

**GCS HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITORS' REPORT**  
**JUNE 30, 2022 AND 2021**

---

For the convenience of readers and for information purpose only, the auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. 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 consolidated financial statements shall prevail.

## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To GCS Holdings, Inc.

### ***Introduction***

We have audited the accompanying consolidated balance sheet of GCS Holdings, Inc. and subsidiaries (the "Group") as of June 30, 2022 and 2021, and the related consolidated statements of comprehensive income for the three-month and six-month periods then ended, as well as the consolidated statements of changes in equity and of cash flows for the six-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except as explained in the following paragraph, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2022 and 2021, and its consolidated financial performance for the three-month and six-month periods then ended, and its consolidated cash flows for the six-month periods then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission.

### ***Basis for Qualified Opinion***

As explained in Note 6(5), the financial statements of investments accounted for using the equity method were not audited by independent auditors. The balance of investments accounted for using the equity method amounted to NT\$ 2,299,482 thousand and NT\$888,121 thousand, respectively, constituting 48% and 24% of the consolidated total assets as of June 30, 2022 and 2021; and the share of comprehensive (loss) income of associates and joint ventures accounted for using equity method amounted to (NT\$247,374) thousand, (NT\$91,718) thousand, (NT\$389,558) thousand and (NT\$189,532) thousand, respectively, constituting 262%, 82%, 304% and 96% of the consolidated total comprehensive (loss) income for the three-month and six-month periods then ended. We were not engaged to audit the financial statements of investments accounted for using the equity method, therefore, we could not obtain sufficient and appropriate audit evidence on their financial statements. As a result, we were not able to conclude whether necessary adjustments were needed.

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the

consolidated financial statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### ***Key audit matters***

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters. Key audit matters for the Group's consolidated financial statements for the six-month period ended June 30, 2022 are stated as follows:

#### ***Key Audit Matter – Sales revenue recognition***

##### Description

Please refer to Note 4(6) for accounting policies of revenue recognition. Please refer to Note 6(20) for description of revenue.

The Group primarily engages in the manufacturing and selling of compound semiconductor wafers and advanced optoelectronics technology products. Among the operating revenue of NT\$637,244 thousands for the six-month period ended June 30, 2022, sales revenue generated from compound semiconductor wafers and advanced optoelectronics technology products amounted to NT\$636,858 thousands, representing 99.94% of total operating revenue. The Group's customers include wireless devices and fiber-optic communication providers in mainland China, U.S.A., Taiwan, etc., and sales terms vary based on market conditions and customer needs in different regions. Considering that sales revenue are the main transactions of the Group, which has significant effect on the consolidated financial statements and requires substantial amount of time and resources for validation, we identified the audit of sales revenue recognition as one of the key audit matters.

#### How our audit addressed the matter

The major audit procedures regarding sales revenue recognition were as follows:

1. Evaluated the design and operating effectiveness of internal controls relevant to sales revenue recognition.
2. Sampled and tested sales transactions by inspecting customers' purchase orders, documents regarding transfer of control, invoices billed and accounting vouchers to validate the occurrence and accuracy of sales transactions.
3. Performed test of sales transactions within a defined period before and after the balance sheet date in order to verify whether the sales transactions were recorded in the appropriate periods.
4. Performed confirmation procedures and subsequent collection testing for sampled accounts receivable.

#### ***Key Audit Matter – Assessment of allowance for valuation of inventory***

##### Description

Please refer to Note 4(4) for description of accounting policies on allowance for inventory valuation. Please refer to Note 5(2) for accounting estimates and assumption uncertainty on evaluation of inventory. Please refer to Note 6(3) for description of allowance for inventory valuation.

The Group primarily engages in the manufacturing and selling of compound semiconductor wafers and advanced optoelectronics technology products. Due to the rapid technological innovations, intense market competition and fluctuations in market prices, there is a higher risk of inventory losses due from market value decline or obsolescence. The Group used net realizable value to make provisions for estimated loss related to inventories aged over a certain period and individually identified as obsolete. The aforementioned identification of obsolete inventories and net realizable value is subject to management's judgment. Considering that the Group's inventory and allowance for inventory valuation have a significant impact on the Group's consolidated financial statements, we identified the assessment of allowance for valuation of inventory as one of the key audit matters.

#### How our audit addressed the matter

Our audit procedures performed in respect of the above area included the following:

1. Assessed the reasonableness of accounting policies and procedures in relation to allowance for inventory valuation.
2. Validated the appropriateness of inventory aging report used by management to ensure that the information in the inventory aging report is consistent with the corresponding accounting policies.

3. Obtained net realizable value calculation report prepared by management, sampled inventory items and checked whether purchase or sales documents corresponded to records and recalculated the net realizable value calculation for accuracy. Performed the aforementioned audit procedures to assess the reasonableness of recognized inventory valuation fluctuations.

***Responsibilities of management and those charged with governance for the consolidated financial statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission, and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the Audit Committee, are responsible for overseeing the Group’s financial reporting process.

***Auditors’ responsibilities for the audit of the consolidated financial statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with generally accepted auditing standards in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

---

Bai, Shu-Chian

---

Cheng, Ya-Huei

For and on behalf of PricewaterhouseCoopers, Taiwan

August 2, 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**  
**JUNE 30, 2022, DECEMBER 31, 2021 AND JUNE 30, 2021**  
**(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)**

Assets	Notes	June 30, 2022		December 31, 2021		June 30, 2021		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
<b>Current assets</b>								
1100	Cash and cash equivalents	6(1)	\$ 864,552	18	\$ 1,839,765	37	\$ 1,136,546	31
1170	Accounts receivable, net	6(2)	250,379	5	155,873	3	206,180	6
1180	Accounts receivable - related party	6(2) and 7	11,037	-	2,913	-	-	-
1200	Other receivables		1,939	-	3,755	-	3,709	-
1210	Other receivables - related parties	7	42	-	15,754	-	-	-
1220	Current income tax assets		33,336	1	31,074	1	31,250	1
130X	Inventories	6(3)	323,284	7	280,451	6	320,604	9
1410	Prepayments		28,790	-	30,717	1	43,708	1
1470	Other current assets	8	32,247	1	29,960	1	30,156	1
11XX	<b>Total current Assets</b>		<u>1,545,606</u>	<u>32</u>	<u>2,390,262</u>	<u>49</u>	<u>1,772,153</u>	<u>49</u>
<b>Non-current assets</b>								
1517	Non-current financial assets at fair value through other comprehensive income	6(4)	1,352	-	-	-	-	-
1550	Investments accounted for using equity method	6(5)	2,299,482	48	1,690,553	34	888,121	24
1600	Property, plant and equipment	6(6) and 8	658,543	14	575,485	12	677,710	19
1755	Right-of-use assets	6(7)	977	-	3,641	-	6,413	-
1780	Intangible assets	6(8)	99,609	2	94,366	2	140,249	4
1840	Deferred income tax assets		117,464	2	103,784	2	119,228	3
1990	Other non-current assets	6(10) and 8	75,203	2	43,903	1	39,479	1
15XX	<b>Total non-current assets</b>		<u>3,252,630</u>	<u>68</u>	<u>2,511,732</u>	<u>51</u>	<u>1,871,200</u>	<u>51</u>
1XXX	<b>Total assets</b>		<u>\$ 4,798,236</u>	<u>100</u>	<u>\$ 4,901,994</u>	<u>100</u>	<u>\$ 3,643,353</u>	<u>100</u>

(Continued)



**GCS HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**JUNE 30, 2022, DECEMBER 31, 2021 AND JUNE 30, 2021**  
**(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)**

Liabilities and Equity		Notes	June 30, 2022		December 31, 2021		June 30, 2021	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>								
2100	Short-term borrowings	6(11)	\$ 20,000	-	\$ 20,000	-	\$ 20,000	1
2130	Current contract liabilities	6(20)	23,619	1	21,752	1	41,771	1
2170	Accounts payable		5,194	-	1,682	-	7,544	-
2200	Other payables	6(12)	120,272	3	96,763	2	127,855	3
2220	Other payables - related parties	7	5,240	-	-	-	-	-
2230	Current income tax liabilities		73	-	42	-	12	-
2280	Current lease liabilities		285	-	3,393	-	6,184	-
2320	Long-term borrowings, current portion	6(13)	41,032	1	10,292	-	28,032	1
2399	Other current liabilities		893	-	984	-	1,635	-
21XX	<b>Total current liabilities</b>		<u>216,608</u>	<u>5</u>	<u>154,908</u>	<u>3</u>	<u>233,033</u>	<u>6</u>
<b>Non-current liabilities</b>								
2540	Long-term borrowings	6(13)	339,627	7	188,673	4	5,811	-
2570	Deferred income tax liabilities		63,526	1	59,173	1	58,210	2
2580	Non-current lease liabilities		-	-	-	-	267	-
25XX	<b>Total non-current liabilities</b>		<u>403,153</u>	<u>8</u>	<u>247,846</u>	<u>5</u>	<u>64,288</u>	<u>2</u>
2XXX	<b>Total liabilities</b>		<u>619,761</u>	<u>13</u>	<u>402,754</u>	<u>8</u>	<u>297,321</u>	<u>8</u>
<b>Equity</b>								
Share capital		6(16)						
3110	Common stock		1,108,421	23	1,106,761	23	918,233	25
Capital surplus		6(17)						
3200	Capital surplus		2,749,185	57	2,937,329	59	1,725,816	48
Retained earnings		6(18)						
3320	Special reserve		6,821	-	6,821	-	6,821	-
3350	Unappropriated retained earnings		386,194	8	715,327	15	1,011,610	28
Other equity interest		6(19)						
3400	Other equity interest		( 72,146)	( 1)	( 254,043)	( 5)	( 225,578)	( 7)
3500	Treasury stocks	6(16)	-	-	( 12,955)	-	( 90,870)	( 2)
3XXX	<b>Total equity</b>		<u>4,178,475</u>	<u>87</u>	<u>4,499,240</u>	<u>92</u>	<u>3,346,032</u>	<u>92</u>
Significant contingent liabilities and unrecognized contract commitments		9						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 4,798,236</u>	<u>100</u>	<u>\$ 4,901,994</u>	<u>100</u>	<u>\$ 3,643,353</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 AND SIX-MONTH PERIODS ENDED JUNE 30, 2022 AND 2021**  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR LOSSES PER SHARE)

Items	Notes	Three months ended June 30				Six months ended June 30				
		2022		2021		2022		2021		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(20) and 7	\$ 339,759	100	\$ 307,557	100	\$ 637,244	100	\$ 608,864	100
5000	Cost of operating revenue	6(3)(23) and 7	( 245,638)	( 73)	( 229,548)	( 75)	( 448,520)	( 71)	( 430,850)	( 71)
5900	Net operating margin		94,121	27	78,009	25	188,724	29	178,014	29
	Operating expenses	6(23)(24)								
6100	Selling and marketing expenses		( 9,424)	( 3)	( 7,414)	( 2)	( 17,764)	( 3)	( 14,358)	( 2)
6200	General and administrative expenses		( 57,066)	( 17)	( 54,062)	( 17)	( 111,436)	( 17)	( 105,828)	( 18)
6300	Research and development expenses		( 36,093)	( 10)	( 45,008)	( 15)	( 83,202)	( 13)	( 84,633)	( 14)
6450	Net impairment income (loss) on financial assets	12(2)	28	-	6	-	-	-	( 880)	-
6000	Total operating expenses		( 102,555)	( 30)	( 106,478)	( 34)	( 212,402)	( 33)	( 205,699)	( 34)
6900	Operating loss		( 8,434)	( 3)	( 28,469)	( 9)	( 23,678)	( 4)	( 27,685)	( 5)
	Non-operating income and expenses									
7100	Interest income		620	-	1,046	-	1,287	-	2,981	1
7010	Other income	6(13)	5,446	2	81,577	27	5,559	1	88,415	15
7020	Other gains and losses	6(21)	( 4,207)	( 1)	( 1,699)	( 1)	( 23,063)	( 3)	( 3,421)	( 1)
7050	Finance costs	6(22)	( 2,433)	( 1)	( 502)	-	( 4,267)	( 1)	( 1,075)	-
7060	Share of net loss of associates and joint ventures accounted for using equity method	6(5)	( 146,440)	( 43)	( 104,459)	( 34)	( 284,492)	( 45)	( 198,458)	( 33)
7000	Total non-operating income and expenses		( 147,014)	( 43)	( 24,037)	( 8)	( 304,976)	( 48)	( 111,558)	( 18)
7900	Loss before income tax		( 155,448)	( 46)	( 52,506)	( 17)	( 328,654)	( 52)	( 139,243)	( 23)
7950	Income tax benefit	6(25)	2,984	1	7,308	2	5,528	1	5,856	1
8200	Net loss for the period		( \$ 152,464)	( 45)	( \$ 45,198)	( 15)	( \$ 323,126)	( 51)	( \$ 133,387)	( 22)
	Other comprehensive income (loss)									
	Other comprehensive income (loss) components that will not be reclassified to profit or loss									
8361	Financial statements translation differences of foreign operations	6(19)	\$ 163,650	48	( \$ 82,428)	( 27)	\$ 309,081	49	( \$ 75,491)	( 12)
	Components of other comprehensive (loss) income that will be reclassified to profit or loss									
8370	Share of other comprehensive (loss) income of subsidiaries, associates and joint ventures accounted for using the equity method- financial statements translation differences of foreign operations	6(19)	( 105,760)	( 31)	16,138	6	( 114,261)	( 18)	11,904	2
8300	Total other comprehensive income (loss), net		\$ 57,890	17	( \$ 66,290)	( 21)	\$ 194,820	31	( \$ 63,587)	( 10)
8500	Total comprehensive loss for the period		( \$ 94,574)	( 28)	( \$ 111,488)	( 36)	( \$ 128,306)	( 20)	( \$ 196,974)	( 32)
	Loss attributable to:									
8610	Owners of the parent		( \$ 152,464)	( 45)	( \$ 45,198)	( 15)	( \$ 323,126)	( 51)	( \$ 133,387)	( 22)
	Total comprehensive loss attributable to:									
8710	Owners of the parent		( \$ 94,574)	( 28)	( \$ 111,488)	( 36)	( \$ 128,306)	( 20)	( \$ 196,974)	( 32)
	Losses per share	6(26)								
9750	Basic losses per share (in dollars)		\$ 1.39		\$ 0.50		\$ 2.94		\$ 1.49	
9850	Diluted losses per share (in dollars)		\$ 1.39		\$ 0.50		\$ 2.94		\$ 1.49	

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

**GCS HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**SIX-MONTH PERIODS ENDED JUNE 30, 2022 AND 2021**  
**(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)**

	Equity Attributable To Owners Of The Parent								
	Notes	Retained Earnings				Other Equity Interest			Equity
		Common Stock	Capital Surplus	Special Reserve	Unappropriated Retained Earnings	Financial Statements Translation Differences Of Foreign Operations	Unearned Compensation Costs	Treasury Stocks	
<b>Six-month period ended June 30, 2021</b>									
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		-	-	-	( 133,387)	-	-	-	( 133,387)
Other comprehensive loss for the period	6(19)	-	-	-	-	( 63,587)	-	-	( 63,587)
Total comprehensive loss for the period		-	-	-	( 133,387)	( 63,587)	-	-	( 196,974)
Compensation costs of share-based payment	6(15)(17)(19)	-	5,858	-	-	-	10,052	-	15,910
Issuance of restricted stocks to employees	6(15)(16)(17)(19)	4,270	16,828	-	-	-	( 21,098)	-	-
Retirement of restricted stocks to employees	6(15)(16)(17)(19)	( 95)	( 390)	-	-	-	485	-	-
Balance at June 30, 2021		<u>\$ 918,233</u>	<u>\$ 1,725,816</u>	<u>\$ 6,821</u>	<u>\$ 1,011,610</u>	<u>(\$ 204,255)</u>	<u>(\$ 21,323)</u>	<u>(\$ 90,870)</u>	<u>\$ 3,346,032</u>
<b>Six-month period ended June 30, 2022</b>									
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		-	-	-	( 323,126)	-	-	-	( 323,126)
Other comprehensive income for the period	6(19)	-	-	-	-	194,820	-	-	194,820
Total comprehensive (loss) income for the period		-	-	-	( 323,126)	194,820	-	-	( 128,306)
Compensation costs of share-based payment	6(15)(17)(19)	-	12,946	-	-	-	3,848	-	16,794
Issuance of restricted stocks to employees	6(15)(16)(17)(19)	4,450	16,039	-	-	-	( 20,489)	-	-
Retirement of restricted stocks to employees	6(15)(16)(17)(19)	( 790)	( 2,928)	-	-	-	3,718	-	-
Exercise of employee stock options	6(15)(16)(17)	500	1,067	-	-	-	-	-	1,567
Retirement of treasury stocks	6(16)(17)	( 2,500)	( 4,448)	-	( 6,007)	-	-	12,955	-
Recognized changes in equity of associates	6(17)	-	( 210,820)	-	-	-	-	-	( 210,820)
Balance at June 30, 2022		<u>\$ 1,108,421</u>	<u>\$ 2,749,185</u>	<u>\$ 6,821</u>	<u>\$ 386,194</u>	<u>(\$ 53,791)</u>	<u>(\$ 18,355)</u>	<u>\$ -</u>	<u>\$ 4,178,475</u>

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

GCS HOLDINGS, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
SIX-MONTH PERIODS ENDED JUNE 30, 2022 AND 2021  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Six-month periods ended June 30	
		2022	2021
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Loss before tax		(\$ 328,654 )	(\$ 139,243 )
Adjustments			
Adjustments to reconcile profit (loss)			
Net impairment loss on financial assets	12(2)	-	880
Depreciation	6(6)(7)(23)	57,372	57,715
Amortization	6(8)(23)	3,302	3,232
Interest expense	6(22)	4,267	1,075
Interest income		( 1,287 )	( 2,981 )
Compensation cost of share-based payment	6(15)	16,794	15,910
Loss on disposal of property, plant and equipment	6(21)	( 4,603 )	1,030
Payroll protection loan exempt income	6(13)	( 5,408 )	( 88,415 )
Share of net loss of associates and joint ventures accounted for using equity method	6(5)	284,492	198,458
Gain on disposal of investments	6(5)(21)	302	-
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		( 81,155 )	( 13,967 )
Accounts receivable- related party		( 8,735 )	-
Other receivables		( 52 )	6,956
Other receivable- related parties		23	-
Inventories		( 21,561 )	38,057
Prepayments		3,620	( 12,969 )
Changes in operating liabilities			
Contract liabilities		255	27,582
Accounts payable		7,608	( 14,379 )
Other payables		6,900	( 7,413 )
Other payable- related parties		5,069	-
Other current liabilities		( 154 )	( 1,105 )
Cash (outflow) inflow generated from operations		( 61,605 )	70,423
Interest received		3,410	5,068
Interest paid		( 4,267 )	( 1,080 )
Income tax paid		( 354 )	( 366 )
Net cash flows (used in) from operating activities		( 62,816 )	74,045

(Continued)

GCS HOLDINGS, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
SIX-MONTH PERIODS ENDED JUNE 30, 2022 AND 2021  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Six-month periods ended June 30	
		2022	2021
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of investments accounted for using the equity method	6(5) and 7	(\$ 1,043,899 )	(\$ 84,615 )
Acquisition of property, plant and equipment	6(27)	( 116,757 )	( 63,671 )
Proceeds from disposal of property, plant and equipment	6(27)	21,003	282
Acquisition of intangible assets	6(8)	( 1,648 )	( 248 )
(Increase) decrease in other current assets		( 88 )	140,395
Decrease in other non-current assets		13	263
Net cash flows used in investing activities		( 1,141,376 )	( 7,594 )
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from long-term borrowings	6(28)	169,454	5,303
Repayments of long-term borrowings	6(28)	( 2,637 )	( 11,226 )
Repayments of lease liabilities	6(28)	( 3,246 )	( 2,910 )
Proceeds from exercise of employee stock options		1,567	-
Net cash flows from (used in) financing activities		165,138	( 8,833 )
Effect of changes in exchange rates		63,841	( 27,548 )
Net (decrease) increase in cash and cash equivalents		( 975,213 )	30,070
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)	\$ 864,552	\$ 1,136,546

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

GCS HOLDINGS, INC. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
SIX-MONTH PERIODS ENDED JUNE 30, 2022 AND 2021  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,  
EXCEPT AS OTHERWISE INDICATED)

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 August 2, 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

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

New Standards, Interpretations and Amendments	Effective date by IASB
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

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

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

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

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IFRS 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

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
			June 30, 2022	December 31, 2021	June 30, 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)



Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Note
			June 30, 2022	December 31, 2021	June 30, 2021	
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) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(5) Income tax

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

(6) Revenue recognition

A. Sales of goods

- (a) The Group engages in the manufacturing and selling of compound semiconductor wafer and advanced optoelectronics technology products. Sales are recognized when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

- (b) Revenue from these sales is recognized based on the price specified in the contract. A refund liability is recognized for expected sales discounts and allowances payable to customers in relation to sales made until the end of the reporting period.
- (c) A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

#### B. Royalty revenue

Some contracts require sales-based royalty in exchange for a license of intellectual property. The Group recognizes revenue when the performance obligation has been satisfied and the subsequent sale occurs.

#### C. Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

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

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

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

None.

#### (2) Critical accounting estimates and assumptions

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

##### Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is

principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of June 30, 2022, the carrying amount of inventories was \$ \$323,284.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Cash on hand	\$ 113	\$ 110	\$ 114
Checking accounts and demand deposits	837,839	1,829,855	1,131,532
Time deposits	26,600	9,800	4,900
	<u>\$ 864,552</u>	<u>\$ 1,839,765</u>	<u>\$ 1,136,546</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>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Accounts receivable	\$ 251,622	\$ 157,030	\$ 207,345
Accounts receivable-related party	11,037	2,913	-
Less: Loss allowance	( 1,243)	( 1,157)	( 1,165)
	<u>\$ 261,416</u>	<u>\$ 158,786</u>	<u>\$ 206,180</u>

A. As of June 30, 2022, December 31, 2021 and June 30, 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

	<u>June 30, 2022</u>		
	<u>Cost</u>	<u>Allowance</u>	<u>Book value</u>
Raw materials	\$ 110,439	(\$ 12,539)	\$ 97,900
Work in progress	252,435	( 55,989)	196,446
Finished goods	36,432	( 7,494)	28,938
	<u>\$ 399,306</u>	<u>(\$ 76,022)</u>	<u>\$ 323,284</u>

  

	<u>December 31, 2021</u>		
	<u>Cost</u>	<u>Allowance</u>	<u>Book value</u>
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>

	June 30, 2021		
	Cost	Allowance	Book value
Raw materials	\$ 133,670	(\$ 24,178)	\$ 109,492
Work in progress	207,042	( 43,018)	164,024
Finished goods	54,108	( 7,020)	47,088
	<u>\$ 394,820</u>	<u>(\$ 74,216)</u>	<u>\$ 320,604</u>

Expenses and costs incurred as cost of operating revenue for the three-month and six-month periods ended June 30, 2022 and 2021 were as follows:

	Three-month periods ended June 30,	
	2022	2021
Cost of goods sold	\$ 261,362	\$ 231,942
(Gain) loss on (recovery of) market price decline	( 7,304)	8,727
Revenue from sale of scraps	( 8,420)	( 11,121)
	<u>\$ 245,638</u>	<u>\$ 229,548</u>

	Six-month periods ended June 30,	
	2022	2021
Cost of goods sold	\$ 489,313	\$ 448,105
(Gain) loss on (recovery of) market price decline	( 22,221)	10,097
Revenue from sale of scraps	( 18,572)	( 27,352)
	<u>\$ 448,520</u>	<u>\$ 430,850</u>

The Group recognized gain on recovery of loss of market price decline for the three-month and six-month periods ended June 30, 2022 because some of the inventories previously written down were sold.

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

Items	June 30, 2022
Non-current items:	
Equity instruments	
Unlisted, OTC, Emerging stocks	\$ 1,352
Valuation adjustment	-
	<u>\$ 1,352</u>

December 31 and June 30, 2021: None.

A. The Group has elected to classify investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$1,352 as at June 30, 2022.

B. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

(5) 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		84,615
Share of net loss of investments accounted for using the equity method		( 284,492)		( 198,458)
Changes in capital surplus		( 210,820)		-
Gain on disposal of investments transferred from other comprehensive income due to not recognized by shareholding percentage		( 302)		
Net exchange difference		60,644		( 11,999)
At June 30		<u>\$ 2,299,482</u>		<u>\$ 888,121</u>
	<u>June 30, 2022</u>	<u>December 31, 2021</u>		<u>June 30, 2021</u>
Associate:				
Unikorn Semiconductor Corporation (“Unikorn”)	\$ 579,036	\$ 213,872		\$ 176,080
Joint ventures:				
Changzhou Chemsemi Co., Ltd. (“Chemsemi”)	1,605,685	1,357,673		629,950
Shanghai Galasemi Co., Ltd. (“Shanghai Galasemi”)	114,761	119,008		82,091
	<u>\$ 2,299,482</u>	<u>\$ 1,690,553</u>		<u>\$ 888,121</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
		June 30, 2022	December 31, 2021	June 30, 2021		
Unikorn	Taiwan	46.40%	45.39%	34.73%	Associate	Equity method
Chemsemi	China	21.87%	19.65%	32.80%	Joint venture	Equity method
Galasemi	China	48%	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		
	June 30, 2022	December 31, 2021	June 30, 2021
Current assets	\$ 1,237,200	\$ 378,828	\$ 153,061
Non-current assets	1,228,711	1,278,829	1,148,698
Current liabilities	( 1,066,262)	( 1,203,001)	( 981,874)
Non-current liabilities	( 555,791)	( 373,708)	( 333,617)
Total net assets	<u>\$ 843,858</u>	<u>\$ 80,948</u>	<u>(\$ 13,732)</u>

	Chemsemi		
	June 30, 2022	December 31, 2021	June 30, 2021
Current assets	\$ 3,654,181	\$ 4,996,856	\$ 1,469,907
Non-current assets	4,658,172	3,070,981	1,671,202
Current liabilities	( 355,241)	( 504,214)	( 1,062,131)
Non-current liabilities	( 615,161)	( 654,347)	( 158,512)
Total net assets	<u>\$ 7,341,951</u>	<u>\$ 6,909,276</u>	<u>\$ 1,920,466</u>

	Shanghai Galasemi		
	June 30, 2022	December 31, 2021	June 30, 2021
Current assets	\$ 165,743	\$ 165,650	\$ 170,400
Non-current assets	119,955	90,579	624
Current liabilities	( 22,906)	( 12,996)	-
Total net assets	<u>\$ 262,792</u>	<u>\$ 243,233</u>	<u>\$ 171,024</u>

Statement of comprehensive income

	Unikorn	
	Three-month periods ended June 30,	Three-month periods ended June 30,
	2022	2021
Net loss	<u>(\$ 228,293)</u>	<u>(\$ 196,468)</u>
Total comprehensive loss	<u>(\$ 228,293)</u>	<u>(\$ 196,468)</u>

	Unikorn	
	Six-month period ended June 30,	Six-month period ended June 30,
	2022	2021
Net loss	<u>(\$ 443,528)</u>	<u>(\$ 397,744)</u>
Total comprehensive loss	<u>(\$ 443,652)</u>	<u>(\$ 397,744)</u>

	<u>Chemsemi</u>	
	<u>Three-month periods ended June 30, 2022</u>	<u>Three-month periods ended June 30, 2021</u>
Net loss/ total comprehensive loss	(\$ 192,226)	(\$ 101,737)

	<u>Chemsemi</u>	
	<u>Six-month period ended June 30, 2022</u>	<u>Six-month period ended June 30, 2021</u>
Net loss/ total comprehensive loss	(\$ 341,306)	(\$ 175,171)

	<u>Shanghai Galasemi</u>	
	<u>Three-month periods ended June 30, 2022</u>	<u>Three-month periods ended June 30, 2021</u>
Net loss/ total comprehensive loss	\$ 1,225	(\$ 5,820)

	<u>Shanghai Galasemi Six-month period ended June 30, 2022</u>
Net loss/ total comprehensive loss	(\$ 15,058)

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. In addition, since Chemsemi obtained the investing fund invested by other investor in May 2022, the Group holds 21.87% of Chemsemi's common stocks issued.

F. The Group invested USD 3,000 thousand (\$84,635 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 retained the shareholding ratio in Shanghai Galasemi's common stocks issued at 48%, and the total investment amount was USD 5,016 thousand (\$140,680 thousand).



(6) Property, plant and equipment

	Land	Buildings	Machinery equipment	Computer and communication equipment	Research equipment	Office equipment	Leasehold improvements	Construction in progress and equipment to be inspected	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	-	-	10,226	-	53,868	-	12,628	18,645	95,367
Transfers	-	-	4,476	-	-	-	-	( 4,476)	-
Disposals	-	-	( 27)	-	-	-	-	( 683)	( 710)
Depreciation charges	-	( 1,260)	( 42,271)	( 233)	( 6,802)	( 114)	( 3,859)	-	( 54,539)
Net exchange differences	9,395	5,070	18,547	86	3,924	31	2,738	3,149	42,940
Closing net book amount	<u>\$ 136,861</u>	<u>\$ 73,209</u>	<u>\$ 266,384</u>	<u>\$ 1,143</u>	<u>\$ 83,050</u>	<u>\$ 389</u>	<u>\$ 44,529</u>	<u>\$ 52,978</u>	<u>\$ 658,543</u>
At June 30, 2022									
Cost	\$ 136,861	\$ 91,240	\$ 1,279,415	\$ 9,084	\$ 162,182	\$ 10,072	\$ 301,706	\$ 52,978	\$ 2,043,538
Accumulated depreciation and impairment	-	( 18,031)	( 1,013,031)	( 7,941)	( 79,132)	( 9,683)	( 257,177)	-	( 1,384,995)
	<u>\$ 136,861</u>	<u>\$ 73,209</u>	<u>\$ 266,384</u>	<u>\$ 1,143</u>	<u>\$ 83,050</u>	<u>\$ 389</u>	<u>\$ 44,529</u>	<u>\$ 52,978</u>	<u>\$ 658,543</u>

	Land	Buildings	Machinery equipment	Computer and communication equipment	Research equipment	Office equipment	Leasehold improvements	Construction in progress and equipment to be inspected	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>
<u>2021</u>									
Opening net book amount	\$ 131,150	\$ 73,903	\$ 401,433	\$ 1,183	\$ 39,362	\$ 740	\$ 41,191	\$ 6,672	\$ 695,634
Additions	-	-	16,376	1,302	5,808	80	-	31,197	54,763
Transfers	-	-	3,655	281	-	-	-	( 5,649)	( 1,713)
Disposals	-	-	( 1,312)	-	-	-	-	-	( 1,312)
Depreciation charges	-	( 1,235)	( 43,764)	( 371)	( 5,867)	( 131)	( 3,568)	-	( 54,936)
Net exchange differences	( 2,855)	( 1,597)	( 8,143)	( 37)	( 797)	( 14)	( 858)	( 425)	( 14,726)
Closing net book amount	<u>\$ 128,295</u>	<u>\$ 71,071</u>	<u>\$ 368,245</u>	<u>\$ 2,358</u>	<u>\$ 38,506</u>	<u>\$ 675</u>	<u>\$ 36,765</u>	<u>\$ 31,795</u>	<u>\$ 677,710</u>
At June 30, 2021									
Cost	\$ 128,295	\$ 85,530	\$ 1,302,370	\$ 11,740	\$ 101,956	\$ 9,592	\$ 270,922	\$ 31,795	\$ 1,942,200
Accumulated depreciation and impairment	-	( 14,459)	( 934,125)	( 9,382)	( 63,450)	( 8,917)	( 234,157)	-	( 1,264,490)
	<u>\$ 128,295</u>	<u>\$ 71,071</u>	<u>\$ 368,245</u>	<u>\$ 2,358</u>	<u>\$ 38,506</u>	<u>\$ 675</u>	<u>\$ 36,765</u>	<u>\$ 31,795</u>	<u>\$ 677,710</u>

A. Amount of borrowing costs capitalized as part of property, plant and equipment for the six-month periods ended June 30, 2022 and 2021: None.

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

(7) Leasing arrangements – lessee

A. The Group leases various assets including plant 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>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings	<u>\$ 977</u>	<u>\$ 3,641</u>	<u>\$ 6,413</u>
<u>Three-month periods ended June 30,</u>			
	<u>2022</u>	<u>2021</u>	
	<u>Depreciation charge</u>	<u>Depreciation charge</u>	
Buildings	<u>\$ 1,453</u>	<u>\$ 1,380</u>	
<u>Six-month periods ended June 30,</u>			
	<u>2022</u>	<u>2021</u>	
	<u>Depreciation charge</u>	<u>Depreciation charge</u>	
Buildings	<u>\$ 2,833</u>	<u>\$ 2,779</u>	

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

	<u>Three-month periods ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 23	\$ 120
Expense on short-term lease agreements	451	639
Expense on leases of low-value assets	12	8
<u>Six-month periods ended June 30,</u>		
	<u>2022</u>	<u>2021</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 71	\$ 267
Expense on short-term lease agreements	929	1,366
Expense on leases of low-value assets	25	17

D. For the six-month periods ended June 30, 2022 and 2021, the Group's total cash outflow for leases amounted to \$4,271 and \$4,560, respectively.

(8) 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	1,648	-	1,648
Amortization charges	( 3,302)	-	( 3,302)
Net exchange differences	876	6,021	6,897
At June 30	<u>\$ 11,900</u>	<u>\$ 87,709</u>	<u>\$ 99,609</u>
<u>At June 30, 2022</u>			
Cost	\$ 72,266	\$ 172,676	\$ 244,942
Accumulated amortization and impairment	( 60,366)	( 84,967)	( 145,333)
	<u>\$ 11,900</u>	<u>\$ 87,709</u>	<u>\$ 99,609</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	1,713	-	1,713
Addition	248	-	248
Amortization charges	( 3,232)	-	( 3,232)
Net exchange differences	( 374)	( 2,761)	( 3,135)
At June 30	<u>\$ 16,180</u>	<u>\$ 124,069</u>	<u>\$ 140,249</u>
<u>At June 30, 2021</u>			
Cost	\$ 76,130	\$ 161,869	\$ 237,999
Accumulated amortization and impairment	( 59,950)	( 37,800)	( 97,750)
	<u>\$ 16,180</u>	<u>\$ 124,069</u>	<u>\$ 140,249</u>

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

	Three-month periods ended June 30,	
	2022	2021
Cost of operating revenue	\$ 1,739	\$ 1,629
General and administrative expenses	-	12
	<u>\$ 1,739</u>	<u>\$ 1,641</u>
	Six-month periods ended June 30,	
	2022	2021
Cost of operating revenue	\$ 3,302	\$ 3,220
General and administrative expenses	-	12
	<u>\$ 3,302</u>	<u>\$ 3,232</u>

B. Please refer to Note 6(9) for the information about the goodwill impairment assessment.

(9) 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 June 30, 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.

(10) Non-current assets

Item	June 30, 2022	December 31, 2021	June 30, 2021
Prepayments for equipment	\$ 72,598	\$ 41,431	\$ 35,416
Refundable deposits (Note 1)	2,305	2,172	2,185
Reserve account-demand deposits (Note 2)	-	-	1,878
Time deposits (Note 2)	300	300	-
	<u>\$ 75,203</u>	<u>\$ 43,903</u>	<u>\$ 39,479</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.

(11) Short-term borrowings

Type of borrowings	June 30, 2022	December 31, 2021	June 30, 2021	Collateral
Bank borrowings				
Secured borrowings	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 20,000</u>	Time deposit (Note)
Interest rate range	<u>1.66%</u>	<u>1.53%</u>	<u>1.53%</u>	

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

(12) Other payables

	June 30, 2022	December 31, 2021	June 30, 2021
Accrued salaries and bonuses	\$ 48,479	\$ 41,568	\$ 51,188
Accrued unused compensated absences	28,001	22,270	26,630
Payables for equipment	16,678	6,901	26,897
Accrued outsourcing manufacturing services charges	7,232	1,137	2,899
Accrued utilities	6,705	4,755	138
Accrued professional service fees	521	2,850	492
Accrued maintenance expenses	-	2,689	-
Other accrued expenses	12,656	14,593	19,611
	<u>\$ 120,272</u>	<u>\$ 96,763</u>	<u>\$ 127,855</u>

(13) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	June 30, 2022	December 31, 2021
Subsidiary- Global Communication Semiconductor, LLC					
Secured borrowings (Note 1)	(Note 3)	3.50%	Land and buildings (Note 9)	\$ 205,306	\$ 193,755
Non-secured borrowings (Note 1)	(Note 8)	4.00%		175,353	-
Subsidiary- D-Tech Optoelectronics, Inc.					
Non-secured borrowings	(Note 7)	1.00%		-	5,210
				<u>380,659</u>	<u>198,965</u>
Less: Current portion				( 41,032)	( 10,292)
				<u>\$ 339,627</u>	<u>\$ 188,673</u>

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	June 30, 2021
Subsidiary- Global Communication Semiconductor, I.I.C. Secured borrowings (Note 1)	(Note 3)	4.00%	Land and buildings (Note 8)	\$ 22,289
Subsidiary- D-Tech Optoelectronics (Taiwan) Corporation Secured borrowings (Note 1)	(Note 4)	2.57% ~2.67%	(Note 2)	6,310
Subsidiary- D-Tech Optoelectronics, Inc. Non-secured borrowings	(Note 7)	1.00%		5,244
				33,843
Less: Current portion				( 28,032)
				\$ 5,811

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 June 30, 2022, December 31, 2021 and June 30, 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. 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 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 the 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”) in the 2021 Consolidated Financial Statements.

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 and \$5,408 was recognized as income from PPP (recognized as “Other income”) in the 2022 Second Quarter Consolidated Financial Statements)

Note 8: From April 22, 2022 to December 31, 2026, with monthly interest and principal repayments.

Note 9: Please refer to Note 8 for the information of the Group’s assets pledged for secured borrowings.

(14) Pension plan

- A. The Group’s US subsidiary has established a 401(K) pension plan (the “Plan”) covering substantially all employees. The Plan provides voluntary salary reduction contributions by eligible participants in accordance with Section 401(K) of the Internal Revenue Code (IRC), as well as discretionary matching contributions below 15% of employees’ salaries from the Company’s subsidiary to its employees’ individual pension accounts.
- B. The Group’s Taiwan subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company’s Taiwan subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- C. The pension costs under the above pension plans of the Group for the three-month and six-month periods ended June 30, 2022 and 2021 amounted to \$3,827, \$3,671, \$8,001 and \$8,820, respectively.



(15) Share-based payment-employee compensation plan

A. Through June 30, 2022, December 31, 2021 and June 31, 2021, the Group's share-based payment transactions are set forth below:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted</u>	<u>Contract period</u>	<u>Vesting condition</u>
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 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:

Six-month period ended June 30, 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	( 148,000)	NTD	52.59
Options outstanding at end of the period	<u>3,419,120</u>	NTD	53.76
Options exercisable at end of the period	<u>2,132,245</u>	NTD	57.26
Six-month period ended June 30, 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	840,000	NTD	49.82
Options forfeited	( 16,000)	NTD	40.01
Options outstanding at end of the period	<u>3,370,183</u>	NTD	55.65
Options exercisable at end of the period	<u>1,957,725</u>	NTD	58.12

C. The weighted-average stock price of stock options at exercise dates for the six-month period ended June 30, 2022 was \$44.91 (in dollars). There were no stock options exercise for the six-month period ended June 30, 2021.

D. As of June 30, 2022, December 31, 2021 and June 30, 2021, the range of exercise prices of stock options outstanding are as follows:

Grant date	Expiry date	June 30, 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	626,000	NTD	62.70
November 2016	November 2026	8,000	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	515,000	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	668,000	NTD	48.70
February 2022	February 2032	434,000	NTD	45.90
		<u>3,419,120</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>		

		June 30, 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	84.15
February 2018	February 2028	315,000	NTD	81.40
August 2018	August 2028	19,000	NTD	62.30
March 2019	March 2029	548,000	NTD	59.50
August 2019	August 2029	40,000	NTD	58.00
March 2020	March 2030	220,000	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	820,000	NTD	49.80
April 2021	April 2031	20,000	NTD	50.60
		<u>3,370,183</u>		

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

Employee restricted stocks	Six-month periods ended June 30,	
	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)	( 50,500)	( 5,500)
Retired (uncancelled)	( 5,500)	( 25,000)
Outstanding at end of the period	<u>601,500</u>	<u>646,500</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 February 2022 and March 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 June 30,	
	2022	2021
Equity-settled	\$ 8,864	\$ 9,788
	Six-month periods ended June 30,	
	2022	2021
Equity-settled	\$ 16,794	\$ 15,910

(16) Common stock

A. As of June 30, 2022, the Company's paid-in capital was \$1,108,421, consisting of 110,842,067 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	( 50,500)	( 5,500)
Restricted stocks retrieved from employees and to be cancelled	( 5,500)	( 25,000)
Outstanding ordinary shares at June 30	110,836,567	90,421,254
Treasury stocks	-	1,377,000
Restricted stocks retrieved from employees and to be cancelled	5,500	25,000
Issued ordinary shares at June 30	<u>110,842,067</u>	<u>91,823,254</u>

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 June 30, 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 June 30, 2022, the Company had retrieved 82,500 employee restricted stocks in total.
- 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 June 30, 2022, the Company had retrieved 67,500 employee restricted stocks in total due to the employees' resignation, and 66,000 stocks have been retired. Additionally, as of August 2, 2022, the other 1,500 retrieved stocks 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 June 30, 2022 the Company had retrieved 19,000 employee restricted stocks in total due to the employees' resignation and 15,000 stocks have been retired. Additionally, as of August 2, 2022, the other 4,000 retrieved stocks have not been retired.
- 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 June 30, 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:  
June 30, 2022 : None.

Name of company holding the shares	Reason for repurchase	December 31, 2021	
		Number of shares	Carrying amount
The Company	To be reissued to employees	250,000	\$ 12,955

Name of company holding the shares	Reason for repurchase	June 30, 2021	
		Number of shares	Carrying amount
The Company	To be reissued to employees	1,377,000	\$ 90,870

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

(17) Capital surplus

Capital surplus can be used to cover accumulated deficit or distributed as dividend as proposed by the Board of Directors and resolved by the 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	-	12,946	-	-	-	12,946
Issuance of restricted stocks to employees	-	-	16,039	-	-	16,039
Retirement of restricted stocks to employees	-	-	( 2,928)	-	-	( 2,928)
Exercise of employee stock options	3,492	( 2,425)	-	-	-	1,067
Restricted stocks to employees vested	14,185	-	( 14,185)	-	-	-
Employee stock option forfeited	-	( 4,425)	-	-	4,425	-
Recognized changes in equity of associates	-	-	-	( 210,820)	-	( 210,820)
Treasury stock retired	( 4,448)	-	-	-	-	( 4,448)
At June 30	<u>\$ 1,982,312</u>	<u>\$ 75,059</u>	<u>\$ 27,059</u>	<u>\$ 622,725</u>	<u>\$ 42,030</u>	<u>\$ 2,749,185</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	-	5,858	-	-	-	5,858
Issuance of restricted stocks to employees	-	-	16,828	-	-	16,828
Restricted stocks to employees vested	20,055	-	( 20,055)	-	-	-
Employee stock option forfeited	-	-	( 390)	-	-	( 390)
Options forfeited	-	( 356)	-	-	356	-
At June 30	<u>\$ 1,365,702</u>	<u>\$ 75,046</u>	<u>\$ 30,178</u>	<u>\$ 220,066</u>	<u>\$ 34,824</u>	<u>\$ 1,725,816</u>

(18) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset losses incurred in previous years and then a special reserve as required by the applicable securities authority under the applicable public company rules in Taiwan. After combining accumulated undistributed earnings in the previous years and setting aside a certain amount of remaining profits of such financial year as a reserve or reserves for development purposes as the Board of Directors may from time to time deem appropriate, subject to the compliance with the Cayman Islands Companies Law, the Company shall distribute no less than 10% of the remaining profit as dividends to the 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 shareholders at the meeting in May 20, 2022 resolved not to distribute dividends from the appropriations of 2021 earnings.

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.

(19) Other equity interest

2022

	Currency translation differences	Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using equity method, 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	309,081	( 9,195)	-	299,886
-Associates	-	( 105,368)	-	( 105,368)
-Associates- transfer to net income from disposal of investments	-	302	-	302
Compensation costs of share-based payment	-	-	3,848	3,848
Issuance of restricted stocks to employees	-	-	( 20,489)	( 20,489)
Retirement of restricted stocks to employees	-	-	3,718	3,718
At June 30	<u>(\$ 19,487)</u>	<u>(\$ 34,304)</u>	<u>(\$ 18,355)</u>	<u>(\$ 72,146)</u>

2021

	Currency translation differences	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, 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	( 75,491)	2,978	-	( 72,513)
-Associates	-	8,926	-	8,926
Compensation costs of share-based payment	-	-	10,052	10,052
Issuance of restricted stocks to employees	-	-	( 21,098)	( 21,098)
Retirement restricted stocks from employees	-	-	485	485
At June 30	(\$ 299,258)	\$ 95,003	(\$ 21,323)	(\$ 225,578)

(20) Operating revenue

	Three-month periods ended June 30,	
	2022	2021
Revenue from contracts with customers	\$ 339,759	\$ 307,557

	Six-month periods ended June 30,	
	2022	2021
Revenue from contracts with customers	\$ 637,244	\$ 608,864

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 June 30, 2022		
	Sales revenue	Royalty revenue	Total
China	\$ 128,861	\$ -	\$ 128,861
United States	126,489	-	126,489
Taiwan	6,618	162	6,780
Others	77,629	-	77,629
	\$ 339,597	\$ 162	\$ 339,759

Three-month period ended June 30, 2021			
	Sales revenue	Royalty revenue	Total
China	\$ 117,469	\$ 2,243	\$ 119,712
United States	136,573	-	136,573
Taiwan	6,199	495	6,694
Others	44,578	-	44,578
	<u>\$ 304,819</u>	<u>\$ 2,738</u>	<u>\$ 307,557</u>
Six-month period ended June 30, 2022			
	Sales revenue	Royalty revenue	Total
China	\$ 266,224	\$ -	\$ 266,224
United States	242,089	-	242,089
Taiwan	7,843	386	8,229
Others	120,702	-	120,702
	<u>\$ 636,858</u>	<u>\$ 386</u>	<u>\$ 637,244</u>
Six-month period ended June 30, 2021			
	Sales revenue	Royalty revenue	Total
China	\$ 278,713	\$ 2,243	\$ 280,956
United States	245,765	-	245,765
Taiwan	8,874	2,202	11,076
Others	71,067	-	71,067
	<u>\$ 604,419</u>	<u>\$ 4,445</u>	<u>\$ 608,864</u>

#### B. Contract liabilities

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

	June 30, 2022	December 31, 2021	June 30, 2021	January 1, 2021
Contract liabilities				
– advance sales receipts	<u>\$ 23,619</u>	<u>\$ 21,752</u>	<u>\$ 41,771</u>	<u>\$ 14,815</u>

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

	Three-month periods ended June 30,	
	2022	2021
Contract liabilities – advance sales receipts	<u>\$ 6,795</u>	<u>\$ 2,374</u>
	Six-month periods ended June 30,	
	2022	2021
Contract liabilities – advance sales receipts	<u>\$ 15,922</u>	<u>\$ 5,871</u>

(21) Other gains and losses

	Three-month periods ended June 30,	
	2022	2021
Gain (loss) on disposal of property, plant and equipment	\$ 4,603	(\$ 2)
Gain on disposal of investments	302	-
Net currency exchange losses	( 7,212)	( 1,121)
Other losses	( 1,900)	( 576)
	<u>(\$ 4,207)</u>	<u>(\$ 1,699)</u>

  

	Six-month periods ended June 30,	
	2022	2021
Gain (loss) on disposal of property, plant and equipment	\$ 4,603	(\$ 1,030)
Gain on disposal of investments	302	-
Net currency exchange losses	( 22,114)	( 1,234)
Other losses	( 5,854)	( 1,157)
	<u>(\$ 23,063)</u>	<u>(\$ 3,421)</u>

(22) Finance costs

	Three-month periods ended June 30,	
	2022	2021
Interest expense	\$ 2,410	\$ 382
Other financial expenses	23	120
	<u>\$ 2,433</u>	<u>\$ 502</u>

  

	Six-month periods ended June 30,	
	2022	2021
Interest expense	\$ 4,196	\$ 808
Leased liabilities - interest expense	71	267
	<u>\$ 4,267</u>	<u>\$ 1,075</u>

(23) Expenses by nature

	Three-month periods ended June 30,	
	2022	2021
Employee benefit expense	\$ 158,189	\$ 153,551
Depreciation charges on property, plant and equipment and right-of-use assets	\$ 29,878	\$ 30,089
Amortization charges on intangible assets	\$ 1,739	\$ 1,641

	Six-month periods ended June 30,	
	2022	2021
Employee benefit expense	\$ 315,107	\$ 303,330
Depreciation charges on property, plant and equipment and right-of-use assets	\$ 57,372	\$ 57,715
Amortization charges on intangible assets	\$ 3,302	\$ 3,232

(24) Employee benefit expense

	Three-month periods ended June 30,	
	2022	2021
Wages and salaries	\$ 131,015	\$ 126,925
Compensation costs of share-based payment	8,864	9,788
Insurance expenses	13,759	13,004
Pension costs	3,827	3,671
Other personnel expenses	724	163
	\$ 158,189	\$ 153,551

	Six-month periods ended June 30,	
	2022	2021
Wages and salaries	\$ 262,602	\$ 253,032
Compensation costs of share-based payment	16,794	15,910
Insurance expenses	26,726	25,228
Pension costs	8,001	8,820
Other personnel expenses	984	340
	\$ 315,107	\$ 303,330

- A. According to the Articles of Incorporation of the Company, when distributing earnings, an amount equal to the ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be higher than 15% and lower than 5% for employees' compensation and shall not be higher than 2% for directors' remuneration.
- B. For the three-month and six-month periods ended June 30, 2022 and 2021, the Company did not accrue employees' compensation and directors' remuneration, due to net loss before tax.
- C. Information about employees' compensation and directors' remuneration of the Company as proposed by the Board of Directors and resolved by the shareholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(25) Income tax

A. Income tax benefit

Components of income tax benefit

	Three-month periods ended June 30,	
	2022	2021
Current tax:		
Current tax on profit for the period	\$ 1,461	(\$ 1,246)
Prior year income tax over estimation	-	( 19)
Total current tax	<u>1,461</u>	<u>( 1,265)</u>
Deferred tax:		
Origination and reversal of temporary differences	( 4,445)	( 6,043)
Total deferred tax	<u>( 4,445)</u>	<u>( 6,043)</u>
Income tax benefit	<u>(\$ 2,984)</u>	<u>(\$ 7,308)</u>

  

	Six-month periods ended June 30,	
	2022	2021
Current tax:		
Current tax on profit for the period	\$ 1,806	\$ 12
Prior year income tax over estimation	-	( 19)
Total current tax	<u>1,806</u>	<u>( 7)</u>
Deferred tax:		
Origination and reversal of temporary differences	( 7,334)	( 5,849)
Total deferred tax	<u>( 7,334)</u>	<u>( 5,849)</u>
Income tax benefit	<u>(\$ 5,528)</u>	<u>(\$ 5,856)</u>

B. Through June 30, 2022, the assessment of income tax returns of the Taiwan subsidiaries are as follows:

Name of subsidiary	Assessment of income tax returns
Global Device Technologies, Co., Ltd.	Assessed and approved up to 2020
D-Tech Optoelectronics (Taiwan) Corporation	Assessed and approved up to 2019
GCOM Semiconductor Co., Ltd.	Assessed and approved up to 2020

(26) Losses per share

Details of ordinary stocks, losses per share are as follows:

	Three-month period ended June 30, 2022		
	Amount after tax	Weighted average outstanding stocks (in thousand of shares)	Losses per share (in dollars)
<u>Basic losses per share</u>			
Losses attributable to ordinary shareholders of the parent (Note)	<u>(\$ 152,464)</u>	<u>\$ 109,920</u>	<u>(\$ 1.39)</u>



	Three-month period ended June 30, 2021		
	Amount after tax	Weighted average outstanding stocks (in thousand of shares)	Losses per share (in dollars)
<u>Basic losses per share</u>			
Losses attributable to ordinary shareholders of the parent (Note)	(\$ 45,198)	89,775	(\$ 0.50)

	Six-month period ended June 30, 2022		
	Amount after tax	Weighted average outstanding stocks (in thousand of shares)	Losses per share (in dollars)
<u>Basic losses per share</u>			
Losses attributable to ordinary shareholders of the parent (Note)	(\$ 323,126)	\$ 110,026	(\$ 2.94)

	Six-month period ended June 30, 2021		
	Amount after tax	Weighted average outstanding stocks (in thousand of shares)	Losses per share (in dollars)
<u>Basic losses per share</u>			
Losses attributable to ordinary shareholders of the parent (Note)	(\$ 133,387)	89,564	(\$ 1.49)

Note: The employees' compensation, employee stock options and employee restricted stocks have anti-dilutive effect for the three-month and six-month periods ended June 30, 2022 and 2021, as a result, would not be considered while calculating the diluted EPS.

(27) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Six-month periods ended June 30,	
	2022	2021
Acquisition of property, plant and equipment	\$ 95,367	\$ 54,763
Add: Ending balance of prepayments for equipment (Note)	72,598	35,416
Less: Beginning balance of prepayments for equipment (Note)	( 41,431)	-
Less: Ending balance of payables for equipment	( 16,678)	( 26,897)
Add: Beginning balance of payables for equipment	6,901	389
Cash paid	\$ 116,757	\$ 63,671

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

B. Investing activities with partial cash receivable:

	Six-month periods ended June 30,	
	2022	2021
Proceeds from disposal of property, plant and equipment	\$ 5,314	\$ -
Add: Opening balance of payable on equipment (Note)	15,689	-
Less: Ending balance of receivables from disposal of equipment	-	-
Cash received	<u>\$ 21,003</u>	<u>\$ -</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 financial 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:

	July 15, 2021
Consideration received	
Cash (Note)	<u>\$ 54,314</u>
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	<u>\$ 41,174</u>
The shareholding ratio held by the Group on disposal date	100%
Book value on disposal date	<u>\$ 41,174</u>

(28) Changes in liabilities from financing activities

	Short-term borrowings	Lease liabilities	Long-term borrowings (including current portion)	Liabilities from financing activities
At January 1, 2022	\$ 20,000	\$ 3,393	\$ 198,965	\$ 222,358
Changes in cash flow from financing activities	-	( 3,246)	166,817	163,571
Interest expense	-	71	-	71
Interest paid	-	( 71)	-	( 71)
Forgiveness of Paycheck Protection Plan	-	-	( 5,408)	( 5,408)
Net exchange differences	-	138	20,285	20,423
At June 30, 2022	<u>\$ 20,000</u>	<u>\$ 285</u>	<u>\$ 380,659</u>	<u>\$ 400,944</u>

	Short-term borrowings	Lease liabilities	Long-term borrowings (including current	Liabilities from financing activities
At January 1, 2021	\$ 20,000	\$ 9,536	\$ 129,821	\$ 159,357
Changes in cash flow				
from financing activities	-	( 2,910)	( 5,923)	( 8,833)
Interest expense	-	267	-	267
Interest paid	-	( 267)	-	( 267)
Forgiveness of Paycheck Protection Plan	-	-	( 88,415)	( 88,415)
Net exchange differences	-	( 175)	( 1,640)	( 1,815)
At June 30, 2021	<u>\$ 20,000</u>	<u>\$ 6,451</u>	<u>\$ 33,843</u>	<u>\$ 60,294</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 June 30, 2022	Six-month period ended June 30, 2022
Operating revenue		
Sales of goods:		
Changzhou Galasemi	<u>\$ 5,773</u>	<u>\$ 12,369</u>

There-month and six-month periods ended June 30, 2021: None.

B. Receivables from related parties:

	<u>June 30, 2022</u>	<u>December 31, 2021</u>
Accounts receivable:		
Changzhou Galasemi	\$ 11,037	\$ 2,913
Other receivable –		
Sales of machinery and equipment:		
Changzhou Galasemi	-	15,689
Other receivables – Other:		
Unikorn	-	65
Changzhou Galasemi	42	-
	<u>\$ 11,079</u>	<u>\$ 18,667</u>

As of June 30, 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>June 30, 2022</u>
Other payables:	
Chemsemi	\$ 5,087
Unikorn	153
	<u>\$ 5,240</u>

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

Three-month period ended June 30, 2022 and three-month and six-month periods ended June 30, 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				Six-month period ended June 30, 2022	
company	Accounts	No. of shares	Objects	Consideration	
Chemsemi	Investments accounted for using equity method	Note	Equity of Chemsemi	\$ <u>443,899</u>	

Note: Please refer to Note 6(5).

Three-month period ended June 30, 2022 and three-month and six-month periods ended June 30, 2021: None.

E. Other transactions:

Transaction		Transaction amounts	
company	Item	Three-month periods ended June 30,	
		2022	2021
Unikorn	Outsourcing manufacturing services charges	\$ <u>13,337</u>	\$ <u>2,081</u>

Transaction		Transaction amounts	
company	Item	Six-month periods ended June 30,	
		2022	2021
Unikorn	Outsourcing manufacturing services charges	\$ <u>19,776</u>	\$ <u>3,053</u>

(3) Key management compensation

	Three-month periods ended June 30,	
	2022	2021
Salaries and other short-term employee benefits	\$ 26,364	\$ 17,281
Post-employment benefits	603	390
Compensation costs of share-based payment	1,399	2,680
	\$ <u>28,366</u>	\$ <u>20,351</u>

	Six-month periods ended June 30,	
	2022	2021
Salaries and other short-term employee benefits	\$ 50,535	\$ 38,946
Post-employment benefits	1,439	1,308
Compensation costs of share-based payment	3,382	5,009
	\$ <u>55,356</u>	\$ <u>45,263</u>

## 8. PLEGDED ASSETS

As of June 30, 2022, December 31, 2021 and June 30, 2021, the Group's assets pledged as collateral were as follows:

Assets	June 30, 2022	December 31, 2021	June 30, 2021	Purpose
Land	\$ 136,861	\$ 127,466	\$ 128,295	Long-term borrowings
Buildings	73,209	69,399	71,071	Long-term borrowings
Time deposits (Shown as "Other current assets")	32,047	29,760	29,956	Short-term borrowings
Reserve account-demand deposits (Shown as "Other non-current assets")	-	-	1,878	Long-term borrowings
Time deposits (Shown as "Other non-current assets")	300	300	-	Custom guarantee for imported goods
Refundable deposits (Shown as "Other current asset" and "Other non-current assets")	2,505	2,372	2,385	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:

	June 30, 2022	December 31, 2021	June 30, 2021
Property, plant and equipment	<u>\$ 92,349</u>	<u>\$ -</u>	<u>\$ 22,432</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>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
<u>Financial assets</u>			
Financial assets measured at fair value through other comprehensive income			
Designation of equity instrument	\$ 1,352	\$ -	\$ -
Financial assets at cost			
Cash and cash equivalents	864,552	1,839,765	1,136,546
Accounts receivable (including related parties)	261,416	158,786	206,180
Other receivables (including related parties)	1,981	19,509	3,709
Refundable deposits	2,505	2,372	2,385
Reserve account- demand deposits (Shown as “Other non-current assets”)	-	-	1,878
Time deposits (over three-month period) (Shown as “Other current assets” and “Other-current assets”)	32,347	30,060	29,956
	<u>\$ 1,164,153</u>	<u>\$ 2,050,492</u>	<u>\$ 1,380,654</u>
<u>Financial liabilities</u>			
Financial liabilities at amortized cost			
Short-term borrowings	\$ 20,000	\$ 20,000	\$ 20,000
Accounts payable	5,194	1,682	7,544
Other payables (including related parties)	125,512	96,763	127,855
Long-term borrowings (including current portion)	380,659	198,965	33,843
	<u>\$ 531,365</u>	<u>\$ 317,410</u>	<u>\$ 189,242</u>
Lease liabilities	<u>\$ 285</u>	<u>\$ 3,393</u>	<u>\$ 6,451</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.
- ii. 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:

June 30, 2022			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
NTD:USD	\$ 221,755	0.034	\$ 221,755
<u>Non-monetary items</u>			
NTD:USD	579,036	0.034	579,036
RMB:USD	387,274	0.149	1,720,446
December 31, 2021			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(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
June 30, 2021			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Non-monetary items</u>			
NTD:USD	\$ 176,080	0.036	\$ 176,080
RMB:USD	165,104	0.152	712,041



- 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 and six-month periods ended June 30, 2022 and 2021, amounted to \$7,212, \$1,121, \$22,114 and \$1,234, respectively.
- ii. Analysis of foreign currency market risk arising from significant foreign exchange variation:

		<u>Six-month period ended June 30, 2022</u>		
		<u>Sensitivity analysis</u>		
		<u>Degree of variation</u>	<u>Effect on profit or loss</u>	<u>Effect on other comprehensive income</u>
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
	NTD:USD	1%	\$ 2,218	\$ -
<u>Non-monetary items</u>				
	NTD:USD	1%	-	5,790
	RMB:USD	1%	-	17,204
		<u>Six-month period ended June 30, 2021</u>		
		<u>Sensitivity analysis</u>		
		<u>Degree of variation</u>	<u>Effect on profit or loss</u>	<u>Effect on other comprehensive income</u>
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Non-monetary items</u>				
	NTD:USD	1%	-	\$ 1,761
	RMB:USD	1%	-	7,120

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 June 30, 2022, December 31, 2021 and June 30, 2021, with no collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the Group's accounts receivable was \$ 261,416, \$158,786 and \$ 206,180, 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 June 30, 2022, December 31, 2021 and June 30, 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 June 30, 2022</u>					
Expected loss rate	0%-1%	1%-15%	16%-31%	31%-100%	
Total book value	<u>\$ 221,661</u>	<u>\$ 39,755</u>	<u>\$ -</u>	<u>\$ 1,243</u>	<u>\$ 262,659</u>
Loss allowance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,243</u>	<u>\$ 1,243</u>

<u>Accounts receivable</u>	Not past due	Less than			Total
		Less than 90 days past due	180 days and more than 90 days past due	More than 180 days past due	
<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			Total
		Less than 90 days past due	180 days and more than 90	More than 180 days past due	
<u>At June 30, 2021</u>					
Expected loss rate	0%-1%	1%-15%	16%-31%	31%-100%	
Total book value	\$ 156,730	\$ 49,450	\$ -	\$ 1,165	\$ 207,345
Loss allowance	\$ -	\$ -	\$ -	\$ 1,165	\$ 1,165

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

	2022
	<u>Accounts receivable</u>
At January 1	\$ 1,157
Effect of foreign exchange	86
At June 30	<u>\$ 1,243</u>
	2021
	<u>Accounts receivable</u>
At January 1	\$ 1,681
Provision for impairment loss	880
Write-offs due to uncollectible accounts receivable	( 1,316)
Effect of foreign exchange	( 80)
At June 30	<u>\$ 1,165</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 June 30, 2022, December 31, 2021 and June 30, 2021, the loss rate methodology is as follows:

	<u>Not past due</u>
<u>At June 30, 2022</u>	
Expected loss rate	0%-100%
Total book value	\$ 1,981
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 June 30, 2021</u>	
Expected loss rate	0%-100%
Total book value	\$ 3,709
Loss allowance	\$ -

c) Liquidity risk

- i. Cash flow forecasting is performed by the operating entities of the Group and aggregated by the Group's finance team. The Group's finance team monitors rolling forecasts of the Group's liquidity requirements to ensure the Group has sufficient cash to meet operational needs. Such forecasting takes into consideration the Group's debt financing plans, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management are managed for investment appropriately. The instruments 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>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Floating rate:			
Expiring within one			
year	\$ 65,440	\$ 6,000	\$ 6,000

Note: The facilities expiring within one year are annual facilities subject to renegotiation before various due dates.

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>		
June 30, 2022		
Short-term borrowings	\$ 20,081	\$ -
Accounts payable	5,194	-
Other payables (including related parties)	125,512	-
Lease liabilities	285	-
Long-term borrowings (including current portion)	54,759	401,690
	<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>		
June 30, 2021		
Short-term borrowings	\$ 20,090	\$ -
Accounts payable	7,544	-
Other payables	127,855	-
Lease liabilities	6,409	804
Long-term borrowings (including current portion)	28,778	7,514

(3) Fair value information

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

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

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

Level 3: Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value

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).

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

<u>June 30, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income	\$ -	\$ -	\$ 1,352	\$ 1,352

December 31 and June 30, 2021: None.

D. The following chart is the movement of Level 3 for the six-month period ended June 30, 2022:

	<u>2022</u>
	<u>Equity instrument</u>
At January 1	\$ -
Acquired in the period	1,352
At June 30	<u>\$ 1,352</u>

December 31 and June 30, 2021: None.

E. For the six-month periods ended June 30, 2022 and 2021, there was no transfer into or out from Level 3.

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

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

	Fair value at June 30, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instruments	\$ 1,352	Last transaction price	Not applicable	Not applicable	Not applicable
Unlisted Company Shares					

December 31 and June 30, 2021: None.

(4) Others

The Company's significant subsidiary, Global Communication Semiconductors, LLC ("GCS LLC"), is located in Torrance, California, USA. Currently, the Company 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): Please refer to table 3.
- (d) Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: 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:

	Six-month periods ended June 30,	
	2022	2021
Revenue from external customers	\$ 637,244	\$ 608,864
Inter-segment revenue	-	-
Total segment revenue	<u>\$ 637,244</u>	<u>\$ 608,864</u>
Segment loss (Note)	<u>(\$ 328,654)</u>	<u>(\$ 139,243)</u>

Note: Exclusive of income tax.

	June 30, 2022	June 30, 2021
	Segment assets	<u>\$ 4,798,236</u>
Segment liabilities	<u>\$ 619,761</u>	<u>\$ 297,321</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

Six-month period ended June 30, 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 Six-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
					June 30, 2022 (Note 3)	June 30, 2022							Item	Value			
1	Global Communication Semiconductors, LLC	D-Tech Optoelectronics, Inc.	Other receivable - related parties	Yes	\$ 59,440	\$ 59,440	\$ 14,860	2%	2	\$ -	Operation	\$ -	None	\$ -	\$ 674,274	\$ 674,274	-
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	-	674,274	674,274	-
1	Global Communication Semiconductors, LLC	GCS Holdings, Inc.	Other receivable - related parties	Yes	297,200	297,200	-	Settled by contract	2	-	Operation	-	None	-	674,274	674,274	-

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  
Six-month period ended June 30, 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 six-month period ended June 30, 2022	Outstanding endorsement/ guarantee amount at June 30, 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	\$ 1,671,390	\$ 29,720	\$ 29,720	\$ 20,000	\$ 29,720	0.71%	\$ 1,671,390	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.

Holding of marketable securities at the end of the period

June 30, 2022

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of June 30, 2022				Footnote (Note 4)
				Number of shares	Book value (Note 3)	Ownership (%)	Fair value	
Global Communication Semiconductors, LLC	ElectroPhotonic-IC Inc.	None.	Financial assets at fair value through other comprehensive income	41,617	\$ 1,352	0.18%	\$ 1,352	None

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS 9 'Financial instrument'.

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value;

fill in the acquisition cost or amortized cost deducted by accumulated impairment for the marketable securities not measured at fair value. marketable securities not measured at fair value.

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

Six-month period ended June 30, 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)		Disposal (Note 3)			Balance as at June 30, 2022 (Note 5)		
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
GCS Holdings, Inc.	Unikorn Semiconductor Corporation	Investment accounted for using equity method	Unikorn Semiconductor Corporation	Related party	96,400,000	\$ 213,872	30,000,000	\$ 600,000	-	\$ -	\$ -	-	126,400,000	\$ 579,036
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	1,605,685

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. is a 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  
Six-month period ended June 30, 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	
1	D-Tech Optoelectronics (Taiwan) Corporation	Global Communication Semiconductors, LLC	3	Service revenue	\$ 13,732	Conducted in the ordinary course of business with terms similar to those with third parties 2.15%
1	D-Tech Optoelectronics (Taiwan) Corporation	Global Communication Semiconductors, LLC	3	Accounts receivable - related party	2,783	Conducted in the ordinary course of business with terms similar to those with third parties 0.06%
2	D-Tech Optoelectronics, Inc.	Global Communication Semiconductors, LLC	3	Accounts receivable - related party	1,701	Conducted in the ordinary course of business with terms similar to those with third parties 0.04%
2	D-Tech Optoelectronics, Inc.	Global Communication Semiconductors, LLC	3	Service revenue	4,938	Conducted in the ordinary course of business with terms similar to those with third parties 0.77%
2	D-Tech Optoelectronics, Inc.	Global Communication Semiconductors, LLC	3	Other payables-related party	14,933	Loans to others 0.31%
3	GCS Device Technologies, Co., Ltd.	Global Communication Semiconductors, LLC	3	Service revenue	5,267	Conducted in the ordinary course of business with terms similar to those with third parties 0.83%
3	GCS Device Technologies, Co., Ltd.	Global Communication Semiconductors, LLC	3	Accounts receivable - related party	2,895	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: Disclosure over 1 million transaction details in this table.

GCS HOLDINGS, INC. AND SUBSIDIARIES  
Information on investees (not including investees in mainland China)  
Six-month period ended June 30, 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 June 30, 2022			Net profit (loss)	Investment income (loss)	Footnote
				Balance as at June 30, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value	of the investee for the six- month period ended June 30, 2022 (Note 2(2))	recognized by the Company for the six-month period ended June 30, 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%	\$ 1,685,685	\$ 8,799	\$ 8,799	Subsidiary
GCS Holdings, Inc.	GCS Device Technologies, Co., Ltd.	Taiwan	Product design and research development services	12,000	12,000	-	100%	28,105	2,626	2,626	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%	49,562 (	37) (	37) (	Subsidiary
GCS Holdings, Inc.	Unikorn Semiconductor Corporation	Taiwan	Specialized OEM of III-V compound semiconductors	1,564,000	964,000	126,400,000	46.40%	579,036 (	443,528) (	203,939)	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%	198,272 (	33,034) (	33,034)	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%	49,972 (	5,487) (	5,487)	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 June 30, 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 six-month period ended June 30, 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 six-month period ended June 30, 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

Six-month period ended June 30, 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 June 30, 2022	Amount remitted from Taiwan to mainland China/ Amount remitted back to Taiwan for the six-month period ended June 30, 2022		Accumulated amount of remittance from Taiwan to mainland China as of June 30, 2022	Net income of investee for the six-month period ended June 30, 2022	Ownership held by the Company (direct or indirect)	Investment loss recognized by the Company for the six-month period ended June 30, 2022(Note 5)	Book value of investments in mainland China as of June 30, 2022	Accumulated amount of investment income remitted back to Taiwan as of June 30, 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.	\$ 7,957,003	2	\$ -	\$ -	\$ -	\$ -	(\$ 341,306)	21.87%	(\$ 72,934)	\$ 1,605,685	\$ -	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	-	-	-	-	( 14,493)	48%	( 7,619)	114,761	-	Note 2(2)C、 Note 4
Company name	Accumulated amount of remittance from Taiwan to mainland China as of June 30, 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 six-month period June 30, 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 six-month period ended June 30, 2022 was included the adjustment of unrealized investing gain and losses.

GCS HOLDINGS, INC. AND SUBSIDIARIES

Major shareholders information

June 30, 2022

Table 12

Name of major shareholders	Shares	
	Number of shares	Ownership (%)
ENNOSTAR INC.	9,028,000	8.14%
Harvestar Investment Corp.	9,013,000	8.13%
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 110,842,067 = 110,842,067 (common shares) + 0 (preferred shares).