

GCS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT
ACCOUNTANTS
MARCH 31, 2020 AND 2019

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

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To GCS Holdings, Inc.

Introduction

We have reviewed the accompanying consolidated balance sheets of GCS Holdings, Inc. and subsidiaries (the “Group”) as of March 31, 2020 and 2019, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with 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

Except as explained in the *Basis for Qualified Conclusion*, 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.

Basis for Qualified Conclusion

As explained in Note 6(5), the amounts and information of financial statements of investments accounted for using the equity method were based solely on the financial statements prepared by the investee, which were not reviewed by independent accountants. The balance of investment accounted for using the equity method amounted to NT\$519,685 thousand and NT\$0 thousand, respectively, constituting 13% and 0% of the consolidated total assets as of March 31, 2020 and 2019; and the share of profit or loss of associates and joint ventures accounted for using the equity method amounted to (NT\$41,281) thousand and NT\$0 thousand, respectively, constituting (137%) and 0% of the consolidated total comprehensive (loss) income for the three-month periods then ended.

~2~

Qualified Conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of equity method investee been reviewed by independent accountants, that we might have become aware of had it not been for the situation described above, 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 March 31, 2020 and 2019, and of its consolidated financial performance and its consolidated cash flows for the three-month periods then ended in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Cheng, Ya-Huei

Cheng, Ya-Huei

Lin, Yu-Kuan

Lin, Yu-Kuan

For and on behalf of PricewaterhouseCoopers, Taiwan

May 8, 2020

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

GCS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(THE BALANCE SHEETS AS OF MARCH 31, 2020 AND 2019 ARE REVIEWED, NOT AUDITED)

Assets	Notes	March 31, 2020		December 31, 2019		March 31, 2019		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 1,448,840	37	\$ 1,838,994	47	\$ 1,709,872	45
1150	Notes receivable, net		-	-	59	-	48	-
1170	Accounts receivable, net	6(2)	201,303	5	317,067	8	272,692	7
1200	Other receivables		29,115	1	19,687	-	20,254	-
1220	Current income tax assets		13,249	-	24,194	1	24,613	1
130X	Inventories	6(3)	369,392	10	352,983	9	340,801	9
1410	Prepayments		5,339	-	9,233	-	5,806	-
1470	Other current assets	8	183,166	5	30,951	1	93,458	2
11XX	Total current assets		<u>2,250,404</u>	<u>58</u>	<u>2,593,168</u>	<u>66</u>	<u>2,467,544</u>	<u>64</u>
Non-current assets								
1517	Non-current financial assets at fair value through other comprehensive income	6(4)	-	-	159,531	4	164,001	4
1550	Investment accounted for using the equity method	6(5)	519,865	13	-	-	-	-
1600	Property, plant and equipment	6(6) and 8	757,595	19	775,808	20	744,473	19
1755	Right-of-use assets	6(7)	20,141	1	30,371	1	43,099	1
1780	Intangible assets	6(8)	197,022	5	197,032	5	187,268	5
1840	Deferred income tax assets		121,431	3	129,281	3	169,676	5
1900	Other non-current assets	6(9) and 8	19,635	1	17,808	1	58,609	2
15XX	Total non-current assets		<u>1,635,689</u>	<u>42</u>	<u>1,309,831</u>	<u>34</u>	<u>1,367,126</u>	<u>36</u>
1XXX	Total assets		<u>\$ 3,886,093</u>	<u>100</u>	<u>\$ 3,902,999</u>	<u>100</u>	<u>\$ 3,834,670</u>	<u>100</u>

(Continued)

GCS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(THE BALANCE SHEETS AS OF MARCH 31, 2020 AND 2019 ARE REVIEWED, NOT AUDITED)

Liabilities and Equity	Notes	March 31, 2020		December 31, 2019		March 31, 2019		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current liabilities								
2100	Short-term borrowings	6(10)	\$ 20,000	1	\$ 20,000	1	\$ 20,000	-
2130	Current contract liabilities	6(19)	8,998	-	11,875	-	15,483	-
2170	Accounts payable		23,208	1	15,872	-	25,351	1
2200	Other payables	6(11)	171,680	4	157,780	4	138,461	4
2230	Current income tax liabilities		101	-	90	-	15	-
2280	Current lease liabilities		6,500	-	10,219	-	13,703	-
2320	Long-term borrowings, current portion	6(12)	23,446	1	23,050	1	21,089	1
2399	Other current liabilities		2,086	-	608	-	4,842	-
21XX	Total current liabilities		<u>256,019</u>	<u>7</u>	<u>239,494</u>	<u>6</u>	<u>238,944</u>	<u>6</u>
Non-current liabilities								
2540	Long-term borrowings	6(12)	36,538	1	42,195	1	52,255	1
2570	Deferred income tax liabilities		72,612	2	76,123	2	84,182	2
2580	Non-current lease liabilities		8,366	-	17,762	1	25,705	1
2600	Other non-current liabilities		-	-	317	-	318	-
25XX	Total non-current liabilities		<u>117,516</u>	<u>3</u>	<u>136,397</u>	<u>4</u>	<u>162,460</u>	<u>4</u>
2XXX	Total liabilities		<u>373,535</u>	<u>10</u>	<u>375,891</u>	<u>10</u>	<u>401,404</u>	<u>10</u>
Equity								
Equity attributable to owners of the parent								
Share capital								
3110	Common stock	6(15)	913,515	23	908,335	23	907,470	24
Capital surplus								
3200	Capital surplus	6(16)	1,468,502	38	1,447,954	37	1,433,375	38
Retained earnings								
3320	Special reserve	6(17)	6,821	-	6,821	-	6,821	-
3350	Unappropriated retained earnings		1,261,815	32	1,304,961	33	1,158,686	30
Other equity interest								
3400	Other equity interest	6(18)	(47,225)	(1)	(55,884)	(1)	8,284	-
3500	Treasury stocks	6(15)	(90,870)	(2)	(90,870)	(2)	(90,870)	(2)
31XX	Equity attributable to owners of the parent		<u>3,512,558</u>	<u>90</u>	<u>3,521,317</u>	<u>90</u>	<u>3,423,766</u>	<u>90</u>
36XX	Non-controlling interest		<u>-</u>	<u>-</u>	<u>5,791</u>	<u>-</u>	<u>9,500</u>	<u>-</u>
3XXX	Total equity		<u>3,512,558</u>	<u>90</u>	<u>3,527,108</u>	<u>90</u>	<u>3,433,266</u>	<u>90</u>
Significant contingent liabilities and unrecognized contract commitments								
Significant events after the reporting period								
3X2X	Total liabilities and equity		<u>\$ 3,886,093</u>	<u>100</u>	<u>\$ 3,902,999</u>	<u>100</u>	<u>\$ 3,834,670</u>	<u>100</u>

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

GCS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(REVIEWED, NOT AUDITED)

				Three months ended March 31			
				2020		2019	
Items	Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(19)		\$ 367,352	100	\$ 377,909	100
5000	Cost of operating revenue	6(3)(22)		(207,454)	(56)	(241,849)	(64)
5900	Net operating margin			<u>159,898</u>	<u>44</u>	<u>136,060</u>	<u>36</u>
	Operating expenses	6(22)(23)					
6100	Selling and marketing expenses			(8,544)	(3)	(10,975)	(3)
6200	General and administrative expenses			(55,790)	(15)	(60,973)	(16)
6300	Research and development expenses			(45,007)	(12)	(44,432)	(12)
6450	Net impairment loss on financial assets	12(2)		(353)	-	(6,100)	(2)
6000	Total operating expenses			<u>(109,694)</u>	<u>(30)</u>	<u>(122,480)</u>	<u>(33)</u>
6900	Operating profit			<u>50,204</u>	<u>14</u>	<u>13,580</u>	<u>3</u>
	Non-operating income and expenses						
7010	Other income			6,248	1	5,204	1
7020	Other gains and losses	6(20)		587	-	(109)	-
7050	Finance costs	6(21)		(994)	-	(1,382)	-
7060	Share of net loss of associates and joint ventures accounted for using the equity method	6(5)		(41,281)	(11)	-	-
7000	Total non-operating income and expenses			<u>(35,440)</u>	<u>(10)</u>	<u>3,713</u>	<u>1</u>
7900	Profit before income tax			<u>14,764</u>	<u>4</u>	<u>17,293</u>	<u>4</u>
7950	Income tax expense	6(24)		(12,209)	(3)	(4,300)	(1)
8200	Net income for the period			<u>\$ 2,555</u>	<u>1</u>	<u>\$ 12,993</u>	<u>3</u>
	Other comprehensive income						
	Other comprehensive income components that will not be reclassified to profit or loss						
8361	Financial statements translation differences of foreign operations	6(18)		<u>\$ 27,581</u>	<u>7</u>	<u>\$ 9,472</u>	<u>3</u>
8300	Total other comprehensive income, net			<u>\$ 27,581</u>	<u>7</u>	<u>\$ 9,472</u>	<u>3</u>
8500	Total comprehensive income for the period			<u>\$ 30,136</u>	<u>8</u>	<u>\$ 22,465</u>	<u>6</u>
	Profit (loss) attributable to:						
8610	Owners of the parent			\$ 2,477	1	\$ 14,742	4
8620	Non-controlling interest			78	-	(1,749)	(1)
	Total			<u>\$ 2,555</u>	<u>1</u>	<u>\$ 12,993</u>	<u>3</u>
	Total comprehensive income (loss) attributable to:						
8710	Owners of the parent			\$ 30,057	8	\$ 23,724	6
8720	Non-controlling interest			79	-	(1,259)	-
	Total			<u>\$ 30,136</u>	<u>8</u>	<u>\$ 22,465</u>	<u>6</u>
	Earnings per share	6(25)					
9750	Basic earnings per share (in dollars)			<u>\$ 0.03</u>		<u>\$ 0.17</u>	
9850	Diluted earnings per share (in dollars)			<u>\$ 0.03</u>		<u>\$ 0.17</u>	

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

GCS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(REVIEWED, NOT AUDITED)

	Notes	Equity Attributable to Owners of the Parent										Non-Controlling Interest	Total Equity
		Retained Earnings				Other Equity Interest							
		Common Stock	Capital Surplus	Special Reserve	Unappropriated Retained Earnings	Differences of Translation Foreign Operations	Unearned Compensation Costs	Treasury Stocks	Total				
<u>Three-month period ended March 31, 2019</u>													
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 for the period		-	-	-	14,742	-	-	-	14,742	(1,749)	12,993		
Other comprehensive income (loss) for the period	6(18)	-	-	-	-	8,982	-	-	8,982	490	9,472		
Total comprehensive income (loss) for the period		-	-	-	14,742	8,982	-	-	23,724	(1,259)	22,465		
Compensation costs of share-based payment	6(14)(16)(18)	-	1,603	-	-	-	5,300	-	6,903	-	6,903		
Issuance of restricted stocks to employees	6(14)(15)(16)(18)	5,700	28,852	-	-	-	(34,552)	-	-	-	-		
Retirement of restricted stocks to employees	6(14)(15)(16)(18)	(105)	(644)	-	-	-	749	-	-	-	-		
Exercise of employee stock options	6(14)(15)(16)	184	374	-	-	-	-	-	558	-	558		
Issuance of share capital - Global Depository Receipts	6(15)(16)	80,000	310,555	-	-	-	-	-	390,555	-	390,555		
Balance at March 31, 2019		\$ 907,470	\$ 1,433,375	\$ 6,821	\$ 1,158,686	\$ 51,987	(\$ 43,703)	(\$ 90,870)	\$ 3,423,766	\$ 9,500	\$ 3,433,266		
<u>Three-month period ended March 31, 2020</u>													
Balance at January 1, 2020		\$ 908,335	\$ 1,447,954	\$ 6,821	\$ 1,304,961	(\$ 42,043)	(\$ 13,841)	(\$ 90,870)	\$ 3,521,317	\$ 5,791	\$ 3,527,108		
Consolidated net income for the period		-	-	-	2,477	-	-	-	2,477	78	2,555		
Other comprehensive income for the period	6(18)	-	-	-	-	27,580	-	-	27,580	1	27,581		
Total comprehensive income for the period		-	-	-	2,477	27,580	-	-	30,057	79	30,136		
Distribution of 2019 earnings:													
Cash dividends	6(17)	-	-	-	(45,623)	-	-	-	(45,623)	-	(45,623)		
Compensation costs of share-based payment	6(14)(16)(18)	-	2,351	-	-	-	4,456	-	6,807	-	6,807		
Issuance of restricted stocks to employees	6(14)(15)(16)(18)	5,180	18,197	-	-	-	(23,377)	-	-	-	-		
Disposal of a subsidiary		-	-	-	-	-	-	-	-	(5,870)	(5,870)		
Balance at March 31, 2020		\$ 913,515	\$ 1,468,502	\$ 6,821	\$ 1,261,815	(\$ 14,463)	(\$ 32,762)	(\$ 90,870)	\$ 3,512,558	\$ -	\$ 3,512,558		

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	Three months ended March 31	
		2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 14,764	\$ 17,293
Adjustments			
Adjustments to reconcile profit (loss)			
Net impairment loss on financial assets	12(2)	353	6,100
Depreciation	6(6)(7)(22)	31,430	31,582
Amortization	6(8)(22)	1,644	1,007
Interest expense	6(21)	994	1,382
Interest income		(6,248)	(5,204)
Compensation cost of share-based payment	6(14)	6,807	6,903
Gain on disposal of property, plant and equipment	6(20)	(213)	-
Share of net loss of associates and joint ventures accounted for using equity method	6(5)	41,281	-
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		7	80
Accounts receivable		119,587	(66,528)
Other receivables		(10,408)	(1,448)
Inventories		(16,154)	(9,125)
Prepayments		4,117	4,580
Changes in operating liabilities			
Contract liabilities		(2,964)	(872)
Accounts payable		7,176	5,874
Other payables		(20,131)	(8,131)
Other current liabilities		1,302	4,512
Cash inflow (outflow) generated from operations		173,344	(11,995)
Interest received		6,057	5,168
Interest paid		(1,010)	(897)
Income tax refund received		3,613	-
Net cash flows from (used in) operating activities		<u>182,004</u>	<u>(7,724)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of non-current financial assets at fair value through other comprehensive income		-	(164,000)
Acquisition of investment accounted for using the equity method	6(5)	(400,000)	-
Acquisition of property, plant and equipment	6(26)	(23,443)	(22,209)
Proceeds from disposal of property, plant and equipment		256	-
Acquisition of intangible assets	6(8)	-	(2,184)
Increase in other current assets		(151,354)	(586)
Disposal of a subsidiary - decrease in cash		(11,707)	-
Decrease in other non-current assets		1,355	348
Net cash flows used in investing activities		<u>(584,893)</u>	<u>(188,631)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings	6(27)	-	20,000
Repayments of short-term borrowings	6(27)	-	(20,300)
Repayments of long-term borrowings	6(27)	(5,707)	(5,154)
Repayments of lease liabilities	6(27)	(2,226)	(4,591)
Decrease in guarantee deposit received		(317)	-
Proceeds from exercise of employee stock options		-	558
Proceeds from issuance of share capital - Global Depository Receipts		-	390,555
Net cash flows (used in) from financing activities		<u>(8,250)</u>	<u>381,068</u>
Effect of changes in exchange rates		20,985	12,296
Net (decrease) increase in cash and cash equivalents		(390,154)	197,009
Cash and cash equivalents at beginning of period	6(1)	1,838,994	1,512,863
Cash and cash equivalents at end of period	6(1)	<u>\$ 1,448,840</u>	<u>\$ 1,709,872</u>

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

GCS HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2020 AND 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)
(REVIEWED, NOT AUDITED)

1. HISTORY AND ORGANIZATION

GCS Holdings Inc. (the “Company”) was incorporated in the Cayman Islands on November 30, 2010, as a holding company for the purpose of registering its shares with the Taipei Exchange. 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 wafers 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 AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were reported to the Board of Directors on May 8, 2020.

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 the FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board ("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
Amendments to IFRS 9, IAS 39 and IFRS 7, ‘Interest rate benchmark reform’	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.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC that has not yet adopted
None.

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

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

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IFRS 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
Amendments to IAS 1, 'Classification of liabilities as current or noncurrent'	January 1, 2022

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, 2019, 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, 2019.

(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 unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Note
			March 31, 2020	December 31, 2019	March 31, 2019	
The Company	Global Communication Semiconductors, LLC	1. Manufacturing of compound semiconductor wafers 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	(Note)
The Company	GCOM Semiconductor Co., Ltd.	Wholesaling and retailing of electronic components, product design, and outsourcing management services	100	100	100	-
Global Communication Semiconductors, LLC	D-Tech Optoelectronics, Inc.	Developing, manufacturing and selling of positive, intrinsic, negative components and avalanche photo diodes for telecommunication systems and data communication networks	100	100	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	-

Note: Xiamen Global had been terminated on March 12, 2020, and the funds will be remitted after the completion of liquidation process in mainland China.

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) Income tax

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

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, 2019.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Cash on hand	\$ 123	\$ 123	\$ 122
Checking accounts and demand deposits	1,444,217	1,838,871	931,949
Time deposits	4,500	-	777,801
	<u>\$ 1,448,840</u>	<u>\$ 1,838,994</u>	<u>\$ 1,709,872</u>

A. The Group transacts with a variety of financial institutions with high credit quality to disperse credit risk and expects that the probability of counterparty default is remote.

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

(2) Accounts receivable

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Accounts receivable	\$ 206,763	\$ 322,130	\$ 275,259
Less: Loss allowance	(5,460)	(5,063)	(2,567)
	<u>\$ 201,303</u>	<u>\$ 317,067</u>	<u>\$ 272,692</u>

A. As of March 31, 2020, December 31, 2019 and March 31, 2019, accounts receivable were all from contracts with customers. And as of January 1, 2019, the balance of receivables from contracts with customers was \$212,806.

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

(3) Inventories

	<u>March 31, 2020</u>		
	<u>Cost</u>	<u>Allowance</u>	<u>Book value</u>
Raw materials	\$ 127,948	(\$ 20,783)	\$ 107,165
Work in progress	253,884	(39,839)	214,045
Finished goods	51,803	(3,621)	48,182
	<u>\$ 433,635</u>	<u>(\$ 64,243)</u>	<u>\$ 369,392</u>
	<u>December 31, 2019</u>		
	<u>Cost</u>	<u>Allowance</u>	<u>Book value</u>
Raw materials	\$ 129,722	(\$ 18,486)	\$ 111,236
Work in progress	220,891	(28,855)	192,036
Finished goods	54,487	(4,776)	49,711
	<u>\$ 405,100</u>	<u>(\$ 52,117)</u>	<u>\$ 352,983</u>

	March 31, 2019		
	Cost	Allowance	Book value
Raw materials	\$ 150,810	(\$ 18,352)	\$ 132,458
Work in progress	195,122	(44,386)	150,736
Finished goods	61,056	(3,449)	57,607
	<u>\$ 406,988</u>	<u>(\$ 66,187)</u>	<u>\$ 340,801</u>

Expenses and costs incurred as cost of operating revenue for the three-month periods ended March 31, 2020 and 2019 were as follows:

	Three-month periods ended March 31,	
	2020	2019
Cost of goods sold	\$ 208,851	\$ 251,796
Loss on (recovery of) market price decline	14,611 (610)
Revenue from sale of scraps	(16,008)	(9,337)
	<u>\$ 207,454</u>	<u>\$ 241,849</u>

The Group recognized recovery of loss of market price decline for the three-month period ended March 31, 2019 because some of the inventories previously written down were sold.

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

Items	March 31, 2020	December 31, 2019	March 31, 2019
Non-current items:			
Equity instruments			
Unlisted stocks	\$ -	\$ 164,000	\$ 164,000
Net exchange difference	-	(4,469)	-
Total	<u>\$ -</u>	<u>\$ 159,531</u>	<u>\$ 164,000</u>

- A. 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 \$159,531 and \$164,000 as of December 31, 2019 and March 31, 2019, respectively.
- B. On January 30, 2020, the Group participated in Unikorn Semiconductor Corporation's ("Unikorn") issuance of common stocks for cash amounting to \$400,000 (USD 13,793 thousand). Through the completion of participation in Unikorn's issuance of common stocks, the Group holds 36.06% of Unikorn's common stocks issued, which resulted in the Group having a significant influence in Unikorn; therefore, the investment in Unikorn was reclassified from financial assets measured at fair value through other comprehensive income to investments accounted for using the equity method. Please refer to Note 6(5) for details.

(5) Investments accounted for using the equity method

	2020	2019
At January 1	\$ -	\$ -
Transfer from financial assets at fair value through other comprehensive income	164,000	-
Addition of investments accounted for using the equity method	400,000	-
Share of net loss of investments accounted for using the equity method	(41,281)	-
Net exchange difference	(2,854)	-
March 31	<u>\$ 519,865</u>	<u>\$ -</u>
	<u>March 31, 2020</u>	<u>March 31, 2019</u>
Joint venture	<u>\$ 519,865</u>	<u>\$ -</u>

A. Joint venture

(a) The basic information of the joint venture that is material to the Group is as follows:

Company name	Principal place of business	Shareholding ratio			Nature of relationship	Methods of measurement
		March 31, 2020	December 31, 2019	March 31, 2019		
Unikorn Semiconductor Corporation ("Unikorn")	Taiwan	36.06%	-	-	Joint venture	Equity method

(b) The summarized financial information of the joint venture that is material to the Group is as follows:

Balance sheet

	Unikorn
	March 31, 2020
Current assets	\$ 135,032
Non-current assets	1,321,716
Current liabilities	(537,657)
Non-current liabilities	(21,609)
Total net assets	<u>\$ 897,482</u>

Statement of comprehensive income

	Unikorn
	Three-month period ended March 31, 2020
Net loss/ total comprehensive loss	<u>(\$ 114,480)</u>

(6) Property, plant and equipment

	Land	Buildings	Machinery equipment	Computer and communication equipment	Research equipment	Office equipment	Leasehold improvements	Construction in progress	Total
At January 1, 2020									
Cost	\$ 138,058	\$ 92,039	\$ 1,189,695	\$ 10,647	\$ 99,712	\$ 11,514	\$ 293,827	\$ 104,363	\$ 1,939,855
Accumulated depreciation	-	(11,614)	(840,230)	(8,895)	(50,181)	(10,271)	(242,856)	-	(1,164,047)
<u>2020</u>	<u>\$ 138,058</u>	<u>\$ 80,425</u>	<u>\$ 349,465</u>	<u>\$ 1,752</u>	<u>\$ 49,531</u>	<u>\$ 1,243</u>	<u>\$ 50,971</u>	<u>\$ 104,363</u>	<u>\$ 775,808</u>
Opening net book amount	\$ 138,058	\$ 80,425	\$ 349,465	\$ 1,752	\$ 49,531	\$ 1,243	\$ 50,971	\$ 104,363	\$ 775,808
Additions	-	-	414	107	-	-	-	4,182	4,703
Disposals	-	-	(26)	-	-	(17)	-	-	(43)
Reclassifications	-	-	88,311	-	-	-	-	(88,311)	-
Depreciation charges	-	(660)	(22,083)	(291)	(2,876)	(231)	(1,922)	-	(28,063)
Impairment loss	-	-	(958)	-	-	(2)	-	-	(960)
Net exchange differences	1,151	667	2,996	13	363	8	417	535	6,150
Closing net book amount	<u>\$ 139,209</u>	<u>\$ 80,432</u>	<u>\$ 418,119</u>	<u>\$ 1,581</u>	<u>\$ 47,018</u>	<u>\$ 1,001</u>	<u>\$ 49,466</u>	<u>\$ 20,769</u>	<u>\$ 757,595</u>
At March 31, 2020									
Cost	\$ 139,209	\$ 92,806	\$ 1,284,452	\$ 10,784	\$ 99,966	\$ 11,439	\$ 296,208	\$ 20,769	\$ 1,955,633
Accumulated depreciation and impairment	-	(12,374)	(866,333)	(9,203)	(52,948)	(10,438)	(246,742)	-	(1,198,038)
	<u>\$ 139,209</u>	<u>\$ 80,432</u>	<u>\$ 418,119</u>	<u>\$ 1,581</u>	<u>\$ 47,018</u>	<u>\$ 1,001</u>	<u>\$ 49,466</u>	<u>\$ 20,769</u>	<u>\$ 757,595</u>

	Land	Buildings	Machinery equipment	Computer and communication equipment	Research equipment	Office equipment	Leasehold improvements	Construction in progress	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)									
	-	-	-	-	-	-	(12,992)	-	(12,992)
	<u>\$ 141,466</u>	<u>\$ 85,103</u>	<u>\$ 354,922</u>	<u>\$ 2,293</u>	<u>\$ 60,353</u>	<u>\$ 2,325</u>	<u>\$ -</u>	<u>\$ 64,187</u>	<u>\$ 710,649</u>
2019									
Opening net book amount	\$ 141,466	\$ 85,103	\$ 354,922	\$ 2,293	\$ 60,353	\$ 2,325	\$ -	\$ 64,187	\$ 710,649
Additions	-	-	59,195	260	236	-	-	-	59,691
Depreciation charges	-	(676)	(20,889)	(280)	(2,843)	(284)	-	(3,122)	(28,094)
Net exchange differences	460	278	1,085	6	182	6	-	210	2,227
Closing net book amount	<u>\$ 141,926</u>	<u>\$ 84,705</u>	<u>\$ 394,313</u>	<u>\$ 2,279</u>	<u>\$ 57,928</u>	<u>\$ 2,047</u>	<u>\$ -</u>	<u>\$ 61,275</u>	<u>\$ 744,473</u>

At March 31, 2019

Cost	\$ 141,926	\$ 94,617	\$ 1,231,034	\$ 10,763	\$ 100,623	\$ 11,768	\$ -	\$ 301,828	\$ 1,892,559
Accumulated depreciation	-	(9,912)	(836,721)	(8,484)	(42,695)	(9,721)	-	(240,553)	(1,148,086)
	<u>\$ 141,926</u>	<u>\$ 84,705</u>	<u>\$ 394,313</u>	<u>\$ 2,279</u>	<u>\$ 57,928</u>	<u>\$ 2,047</u>	<u>\$ -</u>	<u>\$ 61,275</u>	<u>\$ 744,473</u>

Note: Please refer to Note 6(7) for the information about the adjustment of initial application of IFRS 16 on January 1, 2019.

A. Amount of borrowing costs capitalized as part of property, plant and equipment for the three-month periods ended March 31, 2020 and 2019: None.

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

(7) Leasing arrangements — lessee

A. The Group leases various assets including plant, office premises 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. Short-term leases with a lease term of 12 months or less comprise office premises and parking spaces. Low-value assets comprise of office equipment.

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

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings	\$ 14,678	\$ 23,712	\$ 31,207
Machinery equipment	5,463	6,659	11,892
	<u>\$ 20,141</u>	<u>\$ 30,371</u>	<u>\$ 43,099</u>

	<u>Three-month periods ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Buildings	\$ 2,120	\$ 2,347
Machinery equipment	1,247	1,141
	<u>\$ 3,367</u>	<u>\$ 3,488</u>

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

	<u>Three-month periods ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 309	\$ 484
Expense on short-term lease agreements	377	289
Expense on leases of low-value assets	20	24

D. For the three-month periods ended March 31, 2020 and 2019, the Group's total cash outflow for leases amounted to \$2,932 and \$5,388, respectively.

(8) Intangible assets

	<u>Software</u>	<u>Goodwill</u>	<u>Total</u>
<u>At January 1, 2020</u>			
Cost	\$ 78,068	\$ 174,186	\$ 252,254
Accumulated amortization and impairment	(55,222)	-	(55,222)
	<u>\$ 22,846</u>	<u>\$ 174,186</u>	<u>\$ 197,032</u>
<u>2020</u>			
At January 1	\$ 22,846	\$ 174,186	\$ 197,032
Amortization charges	(1,644)	-	(1,644)
Net exchange differences	181	1,453	1,634
At March 31	<u>\$ 21,383</u>	<u>\$ 175,639</u>	<u>\$ 197,022</u>
<u>At March 31, 2020</u>			
Cost	\$ 78,709	\$ 175,639	\$ 254,348
Accumulated amortization and impairment	(57,326)	-	(57,326)
	<u>\$ 21,383</u>	<u>\$ 175,639</u>	<u>\$ 197,022</u>
	<u>Software</u>	<u>Goodwill</u>	<u>Total</u>
<u>At January 1, 2019</u>			
Cost	\$ 62,791	\$ 178,486	\$ 241,277
Accumulated amortization and impairment	(55,788)	-	(55,788)
	<u>\$ 7,003</u>	<u>\$ 178,486</u>	<u>\$ 185,489</u>
<u>2019</u>			
At January 1	\$ 7,003	\$ 178,486	\$ 185,489
Additions	2,184	-	2,184
Amortization charges	(1,007)	-	(1,007)
Net exchange differences	21	581	602
At March 31	<u>\$ 8,201</u>	<u>\$ 179,067</u>	<u>\$ 187,268</u>
<u>At March 31, 2019</u>			
Cost	\$ 64,130	\$ 179,067	\$ 243,197
Accumulated amortization and impairment	(55,929)	-	(55,929)
	<u>\$ 8,201</u>	<u>\$ 179,067</u>	<u>\$ 187,268</u>

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

	Three-month periods ended March 31,	
	2020	2019
Cost of operating revenue	\$ 1,595	\$ 958
General and administrative expenses	49	49
	<u>\$ 1,644</u>	<u>\$ 1,007</u>

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

As of March 31, 2020, the Group's assumptions used for impairment testing did not change significantly. Please refer to Note 6(7) for the goodwill impairment testing in the consolidated financial statements for the year ended December 31, 2019.

(9) Non-current assets

Item	March 31, 2020	December 31, 2019	March 31, 2019
Prepayments for equipment	\$ 13,772	\$ 7,723	\$ 51,078
Refundable deposits (Note 1)	3,363	4,568	3,434
Reserve account-demand deposits (Note 2)	2,183	2,311	-
Time deposits (Note 2)	317	314	311
Other non-current assets	-	2,892	3,787
	<u>\$ 19,635</u>	<u>\$ 17,808</u>	<u>\$ 58,610</u>

Note 1: Please refer to Note 8 for the information of the contracts secured by refundable deposits.

Note 2: Please refer to Note 8 for the information of the Group's pledged assets.

(10) Short-term borrowings

Type of borrowings	March 31, 2020	December 31, 2019	March 31, 2019	Interest rate range	Collateral
Bank borrowings					
Secured borrowings	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 20,000</u>	1.70%~1.75%	Time deposit (Note)

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

(11) Other payables

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Accrued salaries and bonuses	\$ 65,079	\$ 66,189	\$ 33,956
Accrued employees' compensation and directors' remuneration	10,677	24,208	29,374
Accrued unused compensated absences	23,197	25,670	26,199
Dividends payable	45,623	-	-
Accrued professional service fees	4,956	2,483	5,276
Accrued utilities	2,128	2,515	2,258
Accrued outsourcing manufacturing services charges	1,723	2,394	2,573
Payables for equipment	-	12,691	9,344
Other accrued expenses	18,297	21,630	29,481
	<u>\$ 171,680</u>	<u>\$ 157,780</u>	<u>\$ 138,461</u>

(12) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate</u>	<u>Collateral</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Subsidiary- Global Communication Semiconductor, LLC						
Secured borrowings (Note 1)	(Note 3)	4.00%	Land and buildings (Note 5)	\$ 51,254	\$ 56,041	\$ 73,344
Subsidiary- D-Tech Optoelectronics (Taiwan) Corporation						
Secured borrowings (Note 1)	(Note 4)	2.67%	(Note 2)	8,730	9,204	-
				59,984	65,245	73,344
Less: Current portion				(23,446)	(23,050)	(21,089)
				<u>\$ 36,538</u>	<u>\$ 42,195</u>	<u>\$ 52,255</u>

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 March 31, 2020, December 31, 2019 and March 31, 2019, 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 throughout 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. Please refer to Note 8 for the information of the Group's assets pledged for secured borrowings.

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.

(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 periods ended March 31, 2020 and 2019 amounted to \$5,559 and \$5,265, respectively.

(14) Share-based payment-employee compensation plan

- A. Through March 31, 2020, December 31, 2019 and March 31, 2019, 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)

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting condition
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)
Employee stock options	March 2020	250,000 shares	10 years	(Note 1)
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)
Restricted stocks to employees (Note 3)	March 2020	518,000 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:

	Three-month period ended March 31, 2020		
	No. of options	Currency	Weighted average exercise price (in dollars)
Options outstanding at beginning of the period	2,523,079	NTD	\$ 58.45
Options granted	250,000	NTD	45.20
Options forfeited	(3,000)	NTD	62.30
Options outstanding at end of the period	<u>2,770,079</u>	NTD	57.25
Options exercisable at end of the period	<u>1,577,162</u>	NTD	55.23

	Three-month period ended March 31, 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	578,000	NTD	60.70
Options exercised	(18,396)	NTD	30.20
Options forfeited	(5,000)	NTD	64.00
Options outstanding at end of the period	<u>2,584,061</u>	NTD	58.92
Options exercisable at end of the period	<u>1,146,894</u>	NTD	48.12

C. No stock options were exercised for the three-month period ended March 31, 2020. The weighted-average stock price of stock options at exercise dates for the three-month period ended March 31, 2019 was \$58.59 (in dollars).

D. As of March 31, 2020, December 31, 2019 and March 31, 2019, the range of exercise prices of stock options outstanding are as follows:

Grant date	Expiry date	March 31, 2020		
		No. of Shares	Currency	Stock options exercise price (in dollars)
April 2013	April 2023	160,146	NTD	\$ 11.10
October 2013	October 2023	12,397	NTD	17.30
November 2014	November 2024	53,667	NTD	31.90
February 2015	February 2025	257,869	NTD	40.20
March 2016	March 2026	5,000	NTD	69.20
August 2016	August 2026	815,000	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	19,000	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
March 2020	March 2030	250,000	NTD	45.20
		<u>2,770,079</u>		

December 31, 2019				
Grant date	Expiry date	No. of Shares	Currency	Stock options exercise price (in dollars)
April 2013	April 2023	160,146	NTD	\$ 11.10
October 2013	October 2023	12,397	NTD	17.30
November 2014	November 2024	53,667	NTD	31.90
February 2015	February 2025	257,869	NTD	40.20
March 2016	March 2026	5,000	NTD	69.20
August 2016	August 2026	815,000	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
		<u>2,523,079</u>		

March 31, 2019				
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	24,835	NTD	17.63
November 2014	November 2024	54,188	NTD	32.50
January 2015	January 2025	7,500	NTD	41.90
February 2015	February 2025	303,142	NTD	41.00
March 2016	March 2026	5,000	NTD	70.60
August 2016	August 2026	840,000	NTD	65.40
November 2016	November 2026	26,000	NTD	64.00
February 2017	February 2027	15,000	NTD	56.80
August 2017	August 2027	205,000	NTD	66.10
January 2018	January 2028	13,000	NTD	86.20
February 2018	February 2028	315,000	NTD	83.10
August 2018	August 2028	22,000	NTD	63.60
November 2018	November 2028	5,000	NTD	49.20
March 2019	March 2029	578,000	NTD	60.70
		<u>2,584,061</u>		

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

Employee restricted stocks	Three-month periods ended March 31,	
	2020	2019
	No. of shares	No. of shares
Outstanding at beginning of the period	768,000	510,500
Granted (Notes 1 and 2)	518,000	570,000
Vested	(475,500)	(193,500)
Retired	-	(8,000)
Outstanding at end of the period	<u>810,500</u>	<u>879,000</u>

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 2020 and 2019 was \$45.20 (in dollars) and \$60.70 (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 (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option period (years)	Expected dividend yield rate	Risk-free interest rate	Weighted average fair value (in dollars)
Employee stock options	March 2019	NTD	\$ 57.58	\$ 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
Employee stock options	March 2020	NTD	63.11	45.20	50.77%	6.26	1.00%	0.48%	42.83

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

Equity-settled	Three-month periods ended March 31,	
	2020	2019
	<u>\$ 6,807</u>	<u>\$ 6,903</u>

(15) Common stock

A. As of March 31, 2020, the Company's paid-in capital was \$913,515, consisting of 91,351,504 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

	<u>2020</u>	<u>2019</u>
Outstanding ordinary shares at January 1	89,456,504	80,789,626
Exercise of employee stock options	-	18,396
Issuance of restricted stocks to employees	518,000	570,000
Retirement of restricted stocks to employees	-	(8,000)
Issuance of share capital - Global Depository Receipts	-	8,000,000
Outstanding ordinary shares at March 31	89,974,504	89,370,022
Treasury stocks	1,377,000	1,377,000
Issued ordinary shares at March 31	<u>91,351,504</u>	<u>90,747,022</u>

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 January and July 2019, the Company had retrieved 8,000 and 1,500 employee restricted stocks, respectively, due to the employees' resignation, and the retrieved shares have 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 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 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 Depository 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 March 31, 2020, the outstanding GDRs were 1,200 thousand units, or 6,000 thousand shares of common stock, representing 6.57% 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 warrant 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:

		<u>March 31, 2020</u>	
<u>Name of company holding the shares</u>	<u>Reason for repurchase</u>	<u>Number of shares</u>	<u>Carrying amount</u>
The Company	To be reissued to employees	1,377,000	\$ 90,870

		<u>December 31, 2019</u>	
<u>Name of company holding the shares</u>	<u>Reason for repurchase</u>	<u>Number of shares</u>	<u>Carrying amount</u>
The Company	To be reissued to employees	1,377,000	\$ 90,870

		<u>March 31, 2019</u>	
<u>Name of company holding the shares</u>	<u>Reason for repurchase</u>	<u>Number of shares</u>	<u>Carrying amount</u>
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 realized 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.

	2020				
	Share premium	Employee stock options	Employee restricted stocks	Others	Total
At January 1	\$ 1,306,536	\$ 64,747	\$ 45,119	\$ 31,552	\$ 1,447,954
Compensation costs of share-based payment	-	2,351	-	-	2,351
Issuance of restricted stocks to employees	-	-	18,197	-	18,197
Restricted stocks to employees vested	27,870	-	(27,870)	-	-
At March 31	<u>\$ 1,334,406</u>	<u>\$ 67,098</u>	<u>\$ 35,446</u>	<u>\$ 31,552</u>	<u>\$ 1,468,502</u>
	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	-	1,603	-	-	1,603
Issuance of restricted stocks to employees	-	-	28,852	-	28,852
Restricted stocks to employees vested	14,647	-	(14,647)	-	-
Retrieve restricted stocks from employees	-	-	(644)	-	(644)
Exercise of employee stock options	1,216	(842)	-	-	374
Issuance of share capital - GDRs	310,555	-	-	-	310,555
At March 31	<u>\$ 1,291,588</u>	<u>\$ 58,217</u>	<u>\$ 52,018</u>	<u>\$ 31,552</u>	<u>\$ 1,433,375</u>

(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. The amendments to the Company's Articles of Incorporation has been approved by the Company's shareholders in its meeting held on June 5, 2019, which stipulates distribution of earnings by way of cash dividends should be approved by the Company's Board of Directors and reported to the Company's shareholders in its meeting.
- 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 2019 earnings had been resolved by the Board of Directors on March 16, 2020 and the appropriations of 2018 earnings had been resolved by the shareholders' meeting on June 5, 2019. Details are summarized below:

	2019		2018	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Cash dividends	\$ 45,623	\$ 0.51	\$ 106,561	\$ 1.20

(18) Other equity interest

	2020		
	Currency translation differences	Unearned employee compensation	Total
At January 1	(\$ 42,043)	(\$ 13,841)	(\$ 55,884)
Currency translation differences	27,580	-	27,580
Compensation costs of share-based payment	-	4,456	4,456
Issuance of restricted stocks to employees	-	(23,377)	(23,377)
At March 31	(\$ 14,463)	(\$ 32,762)	(\$ 47,225)

	2019		
	Currency translation differences	Unearned employee compensation	Total
At January 1	\$ 43,005	(\$ 15,200)	\$ 27,805
Currency translation differences	8,982	-	8,982
Compensation costs of share-based payment	-	5,300	5,300
Issuance of restricted stocks to employees	-	(34,552)	(34,552)
Retrieve restricted stocks from employees	-	749	749
At March 31	<u>\$ 51,987</u>	<u>(\$ 43,703)</u>	<u>\$ 8,284</u>

(19) Operating revenue

	Three-month periods ended March 31,	
	2020	2019
Revenue from contracts with customers	<u>\$ 367,352</u>	<u>\$ 377,909</u>

A. Disaggregation of revenue from contracts with customers

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

	Three-month period ended March 31, 2020		
	Sales revenue	Royalty revenue	Total
China	\$ 193,271	\$ 1,357	\$ 194,628
United States	122,165	-	122,165
Taiwan	20,104	1,600	21,704
Others	28,855	-	28,855
	<u>\$ 364,395</u>	<u>\$ 2,957</u>	<u>\$ 367,352</u>

	Three-month period ended March 31, 2019			
	Sales revenue	Service revenue	Royalty revenue	Total
China	\$ 187,604	\$ 3,854	\$ -	\$ 191,458
United States	152,926	-	-	152,926
Taiwan	20,681	-	2,017	22,698
Others	10,827	-	-	10,827
	<u>\$ 372,038</u>	<u>\$ 3,854</u>	<u>\$ 2,017</u>	<u>\$ 377,909</u>

B. Contract liabilities

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

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>	<u>January 1, 2019</u>
Contract liabilities				
– advance sales receipts	\$ 8,998	\$ 11,875	\$ 15,483	\$ 16,302

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

	<u>Three-month periods ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Contract liabilities – advance sales receipts	\$ 9,419	\$ 8,276

(20) Other gains and losses

	<u>Three-month periods ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Gain on disposal of property, plant and equipment	\$ 213	\$ -
Net currency exchange gains (losses)	461	(109)
Other losses	(87)	-
	<u>\$ 587</u>	<u>(\$ 109)</u>

(21) Finance costs

	<u>Three-month periods ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Interest expense	\$ 687	\$ 898
Leased liabilities - Interest expense	307	484
	<u>\$ 994</u>	<u>\$ 1,382</u>

(22) Expenses by nature

	<u>Three-month periods ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Employee benefit expense	\$ 165,746	\$ 188,041
Depreciation charges on property, plant and equipment and right-of-use assets	\$ 31,430	\$ 31,582
Amortization charges on intangible assets (recognized as cost of operating revenue and operating expenses)	\$ 1,644	\$ 1,007

(23) Employee benefit expense

	Three-month periods ended March 31,	
	2020	2019
Wages and salaries	\$ 139,343	\$ 160,672
Compensation costs of share-based payment	6,807	6,903
Insurance expenses	13,697	14,758
Pension costs	5,559	5,265
Other personnel expenses	340	443
	<u>\$ 165,746</u>	<u>\$ 188,041</u>

- 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 periods ended March 31, 2020 and 2019, employees' compensation was accrued at \$794 and \$930, respectively; directors' remuneration was accrued at \$318 and \$372, 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 March 31, 2020. Employees' compensation and directors' remuneration of 2019 as resolved by the Board of Directors were in agreement with those amounts recognized in the 2019 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

Components of income tax expense:

	Three-month periods ended March 31,	
	2020	2019
Current tax:		
Current tax on profit for the period	\$ 6,506	\$ 3,090
Total current tax	6,506	3,090
Deferred tax:		
Origination and reversal of temporary differences	5,703	1,210
Total deferred tax	5,703	1,210
Income tax expense	\$ 12,209	\$ 4,300

B. Through March 31, 2020, the assessment of income tax returns of the Taiwan subsidiaries are as follows:

<u>Name of subsidiary</u>	<u>Assessment of income tax returns</u>
Global Device Technologies, Co., Ltd.	Assessed and approved up to 2018
D-Tech Optoelectronics (Taiwan) Corporation	Assessed and approved up to 2018

(25) Earnings per share (EPS)

Details of ordinary stocks per share are as follows:

	Three-month period ended March 31, 2020		
	Amount after tax	Weighted average outstanding stocks (in thousand of shares)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 2,477	88,738	\$ 0.03
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 2,477	88,738	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	309	
Employee stock options	-	663	
Employee restricted stocks	-	242	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 2,477	89,952	\$ 0.03

Three-month period ended March 31, 2019			
	Amount after tax	Weighted average outstanding stocks (in thousand of shares)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 14,742	86,066	\$ 0.17
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 14,742	86,066	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	312	
Employee stock options	-	271	
Employee restricted stocks	-	109	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 14,742	86,758	\$ 0.17

(26) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Three-month periods ended March 31,	
	2020	2019
Acquisition of property, plant and equipment (including transfers)	\$ 4,703	\$ 59,691
Add: Ending balance of prepayments for equipment (Note)	13,772	51,078
Less: Beginning balance of prepayments for equipment (Note)	(7,723)	(106,676)
Less: Ending balance of payables for equipment	-	(9,344)
Add: Beginning balance of payables for equipment	12,691	27,460
Cash paid	\$ 23,443	\$ 22,209

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

B. Financing activities with no cash flow effect:

	Three-month periods ended March 31,	
	2020	2019
Cash dividends	\$ 45,623	\$ -
Less: Other payables	(45,623)	-
Dividends paid	\$ -	\$ -

(27) Changes in liabilities from financing activities

	Short-term borrowings	Lease liabilities	Long-term borrowings (including current portion)	Dividends payable	Liabilities from financing activities
At January 1, 2020	\$ 20,000	\$ 27,981	\$ 65,245	\$ -	\$ 113,226
Changes in cash flow from financing activities	-	(2,226)	(5,707)	-	(7,933)
Interest expense	-	309	-	-	309
Interest paid	-	(309)	-	-	(309)
Lease modifications	-	(11,019)	-	-	(11,019)
Declaration of cash dividends	-	-	-	45,623	45,623
Net exchange differences	-	130	446	-	576
At March 31, 2020	<u>\$ 20,000</u>	<u>\$ 14,866</u>	<u>\$ 59,984</u>	<u>\$ 45,623</u>	<u>\$ 140,473</u>

	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)	(4,591)	(5,154)	(10,045)
Interest expense	-	484	-	484
Net exchange differences	-	95	256	351
At March 31, 2019	<u>\$ 20,000</u>	<u>\$ 39,408</u>	<u>\$ 73,344</u>	<u>\$ 132,752</u>

7. RELATED PARTY TRANSACTIONS

Key management compensation

	Three-month periods ended March 31,	
	2020	2019
Salaries and other short-term employee benefits	\$ 31,332	\$ 35,580
Post-employment benefits	1,205	1,370
Compensation costs of share-based payment	3,605	3,354
	<u>\$ 36,142</u>	<u>\$ 40,304</u>

8. PLEDGED ASSETS

As of March 31, 2020, December 31, 2019 and March 31, 2019, the Group's assets pledged as collateral were as follows:

<u>Assets</u>	<u>March 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>	<u>March 31,</u> <u>2019</u>	<u>Purpose</u>
Land	\$ 139,209	\$ 138,058	\$ 141,926	Long-term borrowings
Buildings	80,432	80,425	84,705	Long-term borrowings
Time deposits (Shown as "Other current assets")	32,016	30,951	31,818	Short-term borrowings
Reserve account-demand deposits (Shown as "Other non-current assets")	2,183	2,311	-	Long-term borrowings
Time deposits (Shown as "Other non-current assets")	317	314	311	Custom guarantee for imported goods
Refundable deposits (Shown as "Other non-current assets")	3,363	4,568	3,434	Deposits for office rental and waste water treatment

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

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

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Property, plant and equipment	<u>\$ 15,133</u>	<u>\$ 45,732</u>	<u>\$ 22,598</u>

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On May 8, 2020, the Board of Directors resolved to set up a wholly-owned mainland China subsidiary by investing within USD 5 million for the Group's business development, and the Chairman and Chief Executive Officer of the Company are authorized with full power to oversee the establishment of the mainland China subsidiary and the related matters.

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

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
<u>Financial assets</u>			
Financial assets measured at fair value through other comprehensive income	\$ -	\$ 159,531	\$ 164,000
<u>Financial assets at amortized cost</u>			
Cash and cash equivalents	\$ 1,448,840	\$ 1,838,994	\$ 1,709,872
Notes receivable	-	59	48
Accounts receivable	201,303	317,067	272,692
Other receivables	29,115	19,687	20,254
Guarantee deposits paid	3,363	4,568	3,434
Reserve account- demand deposits (Shown as "Other non-current assets")	2,183	2,311	-
Time deposits (over three-month period) (Shown as "Other current and non-current assets")	183,483	31,265	32,129
	<u>\$ 1,868,287</u>	<u>\$ 2,213,951</u>	<u>\$ 2,038,429</u>
<u>Financial liabilities</u>			
<u>Financial liabilities at amortized cost</u>			
Short-term borrowings	\$ 20,000	\$ 20,000	\$ 20,000
Accounts payable	23,208	15,872	25,351
Other payables	171,680	157,780	138,461
Long-term borrowings (including current portion)	59,984	65,245	73,344
	<u>\$ 274,872</u>	<u>\$ 258,897</u>	<u>\$ 257,156</u>
Lease liabilities	<u>\$ 14,866</u>	<u>\$ 27,981</u>	<u>\$ 39,408</u>

B. Financial risk management policies

- 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.
- 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 three-month periods ended March 31, 2020 and 2019, 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 \$96 and \$40 for the three-month periods ended March 31, 2020 and 2019, 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 and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored.
- iii. The Group does not hold any collateral as security for notes receivable and accounts receivable. As of March 31, 2020, December 31, 2019 and March 31, 2019, with no collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the Group's notes receivable was \$0, \$59 and \$48, respectively, and the maximum exposure to credit risk in respect of the Group's accounts receivable was \$201,303, \$317,067 and \$272,692, 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 adopts the assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
If the contract payment were past due over 30 days, based on the terms, there would be a significant increase in credit risk on that instrument since initial recognition.
- vi. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - a. It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - b. The disappearance of an active market for that financial asset because of financial difficulties;

vii. 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.

viii. 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. As of March 31, 2020, December 31, 2019 and March 31, 2019, the loss rate methodology is as follows:

	Not past due	Less than		More than 180 days past due	Total
		Less than 90 days past due	Less than 180 days and more than 90 days past due		
<u>Accounts receivable</u>					
<u>At March 31, 2020</u>					
Expected loss rate	0%~1%	1%~15%	16%~31%	31%~100%	
Total book value	\$ 170,782	\$ 28,748	\$ 722	\$ 6,511	\$ 206,763
Loss allowance	\$ 18	\$ 296	\$ 195	\$ 4,951	\$ 5,460

	Not past due
<u>Notes receivable</u>	
<u>At December 31, 2019</u>	
Expected loss rate	0%
Total book value	\$ 59
Loss allowance	\$ -

	Not past due	Less than		More than 180 days past due	Total
		Less than 90 days past due	Less than 180 days and more than 90 days past due		
<u>Accounts receivable</u>					
<u>At December 31, 2019</u>					
Expected loss rate	0%~1%	1%~15%	16%~31%	31%~100%	
Total book value	\$ 237,419	\$ 75,581	\$ 2,721	\$ 6,409	\$ 322,130
Loss allowance	\$ 24	\$ 778	\$ 735	\$ 3,526	\$ 5,063

Notes receivable	<u>Not past due</u>
<u>At March 31, 2019</u>	
Expected loss rate	0%
Total book value	<u>\$ 48</u>
Loss allowance	<u>\$ -</u>

		Less than			
	Not	Less than	180 days and	More than	
	past due	90 days	more than 90	180 days	
<u>Accounts receivable</u>	<u>past due</u>	<u>past due</u>	<u>days past due</u>	<u>past due</u>	<u>Total</u>
<u>At March 31, 2019</u>					
Expected loss rate	0%~1%	1%~15%	16%~31%	31%~75%	
Total book value	<u>\$ 231,871</u>	<u>\$ 36,229</u>	<u>\$ 5,134</u>	<u>\$ 2,025</u>	<u>\$ 275,259</u>
Loss allowance	<u>\$ 23</u>	<u>\$ 362</u>	<u>\$ 912</u>	<u>\$ 1,270</u>	<u>\$ 2,567</u>

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

	<u>2020</u>
	<u>Notes and accounts receivable</u>
At January 1	\$ 5,063
Provision for impairment	353
Effect of foreign exchange	44
At March 31	<u>\$ 5,460</u>
	<u>2019</u>
	<u>Notes and accounts receivable</u>
At January 1	\$ 627
Provision for impairment	6,100
Write-offs	(4,161)
Effect of foreign exchange	1
At March 31	<u>\$ 2,567</u>

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. As of March 31, 2020, December 31, 2019 and March 31, 2019, the loss rate methodology is as follows:

Other receivables	<u>Not past due</u>
<u>At March 31, 2020</u>	
Expected loss rate	0%-100%
Total book value	<u>\$ 29,115</u>
Loss allowance	<u>\$ -</u>

Other receivables	<u>Not past due</u>
<u>At December 31, 2019</u>	
Expected loss rate	0%-100%
Total book value	<u>\$ 19,687</u>
Loss allowance	<u>\$ -</u>

Other receivables	<u>Not past due</u>
<u>At March 31, 2019</u>	
Expected loss rate	0%-100%
Total book value	<u>\$ 20,254</u>
Loss allowance	<u>\$ -</u>

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 chosen would be with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts.
- iii. The Group has the following undrawn borrowing facilities:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Floating rate:			
Expiring within one year	<u>\$ 17,270</u>	<u>\$ 16,796</u>	<u>\$ 26,000</u>

Note: The facilities expiring within one year are annual facilities subject to renegotiation at various dates during 2021.

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.

	<u>Less than 1 year</u>	<u>Over 1 year</u>
<u>Non-derivative financial liabilities:</u>		
March 31, 2020		
Short-term borrowings	\$ 20,256	\$ -
Accounts payable	23,208	-
Other payables	171,680	-
Lease liabilities	7,052	8,964
Long-term borrowings (including current portion)	25,421	39,807
	<u>Less than 1 year</u>	<u>Over 1 year</u>
<u>Non-derivative financial liabilities:</u>		
December 31, 2019		
Short-term borrowings	\$ 20,029	\$ -
Accounts payable	15,872	-
Other payables	157,780	-
Lease liabilities	10,830	18,680
Long-term borrowings (including current portion)	25,421	40,250
	<u>Less than 1 year</u>	<u>Over 1 year</u>
<u>Non-derivative financial liabilities:</u>		
March 31, 2019		
Short-term borrowings	\$ 20,293	\$ -
Accounts payable	25,351	-
Other payables	138,461	-
Lease liabilities	15,078	27,128
Long-term borrowings (including current portion)	23,681	56,812

(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 amortized 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, 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:

March 31, 2020 : None

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
December 31, 2019			
<u>Recurring fair value measurements</u>			
Financial assets measured at fair value through other comprehensive income	\$ -	\$ -	\$ 159,531
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
March 31, 2019			
<u>Recurring fair value measurements</u>			
Financial assets measured at fair value through other comprehensive income	\$ -	\$ -	\$ 164,000

D. The following chart is the movement of Level 3 financial instruments for the three-month periods ended March 31, 2020 and 2019:

	Financial assets measured at fair value through other comprehensive income	
	2020	2019
At January 1	\$ 159,531	\$ -
Transfer to investments accounted for using the equity method during the period	(164,000)	-
Acquired in the period	-	164,000
Net exchange differences	4,469	-
At March 31	<u>\$ -</u>	<u>\$ 164,000</u>

E. For the three-month periods ended March 31, 2020 and 2019, 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:

March 31, 2020 : None

	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of input to fair value
Non-derivative equity instrument:					
Unlisted stocks	\$ 159,531	Market comparable companies	Price to book ratio multiple	4.69	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.

	Fair value at March 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of input to fair value
Non-derivative equity instrument:					
Unlisted stocks	\$ 164,000	Same as latest trading price on unlisted market	Not applicable	Not applicable	Not applicable

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:

March 31, 2020 and 2019 : None

		December 31, 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%	\$ -	\$ -	\$ 3,226	(\$ 3,260)

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- (a) Loans to others: Please refer to table 1.
- (b) Provision of endorsements and guarantees to others: Please refer to table 2.
- (c) Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.
- (d) Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 4.
- (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: None.
- (j) Significant inter-company transactions: 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

Information on investments in mainland China :Please refer to table 11.

(4) Major shareholders information

Major shareholders information: Please refer to table 13.

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:

	Three-month periods ended March 31,	
	2020	2019
Revenue from external customers	\$ 367,352	\$ 377,909
Inter-segment revenue	-	-
Total segment revenue	<u>\$ 367,352</u>	<u>\$ 377,909</u>
Segment income (Note)	<u>\$ 14,764</u>	<u>\$ 17,293</u>
Segment assets	<u>\$ 3,886,093</u>	<u>\$ 3,834,670</u>
Segment liabilities	<u>\$ 373,535</u>	<u>\$ 401,404</u>

Note: Exclusive of income tax.

(3) Reconciliation for segment income (loss)

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

GCS HOLDINGS, INC.

Loans to others

Three-month period ended March 31, 2020

Table 1

Expressed in thousands of NTDT
(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the three-month period ended March 31, 2020 (Note 3)	Balance at March 31, 2020	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	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	\$ 60,500	\$ 60,460	\$ -	Settle by contract	2	\$ -	Operation	\$ -	None	\$ -	\$ 351,256	\$ 1,405,023	-
1	Global Communication Semiconductors, LLC	D-Tech Optoelectronics Corporation	Other receivable-related party	Yes	40,000	20,000	-	Settle by contract	2	-	Operation	-	None	-	1,109,836	1,109,836	-
1	Global Communication Semiconductors, LLC	D-Tech Optoelectronics, Inc.	Other receivable-related party	Yes	60,500	60,460	-	Settle by contract	2	-	Operation	-	None	-	1,109,836	1,109,836	-

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

Three-month period ended March 31, 2020

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	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 three-month period ended March 31, 2020	Outstanding endorsement/ guarantee amount at March 31, 2020	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				
															0.86%	\$	1,405,023	Y
0	GCS Holdings, Inc.	GCS Device Technologies, Co., Ltd.	2	\$	1,405,023	\$	30,230	\$	20,000	\$	30,230	0.86%	\$	1,405,023	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 (10%) 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 not exceed 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.

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital

Three-month period ended March 31, 2020

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Relationship with the investor	Balance as at January 1, 2020		Addition (Note 2)		Disposal			Balance as at March 31, 2020		
				Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
GCS Holdings, Inc.	Unikorn Semiconductor Corporation	Investment accounted for using equity method	Related party	16,400,000	\$ 164,000	40,000,000	\$ 400,000	-	\$ -	-	\$ -	56,400,000	\$ 519,865

Note1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note2: The number of shares for addition is the number of shares for issuance of share capital.

Note3: The amount of balance as of March 31, 2020 includes the share of net loss of investment accounted for using equity method, and the financial statements translation differences of foreign operation.

GCS HOLDINGS, INC.

Significant inter-company transactions during the reporting period
Three-month period ended March 31, 2020

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction		Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	
1	D-Tech Optoelectronics, Inc.	Global Communication Semiconductors, LLC	3	Sales revenue	\$ 2,713	0.74%
1	D-Tech Optoelectronics, Inc.	Global Communication Semiconductors, LLC	3	Other receivable - related party	839	0.02%
2	D-Tech Optoelectronics (Taiwan) Corporation	Global Communication Semiconductors, LLC	3	Service revenue	8,310	2.26%
2	D-Tech Optoelectronics (Taiwan) Corporation	Global Communication Semiconductors, LLC	3	Other receivable - related party	2,716	0.07%
2	D-Tech Optoelectronics (Taiwan) Corporation	D-Tech Optoelectronics, Inc.	3	Service revenue	2,378	0.65%

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)
Three-month period ended March 31, 2020

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee (Note 1 - 2)	Location	Main business activities	Initial investment amount		Shares held as at March 31, 2020	Ownership (%)	Book value	Net profit (loss) of the investee for the three-month period ended March 31, 2020 (Note 2(2))	Investment income (loss) recognized by the Company for the three-month period ended March 31, 2020 (Note 2(3))	Footnote
				Balance as at March 31, 2020	Balance as at December 31, 2019						
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%	\$ 2,774,589	\$ 53,645	\$ -	53,645
GCS Holdings, Inc.	GCS Device Technologies, Co., Ltd.	Taiwan	Product design and research development services	12,000	12,000	-	100%	27,883	419	-	419
GCS Holdings, Inc.	GCOM Semiconductor Co., Ltd.	Taiwan	Wholesaling and retailing of electronic components, product design, and outsourcing management services	50,000	50,000	5,000,000	100%	49,681	(32)	(32)	32
GCS Holdings, Inc.	Unikom Semiconductor Corporation	Taiwan	Specialized OEM of III-V compound semiconductors	564,000	164,000	56,400,000	36.06%	519,865	(159,694)	(41,281)	41,281
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%	387,666	(11,205)	(11,205)	11,205
D-Tech Optoelectronics, Inc.	D-Tech Optoelectronics Corporation	Taiwan	Manufacturing, retailing and wholesaling of telecommunications devices, and manufacturing and wholesaling of electronic components	89,840	89,840	5,800,000	100%	54,237	(5,486)	(5,486)	5,486

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 March 31, 2020' 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 three-month period ended March 31, 2020' column should fill in amount of net profit (loss) of the investee for this period.
- (3) The 'Investment income (loss)' recognized by the Company for the three-month period ended March 31, 2020' column should fill in the Company (public company) recognized investment income (loss) of its direct subsidiary and recognized investment income (loss) of its investee accounted for under the equity method for this period. When filling in 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 recognized by regulations.

GCS HOLDINGS, INC.
Information on investments in mainland China
Three-month period ended March 31, 2020

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 11

Investee in mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Amount remitted from Taiwan to mainland China/		Accumulated amount of remittance from Taiwan to mainland China as of March 31, 2020	Net income of investee for the three- month period ended March 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the three-month period ended March 31, 2020 (Note 2)(C)	Book value of investments in mainland China as of March 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2020	Footnote (Note 4)
				to Taiwan for the three-month period ended March 31, 2020	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	\$ -	\$ -	\$ -	159	51%	\$ 81	\$ -	(Note 4)	

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 three-month period ended March 31, 2020' 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.
Xiamen Global Advanced Semiconductor Co., Ltd. had been terminated on March 12, 2020, and the funds will be remitted after the completion of liquidation process in mainland China.

GCS HOLDINGS, INC.
Major shareholders information
March 31, 2020

Table 13

Name of major shareholders	Number of shares	Shares	Ownership (%)
The Bank of New York Mellon signed a depository contract for the participation of GCS Holdings, Inc. in the issuance of overseas depository receipts, registered as the joint representative of the depository receipt holders and the depository institution	6,000,000		6.60%

Note: (1)The major shareholders information in this table is calculated by the insurance company on the last business day at the end of each quarter, calculation of shareholders holding no physical sign in the delivery (including treasury stocks) of five percent above for common shares and special shares. As for the share capital recorded in the company's financial report and the number of shares actually delivered by the company without physical registration, differences may arise due to different calculation basis.
(2)If the above information are shares delivered to the trust, it is revealed by the individual account of the trustee who opened the trust account. As for the shareholders' handling of insider shareholdings with a shareholding of more than 10% in accordance with the Securities Exchange Act, individual holdings shares and delivery trust has the right on using trust property, for information on insider equity declaration, please refer to the Market Observation Post System at the website of the Taiwan Stock Exchange.