

GCS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
MARCH 31, 2022 AND 2021

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.

INDEPENDENT AUDITORS' REVIEW REPORT 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, 2022 and 2021, 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 described in Note 6(4), the financial statements of investments accounted for using the equity method were based solely on the financial statements prepared by the investees, which were not reviewed by independent accountants. The balance of investment accounted for using the equity method amounted to NT\$2,439,943 thousand and NT\$917,721 thousand, constituting 52% and 24% of the consolidated total assets as of March 31, 2022 and 2021, respectively; and the share of comprehensive loss of associates and joint ventures accounted for using equity method of NT\$142,184 thousand and NT\$97,814 thousand, respectively, constituting 422% and 144% of the consolidated total comprehensive loss for the three-month then ended, respectively.

Qualified Conclusion

Based on our reviews, except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of investments accounted for using the equity method been reviewed by independent accountants as described in the Basis for Qualified Conclusion Section, that we might have become aware of had it not been for the situation described above, 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, 2022 and 2021, 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

Lin, Yu-Kuan

For and on behalf of PricewaterhouseCoopers, Taiwan

May 3, 2022

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors’ report 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.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

GCS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2022, DECEMBER 31, 2021 AND MARCH 31, 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(THE BALANCE SHEETS AS OF MARCH 31, 2022 AND 2021 ARE REVIEWED, NOT AUDITED)

Assets	Notes	March 31, 2022		December 31, 2021		March 31, 2021		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 778,385	16	\$ 1,839,765	37	\$ 1,159,644	31
1170	Accounts receivable, net	6(2)	197,007	4	155,873	3	197,894	5
1180	Accounts receivable - related party	6(2) and 7	6,747	-	2,913	-	-	-
1200	Other receivables		4,658	-	3,755	-	8,103	-
1210	Other receivables - related party	7	121	-	15,754	-	-	-
1220	Current income tax assets		32,140	1	31,074	1	30,728	1
130X	Inventories	6(3)	304,085	6	280,451	6	346,235	9
1410	Prepayments		28,111	1	30,717	1	41,642	1
1470	Other current assets	8	31,071	1	29,960	1	30,887	1
11XX	Total current Assets		<u>1,382,325</u>	<u>29</u>	<u>2,390,262</u>	<u>49</u>	<u>1,815,133</u>	<u>48</u>
Non-current assets								
1550	Investments accounted for using equity method	6(4)	2,439,943	52	1,690,553	34	917,721	24
1600	Property, plant and equipment	6(5) and 8	633,606	14	575,485	12	691,484	18
1755	Right-of-use assets	6(6)	2,353	-	3,641	-	7,977	-
1780	Intangible assets	6(7)	97,648	2	94,366	2	143,474	4
1840	Deferred income tax assets		109,922	2	103,784	2	116,814	3
1960	Prepayments for investments		-	-	-	-	85,620	2
1990	Other non-current assets	6(9) and 8	49,126	1	43,903	1	13,091	1
15XX	Total non-current assets		<u>3,332,598</u>	<u>71</u>	<u>2,511,732</u>	<u>51</u>	<u>1,976,181</u>	<u>52</u>
1XXX	Total assets		<u>\$ 4,714,923</u>	<u>100</u>	<u>\$ 4,901,994</u>	<u>100</u>	<u>\$ 3,791,314</u>	<u>100</u>

(Continued)

GCS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2022, DECEMBER 31, 2021 AND MARCH 31, 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(THE BALANCE SHEETS AS OF MARCH 31, 2022 AND 2021 ARE REVIEWED, NOT AUDITED)

Liabilities and Equity		Notes	March 31, 2022		December 31, 2021		March 31, 2021	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities								
2100	Short-term borrowings	6(10)	\$ 20,000	1	\$ 20,000	-	\$ 20,000	1
2130	Current contract liabilities	6(19)	19,335	-	21,752	1	12,424	-
2170	Accounts payable		25,104	1	1,682	-	10,790	-
2200	Other payables	6(11)	129,188	3	96,763	2	107,665	3
2220	Other payables - related party	7	1,264	-	-	-	-	-
2230	Current income tax liabilities		68	-	42	-	54	-
2280	Current lease liabilities		1,905	-	3,393	-	6,195	-
2320	Long-term borrowings, current portion	6(12)	10,693	-	10,292	-	28,455	1
2399	Other current liabilities		835	-	984	-	834	-
21XX	Total current liabilities		<u>208,392</u>	<u>5</u>	<u>154,908</u>	<u>3</u>	<u>186,417</u>	<u>5</u>
Non-current liabilities								
2540	Long-term borrowings	6(12)	193,783	4	188,673	4	94,464	2
2570	Deferred income tax liabilities		61,200	1	59,173	1	60,802	2
2580	Non-current lease liabilities		-	-	-	-	1,899	-
25XX	Total non-current liabilities		<u>254,983</u>	<u>5</u>	<u>247,846</u>	<u>5</u>	<u>157,165</u>	<u>4</u>
2XXX	Total liabilities		<u>463,375</u>	<u>10</u>	<u>402,754</u>	<u>8</u>	<u>343,582</u>	<u>9</u>
Equity								
Share capital		6(15)						
3110	Common stock		1,108,826	23	1,106,761	23	918,328	24
Capital surplus		6(16)						
3200	Capital surplus		2,731,084	58	2,937,329	59	1,721,973	46
Retained earnings		6(17)						
3320	Special reserve		6,821	-	6,821	-	6,821	-
3350	Unappropriated retained earnings		538,658	11	715,327	15	1,056,808	28
Other equity interest		6(18)						
3400	Other equity interest		(133,841)	(2)	(254,043)	(5)	(165,328)	(5)
3500	Treasury stocks	6(15)	-	-	(12,955)	-	(90,870)	(2)
3XXX	Total equity		<u>4,251,548</u>	<u>90</u>	<u>4,499,240</u>	<u>92</u>	<u>3,447,732</u>	<u>91</u>
Significant contingent liabilities and unrecognized contract commitments		9						
3X2X	Total liabilities and equity		<u>\$ 4,714,923</u>	<u>100</u>	<u>\$ 4,901,994</u>	<u>100</u>	<u>\$ 3,791,314</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
THREE-MONTH PERIODS ENDED MARCH 31, 2022 AND 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR LOSSES PER SHARE)
(REVIEWED, NOT AUDITED)

Items	Notes	Three months ended March 31				
		2022		2021		
		AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(19)	\$ 297,485	100	\$ 301,307	100
5000	Cost of operating revenue	6(3)(22) and 7	(202,882)	(68)	(201,302)	(67)
5900	Net operating margin		<u>94,603</u>	<u>32</u>	<u>100,005</u>	<u>33</u>
	Operating expenses	6(22)(23)				
6100	Selling and marketing expenses		(8,340)	(3)	(6,944)	(3)
6200	General and administrative expenses		(54,370)	(18)	(51,766)	(17)
6300	Research and development expenses		(47,109)	(16)	(39,625)	(13)
6450	Net impairment loss on financial assets	12(2)	(28)	-	(886)	-
6000	Total operating expenses		(109,847)	(37)	(99,221)	(33)
6900	Operating (loss) profit		(15,244)	(5)	<u>784</u>	-
	Non-operating income and expenses					
7100	Interest income		667	-	1,935	1
7010	Other income	6(12)	113	-	6,838	2
7020	Other gains and losses	6(20)	(18,856)	(6)	(1,722)	(1)
7050	Finance costs	6(21)	(1,834)	(1)	(573)	-
7060	Share of net loss of associates and joint ventures accounted for using equity method	6(4)	(138,052)	(46)	(93,999)	(31)
7000	Total non-operating income and expenses		(157,962)	(53)	(87,521)	(29)
7900	Loss before income tax		(173,206)	(58)	(86,737)	(29)
7950	Income tax benefit (expense)	6(24)	2,544	1	(1,452)	-
8200	Net loss for the period		<u>(\$ 170,662)</u>	<u>(57)</u>	<u>(\$ 88,189)</u>	<u>(29)</u>
	Other comprehensive income (loss)					
	Other comprehensive income components that will not be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(18)	\$ 145,431	49	\$ 6,937	2
	Components of other comprehensive loss that will be reclassified to profit or loss					
8370	Share of other comprehensive loss of subsidiaries, associates and joint ventures accounted for using the equity method- financial statements translation differences of foreign operations	6(18)	(8,501)	(3)	(4,234)	(1)
8300	Total other comprehensive income, net		<u>\$ 136,930</u>	<u>46</u>	<u>\$ 2,703</u>	<u>1</u>
8500	Total comprehensive loss for the period		<u>(\$ 33,732)</u>	<u>(11)</u>	<u>(\$ 85,486)</u>	<u>(28)</u>
	Loss attributable to:					
8610	Owners of the parent		<u>(\$ 170,662)</u>	<u>(57)</u>	<u>(\$ 88,189)</u>	<u>(29)</u>
	Total comprehensive loss attributable to:					
8710	Owners of the parent		<u>(\$ 33,732)</u>	<u>(11)</u>	<u>(\$ 85,486)</u>	<u>(28)</u>
	Losses per share	6(25)				
9750	Basic losses per share (in dollars)		<u>(\$ 1.55)</u>		<u>(\$ 0.99)</u>	
9850	Diluted losses per share (in dollars)		<u>(\$ 1.55)</u>		<u>(\$ 0.99)</u>	

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

GCS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
THREE MONTHS ENDED MARCH 31, 2022 AND 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(REVIEWED, NOT AUDITED)

	Notes	Equity Attributable To Owners Of The Parent							Total
		Retained Earnings				Other Equity Interest			
		Common Stock	Capital Surplus	Special Reserve	Unappropriated Retained Earnings	Financial Statements Translation Differences Of Foreign Operations	Unearned Compensation Costs	Treasury Stocks	
Three-month period ended March 31, 2021									
Balance at January 1, 2021		\$ 914,058	\$ 1,703,520	\$ 6,821	\$ 1,144,997	(\$ 140,668)	(\$ 10,762)	(\$ 90,870)	\$ 3,527,096
Consolidated net loss for the period		-	-	-	(88,189)	-	-	-	(88,189)
Other comprehensive income for the period	6(18)	-	-	-	-	2,703	-	-	2,703
Total comprehensive (loss) income for the period		-	-	-	(88,189)	2,703	-	-	(85,486)
Compensation costs of share-based payment	6(14)(16)(18)	-	1,506	-	-	-	4,616	-	6,122
Issuance of restricted stocks to employees	6(14)(15)(16)(18)	4,270	16,947	-	-	-	(21,217)	-	-
Balance at March 31, 2021		<u>\$ 918,328</u>	<u>\$ 1,721,973</u>	<u>\$ 6,821</u>	<u>\$ 1,056,808</u>	<u>(\$ 137,965)</u>	<u>(\$ 27,363)</u>	<u>(\$ 90,870)</u>	<u>\$ 3,447,732</u>
Three-month period ended March 31, 2022									
Balance at January 1, 2022		\$ 1,106,761	\$ 2,937,329	\$ 6,821	\$ 715,327	(\$ 248,611)	(\$ 5,432)	(\$ 12,955)	\$ 4,499,240
Consolidated net loss for the period		-	-	-	(170,662)	-	-	-	(170,662)
Other comprehensive income for the period	6(18)	-	-	-	-	136,930	-	-	136,930
Total comprehensive (loss) income for the period		-	-	-	(170,662)	136,930	-	-	(33,732)
Compensation costs of share-based payment	6(14)(16)(18)	-	5,997	-	-	-	1,933	-	7,930
Issuance of restricted stocks to employees	6(14)(15)(16)(18)	4,450	16,039	-	-	-	(20,489)	-	-
Retirement of restricted stocks to employees	6(14)(15)(16)(18)	(385)	(1,443)	-	-	-	1,828	-	-
Exercise of employee stock options	6(14)(15)(16)	500	1,067	-	-	-	-	-	1,567
Retirement of treasury stocks	6(15)(16)	(2,500)	(4,448)	-	(6,007)	-	-	12,955	-
Recognized changes in equity of associates	6(16)	-	(223,457)	-	-	-	-	-	(223,457)
Balance at March 31, 2022		<u>\$ 1,108,826</u>	<u>\$ 2,731,084</u>	<u>\$ 6,821</u>	<u>\$ 538,658</u>	<u>(\$ 111,681)</u>	<u>(\$ 22,160)</u>	<u>\$ -</u>	<u>\$ 4,251,548</u>

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

GCS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE-MONTH PERIODS ENDED MARCH 31, 2022 AND 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(REVIEWED, NOT AUDITED)

	Notes	Three months ended March 31,	
		2022	2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Loss before tax		(\$ 173,206)	(\$ 86,737)
Adjustments			
Adjustments to reconcile profit (loss)			
Net impairment loss on financial assets	12(2)	28	886
Depreciation	6(5)(6)(22)	27,494	29,025
Amortization	6(7)(22)	1,563	1,591
Interest expense	6(21)	1,834	573
Interest income		(667)	(1,935)
Compensation cost of share-based payment	6(14)	7,930	6,122
Loss on disposal of property, plant and equipment	6(20)	-	1,028
Payroll protection loan exempt income	6(12)	-	(6,838)
Share of net loss of associates and joint ventures accounted for using equity method	6(4)	138,052	93,999
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		(34,985)	(827)
Accounts receivable- related parties		(3,890)	-
Other receivables		(2,768)	2,745
Other receivable- related parties		417	-
Inventories		(13,768)	15,926
Prepayments		3,382	(11,920)
Changes in operating liabilities			
Contract liabilities		(3,093)	(2,408)
Accounts payable		20,178	(11,438)
Other payables		21,035	(3,166)
Other payable- related parties		1,264	-
Other current liabilities		(177)	(1,948)
Cash (outflow) inflow generated from operations		(9,377)	24,678
Interest received		2,737	4,036
Interest paid		(1,834)	(602)
Income tax paid		-	19
Net cash flows (used in) from operating activities		(8,474)	28,131

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GCS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE-MONTH PERIODS ENDED MARCH 31, 2022 AND 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(REVIEWED, NOT AUDITED)

	Notes	Three months ended March 31,	
		2022	2021
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of investment accounted for using the equity method	6(4) and 7	(\$ 1,043,899)	\$ -
Prepayments for investments	6(9)	-	(84,615)
Acquisition of property, plant and equipment	6(26)	(60,038)	(32,444)
Proceeds from disposal of property, plant and equipment	6(26)	15,689	284
Acquisition of intangible assets	6(7)	(1,606)	-
(Increase) decrease in other current assets		(85)	141,392
Increase in other non-current assets		(3,650)	(177)
Net cash flows (used in) from investing activities		(1,093,589)	24,440
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from long-term borrowings	6(27)	-	5,340
Repayments of long-term borrowings	6(27)	(1,289)	(5,624)
Repayments of lease liabilities	6(27)	(1,569)	(1,453)
Proceeds from exercise of employee stock options		1,567	-
Net cash flows used in financing activities		(1,291)	(1,737)
Effect of changes in exchange rates		41,974	2,334
Net (decrease) increase in cash and cash equivalents		(1,061,380)	53,168
Cash and cash equivalents at beginning of period	6(1)	1,839,765	1,106,476
Cash and cash equivalents at end of period	6(1)	\$ 778,385	\$ 1,159,644

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

GCS HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE-MONTH PERIODS ENDED MARCH 31, 2022 AND 2021
(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 the Board of Directors on May 3, 2022.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments endorsed by FSC effective from 2022 are as follows:

New Standards, Interpretations and Amendments	International Accounting Standards Board (“IASB”)
Amendments to IFRS 3, ‘Reference to the conceptual framework’	January 1, 2022
Amendments to IAS 16, ‘Property, plant and equipment: proceeds before intended use’	January 1, 2022
Amendments to IAS 37, ‘Onerous contracts—cost of fulfilling a contract’	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	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.

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

None.

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

New standards, interpretations and amendments issued by IASB but not yet included in the 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, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

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, 2021, except for the compliance statement, basis of preparation, 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, 2021.

(2) Basis of preparation

- A. The consolidated financial statements have been prepared under the historical cost convention.
- B. The preparation of financial statements in conformity with 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 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 can 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.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive loss is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Note
			March 31, 2022	December 31, 2021	March 31, 2021	
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	GCOM Semiconductor Co., Ltd.	Wholesaling and retailing of electronic components, product design, and outsourcing management services	100	100	100	-
The Company	Changzhou Galasemi Co., Ltd.	Manufacturing and selling of semiconductor discrete devices, and technical services, technical development and advisory services	-	-	100	(Note)
Global Communication Semiconductors, LLC	D-Tech Optoelectronics, Inc.	Developing, manufacturing and selling of photodiodes and avalanche photodiodes 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: The Company had disposed all the shares of Changzhou Galasemi Co., Ltd. in July 2021, therefore Changzhou Galasemi Co., Ltd. is no longer included in the Group's consolidated financial statements.

- 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, 2021.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Cash on hand	\$ 118	\$ 110	\$ 118
Checking accounts and demand deposits	751,667	1,829,855	1,149,626
Time deposits	<u>26,600</u>	<u>9,800</u>	<u>9,900</u>
	<u>\$ 778,385</u>	<u>\$ 1,839,765</u>	<u>\$ 1,159,644</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, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Accounts receivable	\$ 198,233	\$ 157,030	\$ 199,087
Accounts receivable-related party	6,747	2,913	-
Less: Loss allowance	<u>(1,226)</u>	<u>(1,157)</u>	<u>(1,193)</u>
	<u>\$ 203,754</u>	<u>\$ 158,786</u>	<u>\$ 197,894</u>

- A. As of March 31, 2022, December 31, 2021 and March 31, 2021, accounts receivable were all from contracts with customers. And as of January 1, 2021, the balance of receivables from contracts with customers was \$197,537.
- B. Information relating to credit risk of accounts receivable is provided in Note 12(2).

(3) Inventories

	March 31, 2022		
	Cost	Allowance	Book value
Raw materials	\$ 113,782	(\$ 16,225)	\$ 97,557
Work in progress	238,182	(57,203)	180,979
Finished goods	32,392	(6,843)	25,549
	<u>\$ 384,356</u>	<u>(\$ 80,271)</u>	<u>\$ 304,085</u>

	December 31, 2021		
	Cost	Allowance	Book value
Raw materials	\$ 130,328	(\$ 24,507)	\$ 105,821
Work in progress	196,161	(55,012)	141,149
Finished goods	46,441	(12,960)	33,481
	<u>\$ 372,930</u>	<u>(\$ 92,479)</u>	<u>\$ 280,451</u>

	March 31, 2021		
	Cost	Allowance	Book value
Raw materials	\$ 130,667	(\$ 24,696)	\$ 105,971
Work in progress	234,366	(35,857)	198,509
Finished goods	48,886	(7,131)	41,755
	<u>\$ 413,919</u>	<u>(\$ 67,684)</u>	<u>\$ 346,235</u>

Expenses and costs incurred as cost of operating revenue for the three-month periods ended March 31, 2022 and 2021 were as follows:

	Three-months periods ended March 31,	
	2022	2021
Cost of goods sold	\$ 227,951	\$ 216,163
(Gain) loss on recovery of market price decline	(14,917)	1,370
Revenue from sale of scraps	(10,152)	(16,231)
	<u>\$ 202,882</u>	<u>\$ 201,302</u>

The Group recognized gain on recovery of loss of market price decline for the period ended March 31, 2022 because some of the inventories previously written down were sold.

(4) Investments accounted for using the equity method

A. The Group's movements and details of investments accounted for using the equity method are as follows:

	<u>2022</u>	<u>2021</u>
At January 1	\$ 1,690,553	\$ 1,013,963
Addition of investments accounted for using the equity method	1,043,899	-
Share of net loss of investments accounted for using the equity method	(138,052)	(93,999)
Changes in capital surplus	(223,457)	-
Net exchange difference	<u>67,000</u>	<u>(2,243)</u>
At March 31	<u>\$ 2,439,943</u>	<u>\$ 917,721</u>
	<u>March 31, 2022</u>	<u>December 31, 2021</u>
Associate:		<u>March 31, 2021</u>
Unikorn Semiconductor Corporation (“Unikorn”)	\$ 677,842	\$ 213,872
Joint ventures:		\$ 248,727
Changzhou Chemsemi Co., Ltd. (“Chemsemi”)	1,654,099	1,357,673
Shanghai Galasemi Co., Ltd. (“Shanghai Galasemi”)	<u>108,002</u>	<u>119,008</u>
	<u>\$ 2,439,943</u>	<u>\$ 1,690,553</u>
		<u>\$ 917,721</u>

B. The basic information of the associate and joint ventures 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, 2022	December 31, 2021	March 31, 2021		
Unikorn	Taiwan	46.40%	45.39%	34.73%	Associate	Equity method
Chemsemi	China	22.14%	19.65%	32.80%	Joint venture	Equity method
Galasemi	China	48%	48%	-	Joint venture	Equity method

C. The summarized financial information of the associate and joint ventures that is material to the Group is as follows:

Balance sheet

	Unikorn		
	March 31, 2022	December 31, 2021	March 31, 2021
Current assets	\$ 1,390,447	\$ 378,828	\$ 203,354
Non-current assets	1,250,295	1,278,829	1,198,061
Current liabilities	(1,062,477)	(1,203,001)	(960,286)
Non-current liabilities	(512,335)	(373,708)	(258,392)
Total net assets	<u>\$ 1,065,930</u>	<u>\$ 80,948</u>	<u>\$ 182,737</u>

	Chemsemi		
	March 31, 2022	December 31, 2021	March 31, 2021
Current assets	\$ 4,601,002	\$ 4,996,856	\$ 1,214,862
Non-current assets	3,953,217	3,070,981	1,320,468
Current liabilities	(402,858)	(504,214)	(358,871)
Non-current liabilities	(680,273)	(654,347)	(136,963)
Total net assets	<u>\$ 7,471,088</u>	<u>\$ 6,909,276</u>	<u>\$ 2,039,496</u>

	Shanghai Galasemi		
	March 31, 2022	December 31, 2021	March 31, 2021
Current assets	\$ 128,233	\$ 165,650	\$ -
Non-current assets	120,739	90,579	-
Current liabilities	846	(12,996)	-
Total net assets	<u>\$ 249,818</u>	<u>\$ 243,233</u>	<u>\$ -</u>

Statement of comprehensive income

	Unikorn	
	Three-month periods ended March 31,	
	2022	2021
Net loss	(\$ 215,235)	(\$ 201,276)
Total comprehensive loss	<u>(\$ 215,359)</u>	<u>(\$ 201,276)</u>

	Chemsemi	
	Three-month periods ended March 31,	
	2022	2021
Net loss/ total comprehensive loss	(\$ 149,080)	(\$ 73,434)

	Shanghai Galasemi	
	Three-month periods ended March 31,	
	2022	2021
Net loss/ total comprehensive loss	(\$ 16,283)	\$ -

D. In August 2021, the Group participated in Unikorn's increase of common stocks for cash amounting to \$400,000 thousand (USD 14,599 thousand). Through the completion of participation in Unikorn's issuance of common stocks, the Group holds 45.39% of Unikorn's common stocks issued.

In March 2022, the Group participated in Unikorn's increase of common stocks for cash amounting to \$600,000 thousand (USD 21,375 thousand). Through the completion of participation in Unikorn's issuance of common stocks, the Group holds 46.40% of Unikorn's common stocks issued.

E. In 2021, the Group did not participate in Chemsemi's 2021 increase of common stocks for cash, which made the Group's shareholding ratio of Chemsemi's common stocks changed from 32.80% to 19.65%.

In February 2022, the Group participated in Chemsemi's increase of common stocks for cash amounting to USD 15,837 thousand (\$443,899 thousand). Through the completion of participation in Chemsemi's issuance of common stocks, the Group holds 22.14% of Chemsemi's common stocks issued.

F. The Group invested USD 3,000 thousand (\$84,615 thousand) in Shanghai Galasemi in April 2021. The joint venture is mainly engaged in the design and sales of electronic components for the optical communication market. In addition, in November 2021, the Group participated in Shanghai Galasemi's increase of common stocks for cash amounting to USD 2,016 thousand (\$56,045 thousand). Through the completion of participation in Shanghai Galasemi's issuance of common stocks, the Group remains shareholding ratio of Shanghai Galasemi's common stocks issued as 48%, and the total investment amount was USD 5,016 thousand (\$140,660 thousand).

(5) 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, 2022									
Cost	\$ 127,466	\$ 84,978	\$ 1,212,720	\$ 9,304	\$ 99,828	\$ 9,459	\$ 269,208	\$ 36,343	\$ 1,849,306
Accumulated depreciation and impairment	-	(15,579)	(937,287)	(8,014)	(67,768)	(8,987)	(236,186)	-	(1,273,821)
	<u>\$ 127,466</u>	<u>\$ 69,399</u>	<u>\$ 275,433</u>	<u>\$ 1,290</u>	<u>\$ 32,060</u>	<u>\$ 472</u>	<u>\$ 33,022</u>	<u>\$ 36,343</u>	<u>\$ 575,485</u>
<u>2022</u>									
Opening net book amount	\$ 127,466	\$ 69,399	\$ 275,433	\$ 1,290	\$ 32,060	\$ 472	\$ 33,022	\$ 36,343	\$ 575,485
Additions	-	-	9,510	-	-	-	-	54,526	64,036
Transfers	-	-	4,362	-	-	-	-	(4,362)	-
Depreciation charges	-	(614)	(20,600)	(114)	(3,014)	(62)	(1,710)	-	(26,114)
Net exchange differences	4,375	2,367	8,921	41	990	16	1,095	2,394	20,199
Closing net book amount	<u>\$ 131,841</u>	<u>\$ 71,152</u>	<u>\$ 277,626</u>	<u>\$ 1,217</u>	<u>\$ 30,036</u>	<u>\$ 426</u>	<u>\$ 32,407</u>	<u>\$ 88,901</u>	<u>\$ 633,606</u>
At March 31, 2022									
Cost	\$ 131,841	\$ 87,894	\$ 1,266,636	\$ 8,848	\$ 102,906	\$ 9,745	\$ 278,257	\$ 88,901	\$ 1,975,028
Accumulated depreciation and impairment	-	(16,742)	(989,010)	(7,631)	(72,870)	(9,319)	(245,850)	-	(1,341,422)
	<u>\$ 131,841</u>	<u>\$ 71,152</u>	<u>\$ 277,626</u>	<u>\$ 1,217</u>	<u>\$ 30,036</u>	<u>\$ 426</u>	<u>\$ 32,407</u>	<u>\$ 88,901</u>	<u>\$ 633,606</u>

	Land	Buildings	Machinery equipment	Computer and communication equipment	Research equipment	Office equipment	Leasehold improvements	Construction in progress	Total
At January 1, 2021									
Cost	\$ 131,150	\$ 87,434	\$ 1,322,122	\$ 10,379	\$ 98,128	\$ 9,700	\$ 276,828	\$ 6,672	\$ 1,942,413
Accumulated depreciation and impairment	-	(13,531)	(920,689)	(9,196)	(58,766)	(8,960)	(235,637)	-	(1,246,779)
	<u>\$ 131,150</u>	<u>\$ 73,903</u>	<u>\$ 401,433</u>	<u>\$ 1,183</u>	<u>\$ 39,362</u>	<u>\$ 740</u>	<u>\$ 41,191</u>	<u>\$ 6,672</u>	<u>\$ 695,634</u>
2021									
Opening net book amount	\$ 131,150	\$ 73,903	\$ 401,433	\$ 1,183	\$ 39,362	\$ 740	\$ 41,191	\$ 6,672	\$ 695,634
Additions	-	-	-	142	-	54	-	23,319	23,515
Transfers	-	-	1,461	283	-	-	-	(1,858)	(114)
Disposals	-	-	(1,312)	-	-	-	-	-	(1,312)
Depreciation charges	-	(622)	(22,123)	(171)	(2,849)	(64)	(1,797)	-	(27,626)
Net exchange differences	277	151	688	4	62	1	76	128	1,387
Closing net book amount	<u>\$ 131,427</u>	<u>\$ 73,432</u>	<u>\$ 380,147</u>	<u>\$ 1,441</u>	<u>\$ 36,575</u>	<u>\$ 731</u>	<u>\$ 39,470</u>	<u>\$ 28,261</u>	<u>\$ 691,484</u>
At March 31, 2021									
Cost	\$ 131,427	\$ 87,618	\$ 1,321,038	\$ 10,826	\$ 98,314	\$ 9,772	\$ 277,399	\$ 28,261	\$ 1,964,655
Accumulated depreciation and impairment	-	(14,186)	(940,891)	(9,385)	(61,739)	(9,041)	(237,929)	-	(1,273,171)
	<u>\$ 131,427</u>	<u>\$ 73,432</u>	<u>\$ 380,147</u>	<u>\$ 1,441</u>	<u>\$ 36,575</u>	<u>\$ 731</u>	<u>\$ 39,470</u>	<u>\$ 28,261</u>	<u>\$ 691,484</u>

- A. Amount of borrowing costs capitalized as part of property, plant and equipment for the three-month periods ended March 31, 2022 and 2021: None.
- B. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

(6) Leasing arrangements — lessee

A. The Group leases various assets including plant and office premises. Lease agreements are typically made for periods of 1 to 4 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 of 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, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings	<u>\$ 2,353</u>	<u>\$ 3,641</u>	<u>\$ 7,977</u>
	<u>Three-month periods ended March 31,</u>		
	<u>2022</u>	<u>2021</u>	
	<u>Depreciation charge</u>	<u>Depreciation charge</u>	
Buildings	<u>\$ 1,380</u>	<u>\$ 1,399</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>2022</u>	<u>2021</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 48	\$ 147
Expense on short-term lease agreements	478	727
Expense on leases of low-value assets	13	9

D. For the three-month periods ended March 31, 2022 and 2021, the Group's total cash outflow for leases amounted to \$2,108 and \$2,336, respectively.

(7) Intangible assets

	<u>Computer Software</u>	<u>Goodwill</u>	<u>Total</u>
<u>At January 1, 2022</u>			
Cost	\$ 66,520	\$ 160,824	\$ 227,344
Accumulated amortization and impairment	(53,842)	(79,136)	(132,978)
	<u>\$ 12,678</u>	<u>\$ 81,688</u>	<u>\$ 94,366</u>
<u>2022</u>			
At January 1	\$ 12,678	\$ 81,688	\$ 94,366
Acquisition	1,606	-	1,606
Amortization charges	(1,563)	-	(1,563)
Net exchange differences	435	2,804	3,239
At March 31	<u>\$ 13,156</u>	<u>\$ 84,492</u>	<u>\$ 97,648</u>
<u>At March 31, 2022</u>			
Cost	\$ 69,652	\$ 166,343	\$ 235,995
Accumulated amortization and impairment	(56,496)	(81,851)	(138,347)
	<u>\$ 13,156</u>	<u>\$ 84,492</u>	<u>\$ 97,648</u>
	<u>Computer Software</u>	<u>Goodwill</u>	<u>Total</u>
<u>At January 1, 2021</u>			
Cost	\$ 76,575	\$ 165,472	\$ 242,047
Accumulated amortization and impairment	(58,750)	(38,642)	(97,392)
	<u>\$ 17,825</u>	<u>\$ 126,830</u>	<u>\$ 144,655</u>
<u>2021</u>			
At January 1	\$ 17,825	\$ 126,830	\$ 144,655
Transferred from construction in progress and equipment pending acceptance	114	-	114
Amortization charges	(1,591)	-	(1,591)
Net exchange differences	29	267	296
At March 31	<u>\$ 16,377</u>	<u>\$ 127,097</u>	<u>\$ 143,474</u>
<u>At March 31, 2020</u>			
Cost	\$ 76,092	\$ 165,820	\$ 241,912
Accumulated amortization and impairment	(59,715)	(38,723)	(98,438)
	<u>\$ 16,377</u>	<u>\$ 127,097</u>	<u>\$ 143,474</u>

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

	<u>Three-month periods ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Cost of operating revenue	\$ 1,563	\$ 1,591

B. Please refer to Note 6(8) for the information about the goodwill impairment assessment.

(8) Impairment of non-financial assets

The Group carried out the impairment testing of goodwill on the year-end date. The recoverable amount is determined based on the value-in-use calculated evaluation.

As of March 31, 2022, the Group's assumptions used for impairment testing did not change significantly. Please refer to Note 6(8) in the consolidated financial statements for the year ended December 31, 2021.

(9) Non-current assets

<u>Item</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Prepayments for equipment	\$ 46,599	\$ 41,431	\$ 8,540
Refundable deposits (Note 1)	2,227	2,172	2,233
Reserve account-demand deposits (Note 2)	-	-	2,001
Time deposits (Note 2)	300	300	317
	<u>\$ 49,126</u>	<u>\$ 43,903</u>	<u>\$ 13,091</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

<u>Type of borrowings</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>	<u>Collateral</u>
Bank borrowings				
Secured borrowings	\$ 20,000	\$ 20,000	\$ 20,000	Time deposit (Note)
Interest rate range	<u>1.53%</u>	<u>1.53%</u>	<u>1.66%</u>	

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

(11) Other payables

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Accrued salaries and bonuses	\$ 45,364	\$ 41,568	\$ 53,910
Accrued unused compensated absences	25,531	22,270	25,885
Payables for equipment	16,067	6,901	-
Accrued maintenance expenses	6,759	2,689	3,465
Accrued outsourcing manufacturing services charges	6,594	1,137	1,279
Accrued utilities	6,450	4,755	4,870
Accrued professional service fees	4,404	2,850	3,608
Other accrued expenses	18,019	14,593	14,648
	<u>\$ 129,188</u>	<u>\$ 96,763</u>	<u>\$ 107,665</u>

(12) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	March 31, 2022	December 31, 2021
Subsidiary- Global Communication Semiconductor, LLC Secured borrowings (Note 1)	(Note 3)	3.50%	Land and buildings (Note 8)	\$ 199,087	\$ 193,755
Subsidiary- D-Tech Optoelectronics, Inc. Non-secured borrowings	(Note 7)	1.00%		5,389	5,210
				204,476	198,965
Less: Current portion				(10,693)	(10,292)
				<u>\$ 193,783</u>	<u>\$ 188,673</u>
					March 31, 2021
Subsidiary- Global Communication Semiconductor, LLC Secured borrowings (Note 1)	(Note 3)	4.00%	Land and buildings (Note 8)		\$ 28,049
Non-secured borrowings	(Note 5)	1.00%			82,698
Subsidiary- D-Tech Optoelectronics (Taiwan) Corporation Secured borrowings (Note 1)	(Note 4)	2.57% ~2.67%	(Note 2)		6,800
Subsidiary- D-Tech Optoelectronics, Inc. Non-secured borrowings	(Note 7)	1.00%			5,372
					122,919
Less: Current portion					(28,455)
					<u>\$ 94,464</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, 2022, December 31, 2021 and March 31, 2021, 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 25% of demand deposit to the reserve account for drawing amount under \$10,000. 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. On July 12, 2021, the Company's subsidiary, Global Communication Semiconductor, LLC made amendments to the aforementioned long-term loan contract with the bank. The main amendments are that the borrowing amount is adjusted to USD 7,100 thousand with the maturity date on August 6, 2031, and the borrowing rate is adjusted to 3.5%.

Note 4: Borrowing period is from August 2, 2019 to July 4, 2024; interest and principal are repayable monthly. The Company's subsidiary, D-Tech Optoelectronics (Taiwan) Corporation paid off loan entirely on December 29, 2021 ahead of schedule due to its fund plan. No gain or losses were occurred due to the early settlement.

Note 5: It refers to Paycheck Protection Program ("PPP") applied from banks with the loan period from April 20, 2020 to April 20, 2022. The PPP loan must be used for operating expenses, such as salary, rent and other expenses as specified in the loan agreement in order to apply for loan forgiveness. The Company's subsidiary, Global Communication Semiconductor, LLC had received the approval of the loan forgiveness from Small Business Administration ("SBA") on June 9, 2021 and \$80,882 was recognized as income from PPP (recognized as "Other income") in 2021 Consolidated Financial Statements.

Note 6: It refers to Paycheck Protection Program ("PPP") applied from banks with the loan period from April 29, 2020 to April 29, 2022. The PPP loan must be used for operating expenses, such as salary, rent and other expenses as specified in the loan agreement in order to apply for loan forgiveness. The Company's subsidiary, D-Tech Optoelectronics, Inc. had received the approval of the loan forgiveness from SBA on January 6, 2021 and \$6,838 was recognized as income from PPP (recognized as "Other income").

Note 7: It refers to Second Draw PPP applied from banks with the loan period from February 2, 2021 to February 2, 2026. The PPP loan must be used for operating expenses, such as salary, rent and other expenses as specified in the loan agreement in order to apply for loan forgiveness within 10 months after the covered period. The Company's subsidiary, D-Tech Optoelectronics, Inc. had received the approval of the loan forgiveness from SBA on April 27, 2022.

Note 8: 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, 2022 and 2021 amounted to \$4,174 and \$5,149, respectively.

(14) Share-based payment-employee compensation plan

- A. Through March 31, 2022, December 31, 2021 and March 31, 2021, 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	February 2015	652,200 shares	10 years	(Note 1)
Employee stock options	March 2016	5,000 shares	10 years	(Note 1)
Employee stock options	August 2016	895,000 shares	10 years	(Note 1)
Employee stock options	November 2016	34,000 shares	10 years	(Note 1)
Employee stock options	February 2017	15,000 shares	10 years	(Note 1)
Employee stock options	August 2017	215,000 shares	10 years	(Note 1)
Employee stock options	January 2018	13,000 shares	10 years	(Note 1)
Employee stock options	February 2018	355,000 shares	10 years	(Note 1)
Employee stock options	August 2018	27,000 shares	10 years	(Note 1)
Employee stock options	November 2018	5,000 shares	10 years	(Note 1)
Employee stock options	March 2019	578,000 shares	10 years	(Note 1)
Employee stock options	August 2019	40,000 shares	10 years	(Note 1)
Employee stock options	March 2020	250,000 shares	10 years	(Note 1)
Employee stock options	August 2020	3,000 shares	10 years	(Note 1)
Employee stock options	November 2020	6,000 shares	10 years	(Note 1)
Employee stock options	March 2021	820,000 shares	10 years	(Note 1)
Employee stock options	April 2021	20,000 shares	10 years	(Note 1)
Employee stock options	February 2022	454,000 shares	10 years	(Note 1)
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)
Restricted stocks to employees (Note 3)	March 2021	427,000 shares	2 years	(Note 2)
Restricted stocks to employees (Note 3)	February 2022	445,000 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, 2022		
	No. of options	Currency	Weighted average exercise price (in dollars)
Options outstanding at beginning of the period	3,163,120	NTD	\$ 55.68
Options granted	454,000	NTD	45.90
Options exercised	(50,000)	NTD	31.20
Options forfeited	(73,000)	NTD	53.69
Options outstanding at end of the period	<u>3,494,120</u>	NTD	53.71
Options exercisable at end of the period	<u>2,084,308</u>	NTD	57.33
	Three-month period ended March 31, 2021		
	No. of options	Currency	Weighted average exercise price (in dollars)
Options outstanding at beginning of the period	2,546,183	NTD	\$ 57.47
Options granted	820,000	NTD	49.80
Options forfeited	(16,000)	NTD	40.01
Options outstanding at end of the period	<u>3,350,183</u>	NTD	55.68
Options exercisable at end of the period	<u>1,889,287</u>	NTD	57.80

C. The weighted-average stock price of stock options at exercise dates for the three-month periods ended March 31, 2022 was \$44.91 (in dollars). There were no stock options exercise for the three-month period ended March 31, 2021.

D. As of March 31, 2022, December 31, 2021 and March 31, 2021, the range of exercise prices of stock options outstanding are as follows:

Grant date	Expiry date	March 31, 2022		
		No. of Shares	Currency	Stock options exercise price (in dollars)
April 2013	April 2023	140,834	NTD	\$ 11.10
October 2013	October 2023	7,917	NTD	17.30
February 2015	February 2025	223,369	NTD	39.30
August 2016	August 2026	634,000	NTD	62.70
November 2016	November 2026	18,000	NTD	61.40
February 2017	February 2027	15,000	NTD	54.50
August 2017	August 2027	200,000	NTD	63.40
January 2018	January 2028	8,000	NTD	82.70
February 2018	February 2028	315,000	NTD	79.70
August 2018	August 2028	14,000	NTD	61.00
March 2019	March 2029	518,000	NTD	58.20
August 2019	August 2029	25,000	NTD	56.80
March 2020	March 2030	210,000	NTD	43.80
August 2020	August 2030	3,000	NTD	52.50
November 2020	November 2030	6,000	NTD	47.00
March 2021	March 2031	702,000	NTD	48.70
February 2022	February 2032	454,000	NTD	45.90
		<u>3,494,120</u>		

		December 31, 2021		
Grant date	Expiry date	No. of Shares	Currency	Stock options exercise price (in dollars)
April 2013	April 2023	140,834	NTD	\$ 11.10
October 2013	October 2023	7,917	NTD	17.30
November 2014	November 2024	50,000	NTD	31.90
February 2015	February 2025	223,369	NTD	40.20
March 2016	March 2026	5,000	NTD	69.20
August 2016	August 2026	646,000	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	200,000	NTD	64.80
January 2018	January 2028	8,000	NTD	84.50
February 2018	February 2028	315,000	NTD	81.40
August 2018	August 2028	14,000	NTD	62.30
March 2019	March 2029	518,000	NTD	59.50
August 2019	August 2029	25,000	NTD	58.00
March 2020	March 2030	210,000	NTD	44.80
August 2020	August 2030	3,000	NTD	53.60
November 2020	November 2030	6,000	NTD	48.00
March 2021	March 2031	750,000	NTD	49.80
		<u>3,163,120</u>		

		March 31, 2021		
Grant date	Expiry date	No. of Shares	Currency	Stock options exercise price (in dollars)
April 2013	April 2023	140,834	NTD	\$ 11.10
October 2013	October 2023	8,230	NTD	17.30
November 2014	November 2024	52,000	NTD	31.90
February 2015	February 2025	230,119	NTD	40.20
March 2016	March 2026	5,000	NTD	69.20
August 2016	August 2026	689,000	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	200,000	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	548,000	NTD	59.50
March 2019	March 2029	40,000	NTD	58.00
August 2019	August 2029	220,000	NTD	44.80
March 2020	March 2030	3,000	NTD	53.60
August 2020	August 2030	6,000	NTD	48.00
November 2020	November 2030	820,000	NTD	49.80
		<u>3,350,183</u>		

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

Employee restricted stocks	Three-month periods ended March 31,	
	2022	2021
	No. of shares	No. of shares
Outstanding at beginning of the period	587,500	768,000
Granted (Notes 1 and 2)	445,000	427,000
Vested	(375,000)	(518,000)
Retired (cancelled)	(10,000)	-
Retired (uncancelled)	(40,500)	(5,500)
Outstanding at end of the period	<u>607,000</u>	<u>671,500</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 2022 and 2021 was \$45.90 (in dollars) and \$49.80 (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. 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 2021	NTD	\$ 50.18	\$ 49.80	13.98%	6.26	1.00%	0.45%	\$ 19.91
Employee stock options	April 2021	NTD	51.27	50.60	23.28%	6.26	1.00%	0.42%	21.84
Employee stock options	February 2022	NTD	46.41	45.90	17.87%	6.26	1.00%	0.95%	18.37

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

	Three-month periods ended March 31,	
	2022	2021
Equity-settled	\$ 7,930	\$ 6,122

(15) Common stock

A. As of March 31, 2022, the Company's paid-in capital was \$1,108,826, consisting of 110,882,567 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

	2022	2021
Outstanding ordinary shares at January 1	110,397,567	90,024,754
Exercise of employee stock options	50,000	-
Issuance of restricted stocks to employees	445,000	427,000
Retirement of restricted stocks to employees	(10,000)	-
Restricted stocks retrieved from employees and to be cancelled	(40,500)	(5,500)
Outstanding ordinary shares at March 31	110,842,067	90,446,254
Treasury stocks	-	1,377,000
Restricted stocks retrieved from employees and to be cancelled	40,500	9,500
Issued ordinary shares at March 31	110,882,567	91,832,754

B. 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. 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 September 3, 2018 and March 15, 2019, the Board of Directors resolved to grant 28,000 and 570,000 employee restricted stocks, respectively. As of March 31, 2022, the Company had retrieved 23,000 employee restricted stocks in total due

- to the employees' resignation, and the retrieved shares have been retired.
- C. On June 5, 2019, 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. 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 March 16, 2020, the Board of Directors resolved to grant 518,000 employee restricted stocks. As of March 31, 2022, the Company had retrieved 82,500 employee restricted stocks in total due to the employees' resignation, and 77,000 shares have been retired. Additionally, as of May 3, 2022, the other 5,500 retrieved shares have not been retired.
- D. On June 5, 2020, 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. 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 March 19, 2021, the Board of Directors resolved to grant 427,000 employee restricted stocks. As of March 31, 2022, the Company had retrieved 66,000 employee restricted stocks in total due to the employees' resignation, and 46,000 shares have been retired. Additionally, as of May 3, 2022, the other 20,000 retrieved shares have not been retired.
- E. On July 2, 2021, 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. 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 February 23, 2022, the Board of Directors resolved to grant 445,000 employee restricted stocks. As of March 31, 2022, the Company had retrieved 15,000 employee restricted stocks in total due to the employees' resignation, and the retrieved shares have not been retired as of May 3, 2022.
- F. On April 2, 2018, the Board of Directors resolved to increase cash capital by issuing ordinary shares for participating in issuance of Global Depositary Receipts ("GDRs") in order to fund the purchase of plant, machinery and equipment, and overseas purchases of raw materials. On July 31, 2018, the Company received the official letter No. 1070326367 from the FSC of approval of the issuance of ordinary shares for participating in issuance of GDRs, while on October 31, 2018, the Company received another official letter No.1070118798 for the extension of three months to complete the aforementioned issuance. On December 19, 2018, the Board of Directors resolved to adjust the number of shares to be issued from the range of 15,000,000 to 25,000,000 ordinary shares to 8,000,000 to 25,000,000 ordinary shares. The aforementioned adjustment was approved by the FSC with the receipt of the official letter No.1070121974. The Company's GDRs began trading on the Luxembourg Stock Exchange on January 21, 2019. The actual number of units of GDRs for this offering was 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 thousand) 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, 2022, there was no outstanding GDRs.

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.

G. On July 2, 2021, the shareholders' meeting resolved to increase cash capital by issuing ordinary shares through private placement. The capital increase base date was December 24, 2021. The purpose of the cash capital increase is to expand the operating scale and strengthen the financial structure and market competitiveness. The number of private placement shares was 20,000,000 shares, and the subscription price per share was NT\$40.79. This private placement capital increase had been fully collected for \$815,800 thousand and was delivered on January 18, 2022. The rights and obligations of this private placement of ordinary shares are the same as those of the Company's issued ordinary shares, except that the Article 43-8 of the Securities and Exchange Act is subject to the restriction of transfer within three years after delivery.

H. Treasury stocks

(a) Reason for share repurchase and the number of the Company's treasury stocks are as follows:
March 31, 2022 : None.

		<u>December 31, 2021</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	250,000	\$ 12,955
		<u>March 31, 2021</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 five years from the date of repurchase, and shares not reissued within the five-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.

	2022					
	Share premium	Employee stock options	Employee restricted stocks	Recognized changes in equity of associates	Others	Total
At January 1	\$ 1,969,083	\$ 68,963	\$ 28,133	\$ 833,545	\$ 37,605	\$ 2,937,329
Compensation costs of share-based payment	-	5,997	-	-	-	5,997
Issuance of restricted stocks to employees	-	-	16,039	-	-	16,039
Retirement of restricted stocks to employees	-	-	(1,443)	-	-	(1,443)
Exercise of employee stock options	3,492	(2,425)	-	-	-	1,067
Restricted stocks to employees vested	14,185	-	(14,185)	-	-	-
Employee stock option forfeited	-	(2,008)	-	-	2,008	-
Recognized changes in equity of associates	-	-	-	(223,457)	-	(223,457)
Treasury stock retired	(4,448)	-	-	-	-	(4,448)
At March 31	<u>\$ 1,982,312</u>	<u>\$ 70,527</u>	<u>\$ 28,544</u>	<u>\$ 610,088</u>	<u>\$ 39,613</u>	<u>\$ 2,731,084</u>
	2021					
	Share premium	Employee stock options	Employee restricted stocks	Recognized changes in equity of associates	Others	Total
At January 1	\$ 1,345,647	\$ 69,544	\$ 33,795	\$ 220,066	\$ 34,468	\$ 1,703,520
Compensation costs of share-based payment	-	1,506	-	-	-	1,506
Issuance of restricted stocks to employees	-	-	16,947	-	-	16,947
Restricted stocks to employees vested	20,198	-	(20,198)	-	-	-
Employee stock option forfeited	-	(359)	-	-	359	-
At March 31	<u>\$ 1,365,845</u>	<u>\$ 70,691</u>	<u>\$ 30,544</u>	<u>\$ 220,066</u>	<u>\$ 34,827</u>	<u>\$ 1,721,973</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 Company's shareholders' meeting resolved on June 5, 2019 to amend the Company's Articles of Incorporation, 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 Company's shareholders at the meeting on July 2, 2021 resolved not to distribute dividends from the appropriations of 2020 earnings.

Considering the Company's future operating development, the Company's Board of Directors resolved not to distribute dividends from the appropriations of 2021 earnings on February 23, 2022.

Information about the appropriations of earnings resolved by the shareholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(18) Other equity interest

	2022			
	Share of other comprehensive loss of subsidiaries, associates and joint ventures accounted for using equity method,			Total
	Currency translation differences	financial statements translation differences of foreign operations	Unearned employee compensation	Total
At January 1	(\$ 328,568)	\$ 79,957	(\$ 5,432)	(\$254,043)
Currency translation differences				
-Group	145,431	(4,369)	-	141,062
-Associates	-	(4,132)	-	(4,132)
Compensation costs of share-based payment	-	-	1,933	1,933
Issuance of restricted stocks to employees	-	-	(20,489)	(20,489)
Retirement of restricted stocks to employees	-	-	1,828	1,828
At March 31	<u>(\$ 183,137)</u>	<u>\$ 71,456</u>	<u>(\$ 22,160)</u>	<u>(\$133,841)</u>
	2021			
	Share of other comprehensive loss of subsidiaries, associates and joint ventures accounted for using equity method,			Total
	Currency translation differences	financial statements translation differences of foreign operations	Unearned employee compensation	Total
At January 1	(\$ 223,767)	\$ 83,099	(\$ 10,762)	(\$151,430)
Currency translation differences				
-Group	6,937	(419)	-	6,518
-Associates	-	(3,815)	-	(3,815)
Compensation costs of share-based payment	-	-	4,616	4,616
Issuance of restricted stocks to employees	-	-	(21,217)	(21,217)
At March 31	<u>(\$ 216,830)</u>	<u>\$ 78,865</u>	<u>(\$ 27,363)</u>	<u>(\$165,328)</u>

(19) Operating revenue

	Three-month periods ended March 31,	
	2022	2021
Revenue from contracts with customers	\$ 297,485	\$ 301,307

A. Disaggregation of revenue from contracts with customers

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

	Three-month period ended March 31, 2022		
	Sales revenue	Royalty revenue	Total
China	\$ 137,363	\$ -	\$ 137,363
United States	115,600	-	115,600
Taiwan	1,225	224	1,449
Others	43,073	-	43,073
	<u>\$ 297,261</u>	<u>\$ 224</u>	<u>\$ 297,485</u>

	Three-month period ended March 31, 2021		
	Sales revenue	Royalty revenue	Total
China	\$ 161,244	\$ -	\$ 161,244
United States	109,192	-	109,192
Taiwan	2,675	1,707	4,382
Others	26,489	-	26,489
	<u>\$ 299,600</u>	<u>\$ 1,707</u>	<u>\$ 301,307</u>

B. Contract liabilities

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

	March 31, 2022	December 31, 2021	March 31, 2021	January 1, 2021
Contract liabilities				
– advance sales receipts	<u>\$ 19,335</u>	<u>\$ 21,752</u>	<u>\$ 12,424</u>	<u>\$ 14,815</u>

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

	Three-month periods ended March 31,	
	2022	2021
Contract liabilities – advance sales receipts	\$ 9,127	\$ 3,497

(20) Other gains and losses

	Three-month periods ended March 31,	
	2022	2021
Loss on disposal of property, plant and equipment	\$ -	(\$ 1,028)
Net currency exchange losses	(14,902)	(113)
Other losses	(3,954)	(581)
	<u>(\$ 18,856)</u>	<u>(\$ 1,722)</u>

(21) Finance costs

	Three-month periods ended March 31,	
	2022	2021
Interest expense	\$ 1,786	\$ 426
Leased liabilities - interest expense	48	147
	<u>\$ 1,834</u>	<u>\$ 573</u>

(22) Expenses by nature

	Three-month periods ended March 31,	
	2022	2021
Employee benefit expense	<u>\$ 156,918</u>	<u>\$ 149,779</u>
Depreciation charges on property, plant and equipment and right-of-use assets	<u>\$ 27,494</u>	<u>\$ 29,025</u>
Amortization charges on intangible assets	<u>\$ 1,563</u>	<u>\$ 1,591</u>

(23) Employee benefit expense

	Three-month periods ended March 31,	
	2022	2021
Wages and salaries	\$ 131,587	\$ 126,107
Compensation costs of share-based payment	7,930	6,122
Insurance expenses	12,967	12,224
Pension costs	4,174	5,149
Other personnel expenses	260	177
	<u>\$ 156,918</u>	<u>\$ 149,779</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, 2022 and 2021, the Company did not accrue employees' compensation and directors' remuneration, due to net loss before tax.

Note: The employees' compensation, employee stock options and employee restricted stocks have anti-dilutive effect for the three-month periods ended March 31, 2022 and 2021, as a result, would not be considered while calculating the diluted EPS.

(26) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Three-month periods ended March 31,	
	2022	2021
Acquisition of property, plant and equipment	\$ 64,036	\$ 23,515
Add: Ending balance of prepayments for equipment (Note)	46,599	8,540
Less: Beginning balance of prepayments for equipment (Note)	(41,431)	-
Less: Ending balance of payables for equipment	(16,067)	-
Add: Beginning balance of payables for equipment	6,901	389
Cash paid	<u>\$ 60,038</u>	<u>\$ 32,444</u>

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

B. Investing activities with partial cash receivable:

	Three-month periods ended March 31,	
	2022	2021
Proceeds from disposal of property, plant and equipment	\$ -	\$ 284
Add: Opening balance of payable on equipment (Note)	15,689	-
Less: Ending balance of receivables from disposal of equipment	-	-
Cash received	<u>\$ 15,689</u>	<u>\$ 284</u>

Note: Shown as "Other receivable-related party".

- C. The Group disposed all the shares of the subsidiary, Changzhou Galasemi Co., Ltd., in July 2021 so that the Group lost its control over the subsidiary. Starting from the disposal date, Changzhou Galasemi Co., Ltd. is no longer included in the Group's consolidated statements. The Group recognized gains on disposal of a subsidiary of \$12,890 presented as other gains or losses in the Statements of Comprehensive Income. The details of the consideration received from the transaction and assets and liabilities relating to the subsidiary are as follows:

	<u>July 15, 2021</u>
Consideration received	
Cash (Note)	\$ 54,314
Carrying amount of the assets and liabilities of the subsidiary	
Cash	24,675
Other receivables	19
Inventories	4,551
Prepayments	16,600
Property, plant and equipment	41,931
Intangible assets	232
Accounts payable	(292)
Other payables	(46,542)
Total net assets	\$ 41,174
The shareholding ratio held by the Group on disposal date	100%
Book value on disposal date	\$ 41,174

(27) Changes in liabilities from financing activities

	<u>Short-term borrowings</u>	<u>Lease liabilities</u>	<u>Long-term borrowings (including current portion)</u>	<u>Liabilities from financing activities</u>
At January 1, 2022	\$ 20,000	\$ 3,393	\$ 198,965	\$ 222,358
Changes in cash flow				
from financing activities	-	(1,569)	(1,289)	(2,858)
Interest expense	-	48	-	48
Interest paid	-	(48)	-	(48)
Net exchange differences	-	81	6,800	6,881
At March 31, 2022	<u>\$ 20,000</u>	<u>\$ 1,905</u>	<u>\$ 204,476</u>	<u>\$ 226,381</u>

	<u>Short-term borrowings</u>	<u>Lease liabilities</u>	<u>Long-term borrowings (including current portion)</u>	<u>Liabilities from financing activities</u>
At January 1, 2021	\$ 20,000	\$ 9,536	\$ 129,821	\$ 159,357
Changes in cash flow				
from financing activities	-	(1,453)	(284)	(1,737)
Interest expense	-	147	-	147
Interest paid	-	(147)	-	(147)
Forgiveness of paycheck protection plan	-	-	(6,838)	(6,838)
Net exchange differences	-	11	220	231
At March 31, 2021	<u>\$ 20,000</u>	<u>\$ 8,094</u>	<u>\$ 122,919</u>	<u>\$ 151,013</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
Unikorn Semiconductor Corporation ("Unikorn")	The investee company accounted for using the equity method by the Company
Changzhou Chemsemi Co., Ltd. ("Chemsemi")	The investee company accounted for using the equity method by the Company
Shanghai Galasemi Co., Ltd. ("Shanghai Galasemi")	The investee company accounted for using the equity method by the Company
Changzhou Galasemi Co., Ltd. ("Changzhou Galasemi")	The subsidiary wholly owned by the investee company accounted for using the equity method by the Company (Note)

Note: The Company sold all its shares in the subsidiary, Changzhou Galasemi Co., Ltd., to Shanghai Galasemi Co., Ltd. in July 2021.

(2) Significant related party transactions and balances

A. Operating revenue:

	Three-month period ended March 31, <u>2022</u>
Operating revenue	
Sales of goods:	
Changzhou Galasemi	\$ <u>6,596</u>

Three-month period ended March 31, 2021: None.

B. Receivables from related parties:

	<u>March 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable:		
Changzhou Galasemi	\$ 6,747	\$ 2,913
Other receivables –		
Sales of machinery and equipment:		
Changzhou Galasemi	-	15,689
Other receivables – Other:		
Unikorn	-	65
Chemsemi	121	-
	<u>\$ 6,868</u>	<u>\$ 18,667</u>

As of March 31, 2021, the Group had no receivables from related parties.

Accounts receivables arise mainly from sale transactions. Other receivables arise mainly from equipment test services, and sales of machinery and miscellaneous equipment. The accounts receivable and other receivables are unsecured in nature and bear no interest.

C. Payables to related parties:

	<u>March 31, 2022</u>
Other payables:	
Chemsemi	<u>\$ 1,264</u>

As of December 31, 2021 and March 31, 2021, the Group had no payables to related parties.

D. Property transactions:

- (a) The Company participated in the investee accounted for using equity method – Unikorn’s increase of common stocks for cash in March 2022. The details of the transaction are as follows:

Transaction company	Accounts	No. of shares	Objects	Three-month period ended March 31, 2022
				<u>Consideration</u>
Unikorn	Investments accounted for using equity method	30,000,000	Common Stocks	<u>\$ 600,000</u>

As of December 31, 2021 and March 31, 2021: None.

- (b) The Company participated in the investee accounted for using equity method – Chemsemi’s increase of equity for cash in February 2022. The details of the transaction are as follows:

Transaction company	Accounts	No. of shares	Three-month period ended March 31, 2022	
			<u>Objects</u>	<u>Consideration</u>
Chemsemi	Investments accounted for using equity method	Note	Equity of Chemsemi	<u>\$ 443,899</u>

Note: Please refer to Note 6(4).

Three-month period ended March 31, 2021: None.

E. Other transactions:

Transaction company	Item	Transaction amounts	
		<u>Three-month periods ended March 31,</u>	
		<u>2022</u>	<u>2021</u>
Unikorn	Outsourcing manufacturing services charges	<u>\$ 6,439</u>	<u>\$ 972</u>

(3) Key management compensation

	Three-month periods ended March 31,	
	2022	2021
Salaries and other short-term employee benefits	\$ 24,171	\$ 21,665
Post-employment benefits	836	918
Compensation costs of share-based payment	1,983	2,329
	<u>\$ 26,990</u>	<u>\$ 24,912</u>

8. PLEDGED ASSETS

As of March 31, 2022, December 31, 2021 and March 31, 2021, the Group's assets pledged as collateral were as follows:

Assets	March 31, 2022	December 31, 2021	March 31, 2021	Purpose
Land	\$ 131,841	\$ 127,466	\$ 131,427	Long-term borrowings
Buildings	71,152	69,399	73,432	Long-term borrowings
Time deposits (Shown as "Other current assets")	30,871	29,760	30,687	Short-term borrowings
Reserve account-demand deposits (Shown as "Other non-current assets")	-	-	2,001	Long-term borrowings
Time deposits (Shown as "Other non-current assets")	300	300	317	Custom guarantee for imported goods
Refundable deposits (Shown as "Other current asset" and "Other non-current assets")	2,427	2,372	2,433	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 are as follows:

	March 31, 2022	December 31, 2021	March 31, 2021
Property, plant and equipment	<u>\$ 6,060</u>	<u>\$ -</u>	<u>\$ 36,101</u>

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

None.

12. OTHERS

(1) Capital management

In order to safeguard the Group's ability to adapt to the changes in the industry and to accelerate the new product development, the Company's objective when managing capital is to maintain 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, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
<u>Financial assets</u>			
Financial assets at amortized cost			
Cash and cash equivalents	\$ 778,385	\$ 1,839,765	\$ 1,159,644
Accounts receivable (including related parties)	203,754	158,786	197,894
Other receivables (including related parties)	4,779	19,509	8,103
Refundable deposits	2,427	2,372	2,433
Reserve account- demand deposits (Shown as “Other non-current assets”)	-	-	2,001
Time deposits (over three-month period) (Shown as “Other current assets” and “Other-current assets”)	31,171	30,060	31,004
	<u>\$ 1,020,516</u>	<u>\$ 2,050,492</u>	<u>\$ 1,401,079</u>
<u>Financial liabilities</u>			
Financial liabilities at amortized cost			
Short-term borrowings	\$ 20,000	\$ 20,000	\$ 20,000
Accounts payable	25,104	1,682	10,790
Other payables (including related parties)	130,452	96,763	107,665
Long-term borrowings (including current portion)	204,476	198,965	122,919
	<u>\$ 380,032</u>	<u>\$ 317,410</u>	<u>\$ 261,374</u>
Lease liabilities	<u>\$ 1,905</u>	<u>\$ 3,393</u>	<u>\$ 8,094</u>

B. Financial risk management policies

- a) The Group’s activities expose it to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk and liquidity risk.
- b) Risk management is carried out by the Group’s finance team under policies approved by the Board of Directors. The Group’s finance team identifies, evaluates and hedges financial risks in close cooperation with the Group’s operating units.

C. Significant financial risks and degrees of financial risks

a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and NTD. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities.

- i. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: USD; other certain subsidiaries' functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

March 31, 2022			
	Foreign currency amount		Book value (NTD)
	(in thousands)	Exchange rate	
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
NTD:USD	\$ 227,504	0.035	\$ 227,504
<u>Non-monetary items</u>			
NTD:USD	667,842	0.035	677,842
RMB:USD	390,826	0.157	1,762,101

December 31, 2021			
	Foreign currency amount		Book value (NTD)
	(in thousands)	Exchange rate	
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Non-monetary items</u>			
NTD:USD	\$ 213,872	0.036	\$ 213,872
RMB:USD	339,829	0.157	1,476,681

March 31, 2021			
	Foreign currency amount		Book value (NTD)
	(in thousands)	Exchange rate	
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Non-monetary items</u>			
NTD:USD	\$ 248,727	0.035	\$ 248,727
RMB:USD	159,273	0.152	668,994

- i. The total exchange loss, including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for three-month periods ended March 31, 2022 and 2021, amounted to \$14,902 and \$113, respectively.

- ii. Analysis of foreign currency market risk arising from significant foreign exchange variation:

	Three-month periods ended March 31, 2022		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
NTD:USD	1%	\$ 2,275	\$ -
<u>Non-monetary items</u>			
NTD:USD	1%	-	6,778
RMB:USD	1%	-	17,621
	Three-month periods ended March 31, 2021		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Non-monetary items</u>			
NTD:USD	1%	\$ -	\$ 2,487
RMB:USD	1%	-	6,690

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 accounts receivable. As of March 31, 2022, December 31, 2021 and March 31, 2021, with no collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the Group's accounts receivable was \$203,754, \$158,786 and \$197,894, 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:
- It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - 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 accounts receivable:
- The Group classifies customers' accounts receivable in accordance with credit risk on trade. The Group applies the simplified approach using loss rate methodology to estimate expected credit loss.
 - 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 accounts receivable. As of March 31, 2022, December 31, 2021 and March 31, 2021, the loss rate methodology is as follows:

	Not past due	Less than 90 days past due	Less than 180 days and more than 90 days past due	More than 180 days past due	Total
<u>Accounts receivable</u>					
<u>At March 31, 2022</u>					
Expected loss rate	0%-1%	1%-15%	16%-31%	31%-100%	
Total book value	\$ 178,779	\$ 23,644	\$ 57	\$ 2,500	\$ 204,980
Loss allowance	\$ -	\$ -	\$ -	\$ 1,226	\$ 1,226

	Not past due	Less than 90 days past due	Less than 180 days and more than 90 days past due	More than 180 days past due	Total
<u>Accounts receivable</u>					
<u>December 31, 2021</u>					
Expected loss rate	0%-1%	1%-15%	16%-31%	31%-100%	
Total book value	\$ 134,707	\$ 24,079	\$ -	\$ 1,157	\$ 159,943
Loss allowance	\$ -	\$ -	\$ -	\$ 1,157	\$ 1,157

<u>Accounts receivable</u>	Not past due	Less than 90 days past due	Less than 180 days and more than 90	More than 180 days past due	Total
<u>At March 31, 2021</u>					
Expected loss rate	0%-1%	1%-15%	16%-31%	31%-100%	
Total book value	\$ 176,755	\$ 21,139	\$ -	\$ 1,193	\$ 199,087
Loss allowance	\$ -	\$ -	\$ -	\$ 1,193	\$ 1,193

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

	<u>2022</u>
	<u>Accounts receivable</u>
At January 1	\$ 1,157
Provision for impairment loss	28
Effect of foreign exchange	41
At March 31	<u>\$ 1,226</u>
	<u>2021</u>
	<u>Accounts receivable</u>
At January 1	\$ 1,681
Provision for impairment loss	886
Write-offs due to uncollectible accounts receivable	(1,325)
Effect of foreign exchange	(49)
At March 31	<u>\$ 1,193</u>

viii. 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 (including related parties). As of March 31, 2022, December 31, 2021 and March 31, 2021, the loss rate methodology is as follows:

	<u>Not past due</u>
<u>At March 31, 2022</u>	
Expected loss rate	0%-100%
Total book value	\$ 4,779
Loss allowance	\$ -
	<u>Not past due</u>
<u>December 31, 2021</u>	
Expected loss rate	0%-100%
Total book value	\$ 19,509
Loss allowance	\$ -

	<u>Not past due</u>
<u>At March 31, 2021</u>	
Expected loss rate	0%-100%
Total book value	\$ <u>8,103</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, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Floating rate:			
Expiring within one			
year	\$ <u>6,000</u>	\$ <u>6,000</u>	\$ <u>6,000</u>

Note: The facilities expiring within one year are annual facilities subject to renegotiation at various dates during 2022.

- 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, 2022		
Short-term borrowings	\$ 20,154	\$ -
Accounts payable	25,104	-
Other payables		
(including related parties)	130,452	-
Lease liabilities	1,928	-
Long-term borrowings		
(including current portion)	17,806	245,004

	<u>Less than 1 year</u>	<u>Over 1 year</u>
<u>Non-derivative financial liabilities:</u>		
December 31, 2021		
Short-term borrowings	\$ 20,228	\$ -
Accounts payable	1,682	-
Other payables	96,763	-
Lease liabilities	3,463	-
Long-term borrowings (including current portion)	17,216	239,842
	<u>Less than 1 year</u>	<u>Over 1 year</u>
<u>Non-derivative financial liabilities:</u>		
March 31, 2021		
Short-term borrowings	\$ 20,194	\$ -
Accounts payable	10,790	-
Other payables	107,665	-
Lease liabilities	6,527	2,471
Long-term borrowings (including current portion)	29,202	97,211

(3) Fair value information

A. Financial instruments not measured at fair value

The carrying amounts measured at amortized cost approximate the fair values of the Group's financial instruments, including cash and cash equivalents, accounts receivable, other receivables, refundable deposits, 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).

B. The related information of financial and non-financial instruments measured at fair value on March 31, 2022, December 31, 2021 and March 31, 2021: None.

(4) Others

The Company's significant subsidiary, Global Communication Semiconductors, LLC ("GCS LLC"), is located in Torrance, California, USA. As of now, the Company's assessed that the pandemic has no significant impact on the Company's operating activities and financial statements.

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 year (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

- (a) Information on investments in mainland China: Please refer to table 11.
- (b) Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to Note 7.

(4) Major shareholders information

Major shareholders information: Please refer to table 12.

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,	
	2022	2021
Revenue from external customers	\$ 297,485	\$ 301,307
Inter-segment revenue	-	-
Total segment revenue	<u>\$ 297,485</u>	<u>\$ 301,307</u>
Segment loss (Note)	<u>(\$ 173,206)</u>	<u>(\$ 86,737)</u>
Note: Exclusive of income tax.		
	March 31, 2022	March 31, 2021
Segment assets	<u>\$ 4,714,923</u>	<u>\$ 3,791,314</u>
Segment liabilities	<u>\$ 463,375</u>	<u>\$ 343,582</u>

(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. AND SUBSIDIARIES

Loans to others

Three-month period ended March 31, 2022

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the three-month period ended	Balance at	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		Limit on loans granted to a single party (Note 3)	Ceiling on total loans granted (Note 3)	Footnote
					March 31, 2022 (Note 3)	March 31, 2022							Item	Value			
1	Global Communication Semiconductors, LLC	D-Tech Optoelectronics, Inc.	Other receivable - related parties	Yes	\$ 57,260	\$ 57,260	\$ 11,452	2%	2	\$ -	Operation	\$ -	None	\$ -	\$ 640,577	\$ 640,577	-
1	Global Communication Semiconductors, LLC	D-Tech Optoelectronics (Taiwan) Corporation	Other receivable - related parties	Yes	20,000	20,000	-	Settled by contract	2	-	Operation	-	None	-	640,577	640,577	-
1	Global Communication Semiconductors, LLC	GCS Holdings, Inc.	Other receivable - related parties	Yes	286,300	286,300	-	Settled by contract	2	-	Operation	-	None	-	640,577	640,577	-

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. AND SUBSIDIARIES
Provision of endorsements and guarantees to others
Three-month period ended March 31, 2022

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed Company name	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, 2022	Outstanding endorsement/ guarantee amount at March 31, 2022	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in mainland China	Footnote
0	GCS Holdings, Inc.	GCS Device Technologies, Co., Ltd.	2	\$ 1,700,619	\$ 28,630	\$ 28,630	\$ 20,000	\$ 28,630	0.67%	\$ 1,700,619	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. AND SUBSIDIARIES

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, 2022

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2022		Addition (Note 3)		Number of shares	Disposal (Note 3)			Balance as at March 31, 2022 (Note 5)		
					Number of shares	Amount	Number of shares	Amount		Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount	
GCS Holdings, Inc.	Unikorn Semiconductor Corporation	Investment accounted for using equity method	Unikorn Semiconductor Corporation	Related party	96,400,000	\$ 213,872	30,000,000	\$ 600,000	-	\$ -	\$ -	\$ -	-	126,400,000	\$ 677,842
GCS Holdings, Inc.	Changzhou Chemsemi Co., Ltd.	Investment accounted for using equity method	Changzhou Chemsemi Co., Ltd.	Related party	Note 4	1,357,673	Note 4	443,899	-	-	-	-	-	Note 4	1,654,099

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach NT\$300 million or 20% of paid-in capital or more.

Note 4: Changzhou Chemsemi Co., Ltd. was limited company, so it is not applicable.

Note 5: The balance is included the addition of investments accounted for using the equity method, share of net loss of investments accounted for using the equity method and the net exchange differences.

GCS HOLDINGS, INC. AND SUBSIDIARIES
Significant inter-company transactions during the reporting period
Three-month period ended March 31, 2022

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		
2	D-Tech Optoelectronics (Taiwan) Corporation	Global Communication Semiconductors, LLC	3	Service revenue	\$ 5,731	Conducted in the ordinary course of business with terms similar to those with third parties	1.93%
2	D-Tech Optoelectronics (Taiwan) Corporation	Global Communication Semiconductors, LLC	3	Accounts receivable - related party	1,838	Conducted in the ordinary course of business with terms similar to those with third parties	0.04%
3	D-Tech Optoelectronics Corporation	Global Communication Semiconductors, LLC	3	Sales revenue	1,801	Conducted in the ordinary course of business with terms similar to those with third parties	0.61%
4	GCS Device Technologies, Co., Ltd.	Global Communication Semiconductors, LLC	3	Service revenue	2,537	Conducted in the ordinary course of business with terms similar to those with third parties	0.85%
4	GCS Device Technologies, Co., Ltd.	Global Communication Semiconductors, LLC	3	Accounts receivable - related party	2,724	Conducted in the ordinary course of business with terms similar to those with third parties	0.06%

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: Disclose over 100 million transaction details in this table.

GCS HOLDINGS, INC. AND SUBSIDIARIES
Information on investees (not including investees in mainland China)
Three-month period ended March 31, 2022

Table 10

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, 2022			Net profit (loss)	Investment income (loss)	Footnote
				Balance as at March 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value	of the investee for the three-month period ended March 31, 2022 (Note 2(2))	recognized by the Company for the three-month period ended March 31, 2022 (Note 2(3))	
GCS Holdings, Inc.	Global Communication Semiconductors, LLC	Los Angeles, USA	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	\$ 403,975	\$ 403,975	-	100%	\$ 1,601,442	(\$ 6,750)	(\$ 6,750)	Subsidiary
GCS Holdings, Inc.	GCS Device Technologies, Co., Ltd.	Taiwan	Product design and research development services	12,000	12,000	-	100%	26,699	1,222	1,222	Subsidiary
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%	49,578	(20)	(20)	Subsidiary
GCS Holdings, Inc.	Unikorn Semiconductor Corporation	Taiwan	Specialized OEM of III-V compound semiconductors	1,264,000	964,000	126,400,000	46.40%	677,842	(215,235)	(98,270)	Investee company of parent company
Global Communication Semiconductors, LLC	D-Tech Optoelectronics, Inc.	Los Angeles, USA	Developing, manufacturing and selling of photodiodes and avalanche photodiodes for telecommunication systems and data communication networks	393,380	393,380	360,000	100%	203,873	(21,455)	(21,455)	Subsidiary
D-Tech Optoelectronics, Inc.	D-Tech Optoelectronics (Taiwan) Corporation	Taiwan	Manufacturing, retailing and wholesaling of telecommunications devices, and manufacturing and wholesaling of electronic components	89,840	89,840	5,800,000	100%	51,231	(4,170)	(4,170)	Subsidiary

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, 2022' 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 period ended March 31, 2022' 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 period ended March 31, 2022' column should fill in the Company (public company) recognized investment income (loss) of its direct subsidiary and recognized investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognized investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognized by regulations.

GCS HOLDINGS, INC.AND SUBSIDIARIES
Information on investments in mainland China
Three-month period ended March 31, 2022

Table 11

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to mainland China as of March 31, 2022	Amount remitted from Taiwan to mainland China/ Amount remitted back to Taiwan for the three-month period ended March 31, 2022		Accumulated amount of remittance from Taiwan to mainland China as of March 31, 2022	Net income of investee for the three-month period ended March 31, 2022	Ownership held by the Company (direct or indirect)	Investment loss recognized by the Company for the three-month period ended March 31, 2022(Note 5)	Book value of investments in mainland China as of March 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2022	Footnote
					Remitted to mainland China	Remitted back to Taiwan							
Changzhou Chemsemi Co., Ltd.	Manufacturing and selling of semiconductor discrete devices, integrated circuit chips and related products; Designing and services of integrated circuit chips; Manufacturing and selling of optoelectronic devices.	\$ 7,785,125	2	\$ -	\$ -	\$ -	\$ -	(\$ 149,080)	22.14%	(\$ 30,633)	\$ 1,654,099	\$ -	Note 2(2)C、Note 4
Shanghai Galasemi Co., Ltd.	Technical services and development services in the field of optoelectronic technology, and selling of semiconductor discrete devices	294,516	2	-	-	-	-	(16,283)	48%	(9,149)	108,002	-	Note 2(2)C、Note 4
Company name	Accumulated amount of remittance from Taiwan to mainland China as of March 31, 2022	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in mainland China imposed by the Investment Commission of MOEA										
Changzhou Chemsemi Co., Ltd.	\$ -	\$ -	\$ -										
Shanghai Galasemi Co., Ltd.	-	-	-										

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

- (1) Directly invest in a company in mainland China.
- (2) Through investing in an existing company in the third area (GCS Holdings, Inc.), which then invested in the investee in mainland China.
- (3) Others

Note 2: In the 'Investment income (loss) recognized by the Company for the three-month period March 31, 2022' 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. The financial statements prepared by the investee.

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

Note 4: The Company was incorporated in Cayman Islands and continuously transferred the investments from the Company's U.S. bank account to Changzhou Chemsemi Co., Ltd. and Shanghai Galasemi Co., Ltd.

Note 5: The investment loss recognized by the Company for the three-month period ended March 31, 2022 was included the adjustment of unrealized investing gain and losses.

GCS HOLDINGS, INC. AND SUBSIDIARIES

Major shareholders information

March 31, 2022

Table 12

Name of major shareholders	Shares	
	Number of shares	Ownership (%)
ENNOSTAR INC.	9,028,000	8.13%
Harvestar Investment Corp.	9,013,000	8.12%
Calystar Investment Corp.	6,500,000	5.86%

Note: (1)The main shareholder information using total number of ordinary shares and preferred shares held by the shareholders who have completed the company's non-physical registration and delivery (including treasury shares) is more than 5% on the last business day at the end of each quarter. As for the share capital recorded in the company's financial report and the number of shares which the company actually have completed the non-physical registration and delivery, may be different from computational basis.

(2)Above information if belong to shareholders deliver the shares to the trust, will be disclosed by the principal individual account of trustee opened the trust account. As for shareholders who handle the declaration of insider equity holding more than 10% of their shares in accordance with the Securities and Exchange Act, their shareholdings include their shareholdings plus their delivery of trust and shares with the right to make decisions on trust property, etc. Please refer to the information at the website of the Taiwan Stock Exchange for insider equity declaration information.

(3)The preparation principle of this table is to calculate the distribution of the balance of each credit transaction based on the shareholders registered on the book-close day of the extraordinary shareholders' meeting (short-sale securities are not purchased back).

(4)Ownership (%) = The total number of shares held by this shareholder / The total number of shares that have been delivered without physical registration.

(5)The total number of shares that have been delivered without physical registration (including treasury stocks) are 110,921,067 = 110,921,067 (common shares) + 0 (preferred shares).