300	$ 43,420	$ 78,242	$ 141,962
Changes in cash flow from financing activities	(300)	(12,333)	(6,031)	(18,664)
Interest expense	-	1,351	-	1,351
Interest paid	-	(446)	-	(446)
Net exchange differences	-	301	820	1,121
At September 30, 2019	$ 20,000	$ 32,293	$ 73,031	$ 125,324

	Short-term borrowings	Bonds payable	Long-term borrowings (including current portion)	Liabilities from financing activities
At January 1, 2018	$ 20,000	$ 60,006	$ 95,163	$ 175,169
Changes in cash flow from financing activities	-	(2,800)	(14,536)	(17,336)
Bonds converted	-	(58,700)	-	(58,700)
Discount on bonds payable	-	1,494	-	1,494
Net exchange differences	-	-	2,166	2,166
At September 30, 2018	$ 20,000	$ -	$ 82,793	$ 102,793

7. RELATED PARTY TRANSACTIONS

Key management compensation

	Three-month periods ended September 30, 2019	Three-month periods ended September 30, 2018
Salaries and other short-term employee benefits	$ 20,082	$ 19,193
Post-employment benefits	462	499
Compensation costs of share-based payment	6,068	4,993
	$ 26,612	$ 24,685

	Nine-month periods ended September 30, 2019	Nine-month periods ended September 30, 2018
Salaries and other short-term employee benefits	$ 74,995	$ 71,177
Post-employment benefits	2,287	2,245
Compensation costs of share-based payment	15,489	15,498
	$ 92,771	$ 88,920

8. PLEDGED ASSETS

As of September 30, 2019, December 31, 2018 and September 30, 2018, the Group's assets pledged as collateral were as follows:

Assets	September 30, 2019	December 31, 2018	September 30, 2018	Purpose
Land	$ 142,939	$ 141,466	$ 140,591	Long-term borrowings
Buildings	83,949	85,103	85,247	Long-term borrowings
Time deposits (Shown as "Other current assets")	32,045	31,131	30,939	Short-term borrowings
Reserve account-demand deposits (Shown as"Other non-current assets")	2,500	-	-	Long-term borrowings
Time deposits (Shown as "Other non-current assets")	314	371	311	Custom guarantee for imported goods
Refundable deposits (Shown as "Other non-current assets")	4,691	3,425	3,289	Deposits for office rental and waste water treatment

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Please refer to Note 6(27) for the operating lease commitments as of December 31, 2018 and September 30, 2018.

(2) Capital expenditures contracted for at the balance sheet date but not yet incurred and are cancellable without cause are as follows:

	September 30, 2019	December 31, 2018	September 30, 2018
Property, plant and equipment	$ 42,415	$ 16,491	$ 86,966

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On November 7, 2019, the Board of Directors resolved to participate in Unikorn Semiconductor Corporation's (Unikorn) issuance of common stock for cash amounting to $400,000 with 40 million shares. Through the investment, the Company is going to hold 36.06% of Unikorn's issued common stock.

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 Company'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 shareholders, etc.

(2) Financial instruments

A. Financial instruments by category

	September 30, 2019	December 31, 2018	September 30, 2018
Financial assets			
Financial assets measured at fair value through other comprehensive income	$ 165,171	$ -	$ -
Financial assets at amortized cost /Loans and receivables			
Cash and cash equivalents	$ 1,941,017	$ 1,512,863	$ 1,392,649
Notes receivable	161	127	69
Accounts receivable	265,606	212,806	282,365
Other receivables	30,456	19,026	16,398
Guarantee deposits paid	4,691	3,425	3,289
Reserve account- demand deposits (Shown as "Other non-current assets")	2,500	-	-
Time deposits (over three-month period) (Shown as "Other current and non-current assets")	94,439	92,942	92,310
	$ 2,338,870	$ 1,841,189	$ 1,787,080
Financial liabilities			
Financial liabilities at amortized cost			
Short-term borrowings	$ 20,000	$ 20,300	$ 20,000
Accounts payable	22,149	19,423	9,293
Other payables	256,461	164,280	147,941
Finance lease liabilities (including current portion)	-	4,695	6,548
Long-term borrowings (including current portion)	73,031	78,242	82,793
	$ 371,641	$ 286,940	$ 266,575
Lease liabilities	$ 32,293	$ -	$ -

B. Financial risk management policies

a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk.

b) Risk management is carried out by the Group's finance team under policies approved by the Board of Directors. The Group's finance team 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.

Cash flow and fair value 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, 2019 and 2018, 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 $140 and $120 for the nine-month periods ended September 30, 2019 and 2018, respectively, as a result of the decrease or increase in 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. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the credit risk of financial assets at amortized cost.

ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a minimum rating of "BBB+" are accepted. 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 andv 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.

iii. The Group does not hold any collateral as security for notes receivable and accounts receivable. As of September 30, 2019, December 31, 2018 and September 30, 2018, with no collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the the Group's notes receivable was $161, $127 and $69, respectively, and the maximum exposure to credit risk in respect of the Group's accounts receivable was $265,606, $212,806 and $282,365, respectively.

iv. The Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.

v. The Group wrote off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.

vi.Estimation of expected credit loss for notes receivable and accounts receivable:

a)The Group classifies customers' notes receivable and accounts receivable in accordance with credit risk on trade. The Group applies the simplified approach using loss rate methodology to estimate expected credit loss.

b)The Group used the forecastability of external research report to adjust historical and timely information for a specific period to assess the default possibility of notes receivable and accounts receivable. On September 30, 2019, December 31, 2018 and September 30, 2018, the loss rate methodology is as follows:

Notes receivable	Not past due
At September 30, 2019	
Expected loss rate	0%
Total book value	$ 161
Loss allowance	$ -

Accounts receivable	Not past due	Less than 90 days past due	Less than 180 days and more than 90 days past due	More than 180 days past due	Total
At September 30, 2019					
Expected loss rate	0%~1%	1%~15%	16%~31%	31%~75%	
Total book value	$229,716	$ 34,591	$ 86	$ 6,407	$270,800
Loss allowance	$ 23	$ 356	$ 23	$ 4,792	$ 5,194

Notes receivable	Not past due
At December 31, 2018	
Expected loss rate	0%
Total book value	$ 127
Loss allowance	$ -

Accounts receivable	Not past due	Less than 90 days past due	Less than 180 days and more than 90 days past due	More than 180 days past due	Total
At December 31, 2018					
Expected loss rate	0%~1%	1%~15%	16%~31%	31%~75%	
Total book value	$173,428	$ 38,750	$ 1,255	$ -	$213,433
Loss allowance	$ 17	$ 388	$ 222	$ -	$ 627

Notes receivable	Not past due
At September 30, 2018	
Expected loss rate	0%
Total book value	$ 69
Loss allowance	$ -

Accounts receivable	Not past due	Less than 90 days past due	Less than 180 days and more than 90 days past due	More than 180 days past due	Total
At September 30, 2018					
Expected loss rate	0%~1%	1%~15%	16%~31%	31%~75%	
Total book value	$245,106	$ 36,959	$ 159	$ 1,495	$283,719
Loss allowance	$ 25	$ 370	$ 25	$ 934	$ 1,354

c) Movements in relation to the Group applying the simplified approach to provide loss allowance for notes and accounts receivable was as follows:

	2019
	Notes and accounts receivable
At January 1	$ 627
Provision for impairment	10,063
Write-offs	(5,500)
Effect of foreign exchange	4
At September 30	$ 5,194

	2018
	Notes and accounts receivable
At January 1_IAS 39	$ 1,117
Adjustments under new standards	-
At January 1_IFRS 9	1,117
Provision for impairment	204
Effect of foreign exchange	33
At September 30	$ 1,354

The abovementioned provision amounts are made based on the easimated expected credit loss in the next 12 months.

vii.The Group used the forecastability of external research report to adjust historical and timely information for a specific period to assess the default possibility of other receivables. On September 30, 2019, December 31, 2018 and September 30, 2018, the loss rate methodology is as follows:

Other receivables	Not past due
At September 30, 2019	
Expected loss rate	0%-100%
Total book value	$ 30,456
Loss allowance	$ -

Other receivables	Not past due
At December 31, 2018	
Expected loss rate	0%-100%
Total book value	$ 19,026
Loss allowance	$ -

Other receivables	Not past due
At September 30, 2018	
Expected loss rate	0%-100%
Total book value	$ 16,398
Loss allowance	$ -

c) Liquidity risk

i. Cash flow forecasting is performed by the operating entities of the Group and aggregated by the Group's finance team. The Group's finance team 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 managed for investment appropriately. The instruments chose would be with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

iii. The Group has the following undrawn borrowing facilities:

	September 30, 2019	December 31, 2018	September 30, 2018
Floating rate:			
Expiring within one year	$ 16,325	$ 25,700	$ 20,000

Note: The facilities expiring within one year are annual facilities subject to renegotiation at various dates during 2020.

iv. 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, 2019				
Short-term borrowings	$	20,117	$	-
Accounts payable		22,149		-
Other payables		256,461		-
Lease liabilities		12,541		21,705
Long-term borrowings (including current portion)		25,986		53,480

		Less than 1 year		Over 1 year
Non-derivative financial liabilities:				
December 31, 2018				
Short-term borrowings	$	20,340	$	-
Accounts payable		19,423		-
Other payables		164,280		-
Finance lease liabilities		4,793		-
Long-term borrowings (including current portion)		23,604		62,529

		Less than 1 year		Over 1 year
Non-derivative financial liabilities:				
September 30, 2018				
Short-term borrowings	$	20,121	$	-
Accounts payable		9,293		-
Other payables		147,941		-
Finance lease liabilities (including current portion)		5,511		1,191
Long-term borrowings (including current portion)		23,458		68,007

(3) Fair value information

A. 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.

B. Financial instruments not measured at fair value

Except for the item listed in the table below, the carrying amounts measured at amortised cost approximate the fair values of the Group's financial instruments, including cash and cash equivalents, notes receivable, accounts receivable, other receivables, guarantee deposits paid, time deposits (over three-month period), short-term borrowings, current contract liabilities, accounts payable, other payables, lease liabilities, finance lease liabilities (accounted for under 'Other current liabilities' and 'Other non-current liabilities') and long-term borrowings (including current portion).

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 are as follows:

(a) The related information of natures of the assets is as follows:

	Level 1	Level 2	Level 3
September 30, 2019			
Recurring fair value measurements			
Financial assets measured at fair value through other comprehensive income	$ -	$ -	$ 165,171

As of December 31, 2018 and September 30, 2018, the Group had no financial and non-financial instruments measured at fair value.

D. The following chart is the movement of Level 3 financial instruments for the nine-month periods ended September 30, 2019 and 2018:

	Financial assets measured at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss
	2019	2018
At January 1	$ -	$ 31,204
Converted during the period	-	(28,961)
Gain recognized in profit or loss	-	(2,322)
Acquired in the period	164,000	-
Net exchange differences	1,171	79
At September 30	$ 165,171	$ -

E. For the nine-month periods ended September 30, 2019 and 2018, there was no transfer into or out from Level 3 financial instruments.

F. The Group's Accounting Department is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

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

	Fair value at September 30, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of input to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 165,171	Market comparable companies	Price to book ratio multiple	4.85	The higher the multiple, the higher the fair value.
			Discount for lack of marketability	20% - 30%	The higher the discount for lack of marketability, the lower the fair value.

As of December 31, 2018 and September 30, 2018, the Group had no financial instruments measured in Level 3 fair value measurement.

H. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorized within Level 3 if the inputs used to valuation models have changed:

			September 30, 2019			
			Recognized in profit or loss		Recognized in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Unlisted stocks	multiple	±1%	$ -	$ -	$ 3,995	($ 4,064)

As of December 31, 2018 and September 30, 2018, the Group had no financial instruments measured in Level 3 fair value measurement.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

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

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

(c) Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.

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

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

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

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

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

(i) Derivative financial instruments undertaken during the nine-month period ended September 30, 2019: None.

(j) Significant inter-company transactions during the nine-month period ended September 30, 2019: 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 Company 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 Company 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:

	Nine-month periods ended September 30,	
	2019	2018
Revenue from external customers	$ 1,309,821	$ 1,516,044
Inter-segment revenue	-	-
Total segment revenue	$ 1,309,821	$ 1,516,044
Segment income (Note)	$ 210,366	$ 329,869
Segment assets	$ 4,019,261	$ 3,277,729
Segment liabilities	$ 493,396	$ 343,196

Note: Exclusive of income tax.

(3) Reconciliation for segment income (loss)

The Company and 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

Nine-month period ended September 30, 2019

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, 2019 (Note 3)	Balance at September 30, 2019	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.	GCS Device Technologies, Co., Ltd.	Other receivable - related party	Yes	$ 63,200	$ 62,080	$ -	Settle by contract	2	$ -	Operation	$ -	None	$ -	$ 351,950	$ 1,407,799	-
1	Global Communication Semiconductors, LLC	D-Tech Optoelectronics, Inc.	Other receivable - related party	Yes	61,480	-	-	Settle by contract	2	-	Operation	-	None	-	1,055,849	1,055,849	-
1	Global Communication Semiconductors, LLC	D-Tech Optoelectronics (Taiwan) Corporation	Other receivable - related party	Yes	20,000	20,000	-	Settle by contract	2	-	Operation	-	None	-	1,055,849	1,055,849	-

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 Company. 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

Nine-month period ended September 30, 2019

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, 2019	Outstanding endorsement/ guarantee amount at September 30, 2019	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.	GCS Device Technologies, Co., Ltd.	2	$ 1,407,799	$ 31,600	$ 31,040	$ 20,000	$ 31,060	0.88%	$ 1,407,799	Y	N	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 seven categories; fill in the number of category each case belongs to:
(1)Having with which it does business.
(2)The endorser/guarantor parent company owns directly or indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.
(3)The endorser/guarantor parent company owns directly or indirectly more than 50% voting shares of the endorsed/guaranteed company.
(4)The endorsed/guaranteed parent company owns directly or indirectly more than jointly 90% voting shares of the endorser/guarantor company.
(5)Mutual guarantee of the trade or co-contractor as required by the construction contract.
(6)Due to joint venture, mutual shareholder provides endorsements/guarantees to the endorsed/guaranteed company in ratio to its ownership.
(7)Companies in the same industry provide among themselves joint and several security for a performance guarantee of sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

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

GCS HOLDINGS, INC.

Holding of marketable securities at the end of the period

September 30, 2019

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

				As of September 30, 2019				
Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	Number of shares	Book value (Note 3)	Ownership (%)	Fair value	Footnote (Note 4)
GCS Holdings, Inc.	Unikorn Semiconductor Corporation	None.	Financial assets at fair value through other comprehensive income	16,400,000	$ 165,171	14.09%	$ 165,171	None

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS 9 'Financial instrument'.
Note 2: Leave the column blank if the issuer of marketable securities is non-related party.
Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value;
fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value. marketable securities not measured at fair value.
Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

GCS HOLDINGS, INC.

Significant inter-company transactions during the reporting period

Nine-month period ended September 30, 2019

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	D-Tech Optoelectronics, Inc.	Global Communication Semiconductors, LLC	3	Sales revenue	$ 19,114	Conducted in the ordinary course of business with terms similar to those with third parties	1.46%
1	D-Tech Optoelectronics, Inc.	Global Communication Semiconductors, LLC	3	Other receivable - related party	2,193	Conducted in the ordinary course of business with terms similar to those with third parties	0.05%
2	D-Tech Optoelectronics (Taiwan) Corporation	Global Communication Semiconductors, LLC	3	Sales revenue	13,776	Conducted in the ordinary course of business with terms similar to those with third parties	1.05%
2	D-Tech Optoelectronics (Taiwan) Corporation	Global Communication Semiconductors, LLC	3	Other receivable - related party	3,349	Conducted in the ordinary course of business with terms similar to those with third parties	0.08%
2	D-Tech Optoelectronics (Taiwan) Corporation	D-Tech Optoelectronics, Inc.	3	Service revenue	19,264	Conducted in the ordinary course of business with terms similar to those with third parties	1.47%
2	D-Tech Optoelectronics (Taiwan) Corporation	D-Tech Optoelectronics, Inc.	3	Other receivable - related party	4,394	Conducted in the ordinary course of business with terms similar to those with third parties	0.11%

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.

Note 4: The Company may decide to disclose or not to disclose transaction details in this table based on the Materiality Principle.

GCS HOLDINGS, INC.

Information on investees (not including investees in mainland China)

Nine-month period ended September 30, 2019

Table 10

Expressed in thousands of NTD

(Except as otherwise indicated)

				Initial investment amount		Shares held as at September 30, 2019					
Investor	Investee (Note 1、2)	Location	Main business activities	Balance as at September 30, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the nine-month period ended September 30, 2019 (Note 2(2))	Investment income (loss) recognised by the Company for the nine-month period ended Septemeber 30, 2019 (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%	$ 2,676,107	$ 192,839	$ 192,839	-
GCS Holdings, Inc.	GCS Device Technologies, Co., Ltd.	Taiwan	Product design and research development services	12,000	12,000	-	100%	28,538	295	295	-
GCS Holdings, Inc.	GCOM Semiconductor Co., Ltd.	Taiwan	Wholesaling and retailing of electronic components, product design, and outsourcing management services	50,000	-	5,000,000	100%	49,814	(186)	(186)	-
Global Communication Semiconductors, LLC	D-Tech Optoelectronics, Inc.	Los Angeles, USA	Developing, manufacturing and selling of positive, intrinsic, negative components and avalanche photo diodes for telecommunication systems and data communication networks	393,380	393,380	360,000	100%	417,036	2,193	2,193	-
D-Tech Optoelectronics, Inc.	D-Tech Optoelectronics (Taiwan) Corporation	Taiwan	Manufacturing, retailing and wholesaling of telecommunications devices, and manufacturing and wholesaling of electronic components	89,840	89,840	5,800,000	100%	68,587	(5,933)	(5,933)	-

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, 2019' 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, 2019' column should fill in amount of net profit (loss) of the investee for this period.

(3)The 'Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2019' column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised 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 recognised by regulations.

GCS HOLDINGS, INC.

Information on investments in mainland China

Nine-month period ended September 30, 2019

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, 2019	Amount remitted from Taiwan to mainland China/ Amount remitted back to Taiwan for the nine-month period ended September 30, 2019	
					Remitted to mainland China	Remitted back to Taiwan
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	$ -	$ -	$ -

Investee in mainland China	Accumulated amount of remittance from Taiwan to mainland China as of September 30, 2019	Net income of investee for the nine-month period ended September 30, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the nine-month period ended September30, 2019 (Note 2)	Book value of investments in mainland China as of September 30, 2019	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2019	Footnote
Xiamen Global Advanced Semiconductor Co., Ltd.	$ -	($ 8,716)	51%	($ 4,445)	$ 6,627	$ -	(Note 4)

Company name	Accumulated amount of remittance from Taiwan to mainland China as of September 30, 2019	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) recognised by the Company for the nine-month period ended September 30, 2019' 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 investment amount of $14,906 was transferred from the Company's U.S. bank account to mainland China on June 23, 2017.

In addition, the company acquired the additional 2% shareholding of Xiamen Global Advanced Semiconductor Co., Ltd. in the amount of US$ 80 thousands (NT$ 2,442 thousands) in September 2018.