GCS HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2021 AND 2020

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To GCS Holdings, Inc.

Opinion

We have audited the accompanying consolidated balance sheets of GCS Holdings, Inc. and its subsidiaries (the "Group") as of December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparations of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

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 ("ROC GAAS"). Our responsibilities under those standards are further described in the *Responsibilities of Independent Accountants for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 year ended December 31, 2021 are stated as follows:

Key Audit Matter – Sales revenue recognition

Description

Please refer to Note 4(22) for accounting policies of revenue recognition. Please refer to Note 6(19) 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$1,235,881 thousands for the year ended December 31, 2021, sales revenue generated from compound semiconductor wafers and advanced optoelectronics technology products amounted to NT$1,229,509 thousands, representing 99% of total operating revenue. The Group's customers include wireless devices and fiber-optic communication providers in China, U.S.A., Taiwan and 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 and examine the record of accounts receivable to ensure the sales transactions were actually occurred and accurately recorded.
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 receipts testing for sampled accounts receivable.

Key Audit Matter – Assessment of allowance for valuation of inventory

Description

Please refer to Note 4(9) 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 rapid technological innovations, intense market competition and fluctuations in market prices, there is a higher risk of inventory losses resulted 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 are 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 Preparations of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations 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 Audit Committee, are responsible for overseeing the Group's financial reporting process.

Responsibilities of independent accountants 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 a 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 ROC GAAS 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 ROC GAAS, we exercise professional judgement 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 controls.

2. Obtain an understanding of internal controls 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 controls.

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 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 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 footnote 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 controls 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 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.

Cheng, Ya-Huei　　　　　　　　Lin, Yu-Kuan

For and on behalf of PricewaterhouseCoopers, Taiwan
February 23, 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
DECEMBER 31, 2021 AND 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Assets	Notes	December 31, 2021 AMOUNT	%	December 31, 2020 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 1,839,765	37	$ 1,106,476	28
1170	Accounts receivable, net	6(2)	155,873	3	197,537	5
1180	Accounts receivable - related party	6(2) and 7	2,913	-	-	-
1200	Other receivables		3,755	-	9,698	-
1210	Other receivables due from related parties	7	15,754	-	-	-
1220	Current income tax assets		31,074	1	31,945	1
130X	Inventories	6(3)	280,451	6	362,021	9
1410	Prepayments		30,717	1	32,881	1
1470	Other current assets	8	29,960	1	172,763	5
11XX	**Total current Assets**		2,390,262	49	1,913,321	49
	Non-current assets					
1550	Investments accounted for using equity method	6(4)	1,690,553	34	1,013,963	26
1600	Property, plant and equipment	6(5) and 8	575,485	12	695,634	18
1755	Right-of-use assets	6(6)	3,641	-	9,365	-
1780	Intangible assets	6(7)	94,366	2	144,655	4
1840	Deferred income tax assets	6(24)	103,784	2	116,767	3
1990	Other non-current assets	6(9) and 8	43,903	1	4,370	-
15XX	**Total non-current assets**		2,511,732	51	1,984,754	51
1XXX	**Total assets**		$ 4,901,994	100	$ 3,898,075	100

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GCS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Liabilities and Equity	Notes	December 31, 2021 AMOUNT	%	December 31, 2020 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(10)	$ 20,000	-	$ 20,000	-
2130	Current contract liabilities	6(19)	21,752	1	14,815	-
2170	Accounts payable		1,682	-	22,249	1
2200	Other payables	6(11)	96,763	2	111,043	3
2230	Current income tax liabilities	6(24)	42	-	53	-
2280	Current lease liabilities		3,393	-	6,045	-
2320	Long-term borrowings, current portion	6(12)	10,292	-	22,828	1
2399	Other current liabilities		984	-	2,788	-
21XX	**Total current liabilities**		154,908	3	199,821	5
	Non-current liabilities					
2540	Long-term borrowings	6(12)	188,673	4	106,993	3
2570	Deferred income tax liabilities	6(24)	59,173	1	60,674	2
2580	Non-current lease liabilities		-	-	3,491	-
25XX	**Total non-current liabilities**		247,846	5	171,158	5
2XXX	**Total liabilities**		402,754	8	370,979	10
	Equity					
	Equity attributable to owners of the parent					
	Share capital	6(15)				
3110	Common stock		1,106,761	23	914,058	23
	Capital surplus	6(16)				
3200	Capital surplus		2,937,329	59	1,703,520	44
	Retained earnings	6(17)				
3320	Special reserve		6,821	-	6,821	-
3350	Unappropriated retained earnings		715,327	15	1,144,997	29
	Other equity interest	6(18)				
3400	Other equity interest		(254,043)	(5)	(151,430)	(4)
3500	Treasury stocks	6(15)	(12,955)	-	(90,870)	(2)
3XXX	**Total equity**		4,499,240	92	3,527,096	90
	Significant contingent liabilities and unrecognized contract commitments	9				
	Significant events after the reporting period	11				
3X2X	**Total liabilities and equity**		$ 4,901,994	100	$ 3,898,075	100

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

GCS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS PER SHARE)

			Year ended December 31			
			2021		2020	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(19)	$ 1,235,881	100	$ 1,481,859	100
5000	Cost of operating revenue	6(3)(22)	(890,824)	(72)	(868,125)	(58)
5900	Net operating margin		345,057	28	613,734	42
	Operating expenses	6(22)(23)				
6100	Selling and marketing expenses		(29,771)	(2)	(32,466)	(2)
6200	General and administrative expenses		(184,642)	(15)	(213,365)	(15)
6300	Research and development expenses		(160,583)	(13)	(182,584)	(12)
6450	Net impairment (loss) income on financial assets	12(2)	(875)	-	2,211	-
6000	Total operating expenses		(375,871)	(30)	(426,204)	(29)
6900	Operating (loss) profit		(30,814)	(2)	187,530	13
	Non-operating income and expenses					
7100	Interest income		5,532	-	14,171	1
7010	Other income	6(12)	87,633	7	253	-
7020	Other gains and losses	6(20) and 7	16,207	1	(48,299)	(4)
7050	Finance costs	6(21)	(4,632)	-	(3,320)	-
7060	Share of net loss of associates and joint ventures accounted for using equity method	6(4)	(461,136)	(37)	(252,337)	(17)
7000	Total non-operating income and expenses		(356,396)	(29)	(289,532)	(20)
7900	**Loss before income tax**		(387,210)	(31)	(102,002)	(7)
7950	Income tax benefit (expense)	6(24)	8,713	1	(11,914)	(1)
8200	**Net loss for the year**		($ 378,497)	(30)	($ 113,916)	(8)

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GCS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS PER SHARE)

			Year ended December 31			
			2021		2020	
	Items	Notes	AMOUNT	%	AMOUNT	%
	Other comprehensive income (loss)					
	Other comprehensive loss components that will not be reclassified to profit or loss					
8320	Share of other comprehensive loss of associates and joint ventures accounted for using equity method, exchange differences on translation	6(4)	($ 1,285)	-	($ 347)	-
8361	Financial statements translation differences of foreign operations	6(18)	(104,801)	(9)	(181,723)	(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(18)	(3,142)	-	83,099	6
8300	**Total other comprehensive loss, net**		($ 109,228)	(9)	($ 98,971)	(6)
8500	**Total comprehensive loss for the year**		($ 487,725)	(39)	($ 212,887)	(14)
	(Loss) income attributable to:					
8610	Owners of the parent		($ 378,497)	(30)	($ 113,994)	(8)
8620	Non-controlling interest		-	-	78	-
	Total		($ 378,497)	(30)	($ 113,916)	(8)
	Total comprehensive (loss) income attributable to:					
8710	Owners of the parent		($ 487,725)	(39)	($ 212,966)	(14)
8720	Non-controlling interest		-	-	79	-
	Total		($ 487,725)	(39)	($ 212,887)	(14)
	Losses per share	6(25)				
9750	Basic losses per share (in dollars)		($ 4.20)		($ 1.28)	
9850	Diluted losses per share (in dollars)		($ 4.20)		($ 1.28)	

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

GCS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2021 AND 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		Equity Attributable To Owners Of The Parent									
				Retained Earnings		Other Equity Interest					
	Notes	Common Stock	Capital Surplus	Special Reserve	Unappropriated Retained Earnings	Financial Statements Translation Differences Of Foreign Operations	Unearned Compensation Costs	Treasury Stocks	Total	Non-Controlling Interest	Total Equity
2020											
Balance at January 1, 2020		$ 908,335	$ 1,447,954	$ 6,821	$ 1,304,961	($ 42,043)	($ 13,841)	($ 90,870)	$ 3,521,317	$ 5,791	$ 3,527,108
Consolidated net (loss) income for 2020		-	-	-	(113,994)	-	-	-	(113,994)	78	(113,916)
Other comprehensive (loss) income for 2020	6(18)	-	-	-	(347)	(98,625)	-	-	(98,972)	1	(98,971)
Total comprehensive (loss) income for 2020		-	-	-	(114,341)	(98,625)	-	-	(212,966)	79	(212,887)
Distribution of 2019 earnings:											
Cash dividends	6(17)	-	-	-	(45,623)	-	-	-	(45,623)	-	(45,623)
Compensation costs of share-based payment	6(14)(16)(18)	-	15,922	-	-	-	24,684	-	40,606	-	40,606
Issuance of restricted stocks to employees	6(14)(15)(16)(18)	5,180	17,859	-	-	-	(23,039)	-	-	-	-
Retirement of restricted stocks to employees	6(15)(16)(17)(19)	(295)	(1,139)	-	-	-	1,434	-	-	-	-
Exercise of employee stock options	6(14)(15)(16)	838	4,446	-	-	-	-	-	5,284	-	5,284
Forfeited of employee stock options		-	(1,588)	-	-	-	-	-	(1,588)	-	(1,588)
Disposal of a subsidiary		-	-	-	-	-	-	-	-	(5,870)	(5,870)
Recognized changes in equity of associates	6(16)	-	220,066	-	-	-	-	-	220,066	-	220,066
Balance at December 31, 2020		$ 914,058	$ 1,703,520	$ 6,821	$ 1,144,997	($140,668)	($ 10,762)	($ 90,870)	$ 3,527,096	$ -	$ 3,527,096
2021											
Balance at January 1, 2021		$ 914,058	$ 1,703,520	$ 6,821	$ 1,144,997	($140,668)	($ 10,762)	($ 90,870)	$ 3,527,096	$ -	$ 3,527,096
Consolidated net loss for 2021		-	-	-	(378,497)	-	-	-	(378,497)	-	(378,497)
Other comprehensive loss for 2021	6(18)	-	-	-	(1,285)	(107,943)	-	-	(109,228)	-	(109,228)
Total comprehensive loss for 2021		-	-	-	(379,782)	(107,943)	-	-	(487,725)	-	(487,725)
Issuance of share capital-private placement	6(15)(16)	200,000	615,800	-	-	-	-	-	815,800	-	815,800
Compensation costs of share-based payment	6(14)(16)(18)	-	5,244	-	-	-	23,229	-	28,473	-	28,473
Issuance of restricted stocks to employees	6(14)(15)(16)(18)	4,270	16,732	-	-	-	(21,002)	-	-	-	-
Retirement of restricted stocks to employees	6(14)(15)(16)(18)	(650)	(2,453)	-	-	-	3,103	-	-	-	-
Exercise of employee stock options	6(14)(15)(16)	353	1,764	-	-	-	-	-	2,117	-	2,117
Retirement of treasury stocks	6(15)(16)	(11,270)	(16,757)	-	(49,888)	-	-	77,915	-	-	-
Recognized changes in equity of associates	6(16)	-	613,479	-	-	-	-	-	613,479	-	613,479
Balance at December 31, 2021		$ 1,106,761	$ 2,937,329	$ 6,821	$ 715,327	($248,611)	($ 5,432)	($ 12,955)	$ 4,499,240	$ -	$ 4,499,240

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

GCS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Years ended December 31, 2021	Years ended December 31, 2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		($ 387,210)	($ 102,002)
Adjustments			
Adjustments to reconcile profit (loss)			
Net impairment loss (income) on financial assets	12(2)	875	(2,211)
Depreciation	6(5)(6)(22)	112,165	119,028
Amortization	6(7)(22)	6,471	6,557
Interest expense	6(21)	4,632	3,320
Interest income		(5,532)	(14,171)
Compensation cost of share-based payment	6(14)	28,473	40,606
Gain on disposal of property, plant and equipment	6(20) and 7	(17,064)	70
Payroll protection loan exempt income	6(12)	(87,633)	-
Share of net loss of associates and joint ventures accounted for using equity method	6(4)	461,136	252,337
Gain on disposal of investments	6(5)(20)	(29,526)	(1,949)
Gain on disposal of a subsidiary	6(20) and 7	(12,890)	-
Impairment loss on non-financial assets	6(8)(20)	43,144	43,724
Loss on subsidiary liquidation	6(20)	-	188
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		-	7
Accounts receivable		34,976	111,073
Accounts receivable- related parties		(2,913)	-
Other receivables		3,711	(8,625)
Other receivables- related parties		(65)	-
Inventories		72,420	(34,989)
Prepayments		1,415	(5,364)
Changes in operating liabilities			
Contract liabilities		7,441	3,667
Accounts payable		(20,180)	7,434
Other payables		(18,060)	(28,808)
Other current liabilities		(1,748)	2,127
Other non-current liabilities		-	144
Cash inflow generated from operations		194,038	392,163
Interest received		7,603	11,983
Interest paid		(4,618)	(2,886)
Income tax refund received		19,152	-
Income tax paid		(411)	(26,902)
Net cash flows from operating activities		215,764	374,358

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GCS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Years ended December 31, 2021	Years ended December 31, 2020
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investment accounted for using the equity method	6(4) and 7	($ 540,680)	($ 864,693)
Acquisition of property, plant and equipment	6(26)	(133,157)	(70,274)
Proceeds from disposal of property, plant and equipment	6(26)	103,471	-
Acquisition of intangible assets	6(7)	(330)	(2,533)
Decrease (increase) in other current assets		139,598	(148,539)
Decrease in other non-current assets		1,841	1,666
Disposal of a subsidiary-decrease in cash	6(26)	(24,675)	(11,707)
Proceeds from liquidation of a subsidiary		-	5,924
Increase in refundable deposits		-	(200)
Decrease in refundable deposits		-	1,031
Net cash flows used in investing activities		(453,932)	(1,089,325)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings	6(27)	20,000	20,000
Repayments of short-term borrowings	6(27)	(20,000)	(20,000)
Proceeds from long-term borrowings	6(27)	204,143	92,746
Repayments of long-term borrowings	6(27)	(42,973)	(22,763)
Repayments of lease liabilities	6(27)	(5,945)	(6,832)
Proceeds from issuance of share capital - private placement	6(15)(16)	815,800	-
Decrease in guarantee deposit received		-	(317)
Proceeds from exercise of employee stock options		2,117	5,284
Payments of cash dividends		-	(45,623)
Net cash flows from financing activities		973,142	22,495
Effect of changes in exchange rates		(1,685)	(40,046)
Net increase (decrease) in cash and cash equivalents		733,289	(732,518)
Cash and cash equivalents at beginning of year	6(1)	1,106,476	1,838,994
Cash and cash equivalents at end of year	6(1)	$ 1,839,765	$ 1,106,476

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

GCS HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(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 authorized for issuance by the Board of Directors on February 23, 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 the FSC effective from 2021 are as follows:

New Standards, Interpretations and Amendments	International Accounting Standards Board ("IASB")
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ' Interest Rate Benchmark Reform— Phase 2'	January 1, 2021
Amendment to IFRS 16, 'Covid-19-related rent concessions beyond 30 June 2021'	April 1, 2021(Note)

Note：Earlier application from January 1, 2021 is allowed by FSC.

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

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

New Standards, Interpretations and Amendments	Effective date by 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.

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

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

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by IASB
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs and relevant laws and regulations").

(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
			December 31, 2021	December 31, 2020	
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	-
The Company	GCS Device Technologies, Co., Ltd.	Product design and research development services	100	100	-
The Company	GCOM Semiconductor Co., Ltd.	Wholesaling and retailing of electronic components, product design, and outsourcing management services	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
			December 31, 2021	December 31, 2020	
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	-
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	-

Note: Changzhou Galasemi Co., Ltd. was established on September 17, 2020. 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) Foreign currency translation

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The Company’s functional currency is United States dollars; however, the consolidated financial statements are presented in New Taiwan dollars in accordance with the regulations of the country where the consolidated financial statements are reported to the regulatory authorities.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within ‘other gains and losses’.

B. Translation of foreign operations

The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

(b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

(c) All resulting exchange differences are recognized in other comprehensive income.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realized within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(7) Accounts and notes receivable

A. In accordance with contracts, accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(8) Impairment of financial assets

For financial assets at amortized cost, at each reporting date, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.

(9) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) 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.

(10) Investments accounted for using equity method / associates and joint ventures

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.

B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes the Group's share of change in equity of the associate in 'Capital surplus' in proportion to its ownership.

D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'Capital surplus' and

‘Investments accounted for using the equity method’ shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group’s ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

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

(11) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

B. Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Property, plant and equipment apply cost model. Land is not depreciated, and other property, plant and equipment are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets’ residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets’ residual values and useful lives differ from previous estimates or the patterns of consumption of the assets’ future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, ‘Accounting Policies, Changes in Accounting Estimates and Errors’, from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	35 years
Machinery and equipment	5~7 years
Computer and communication equipment	5 years
Research equipment	5~7 years
Office equipment	5~10 years

Leasehold improvements 6~15 years

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

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

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.

Lease payments are comprised of the following fixed payments, less any lease incentives receivable.

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

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

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

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

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

(13) Intangible assets

A. Computer software

Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 1 to 5 years.

B. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

(14) Impairment of non-financial assets

A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

B. The recoverable amounts of goodwill, intangible assets with an indefinite useful life and intangible assets that have not yet been available for use are evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognized in profit or loss shall not be reversed in the following years.

C. For the purpose of impairment testing, goodwill is acquired to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination.

(15) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(16) Accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(17) Derecognition of financial liabilities

A financial liability is derecognized when the obligation specified in the contract is either discharged or cancelled or expires.

(18) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expense in that period when the employees render service.

B. Pensions

Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expense when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognizes termination benefits when it is demonstrably committed to termination, when it has a detailed formal plan to terminate the employment of current employees and when it can no longer withdraw the plan.

D. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(19) Employee share-based payment

A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

B. Restricted stocks

(a) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period.

(b) For restricted stocks where those stocks do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Group recognizes the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the date of dividends declaration.

(20) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(21) <u>Share capital</u>

A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

B. Where the Company repurchases the Company’s equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company’s equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company’s equity holders.

(22) <u>Revenue recognition</u>

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 been 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.

(d) 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.

(23) Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes expenses for the related costs for which the grants are intended to compensate.

(24) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group's Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions

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 realizable value, the Group must determine the net realizable 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 realizable 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 December 31, 2021, the carrying amount of inventories was $280,451.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand	$ 110	$ 111
Checking accounts and demand deposits	1,829,855	1,101,465
Time deposits	9,800	4,900
	$ 1,839,765	$ 1,106,476

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

	December 31, 2021	December 31, 2020
Accounts receivable	$ 157,030	$ 199,218
Accounts receivable-related party	2,913	-
Less: Loss allowance	(1,157)	(1,681)
	$ 158,786	$ 197,537

A. As of December 31, 2021 and 2020, accounts receivable were all from contracts with customers. And as of January 1, 2020, the balance of receivables from contracts with customers was $317,067.

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

(3) Inventories

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

	December 31, 2020		
	Cost	Allowance	Book value
Raw materials	$ 138,529	($ 23,688)	$ 114,841
Work in progress	233,666	(33,800)	199,866
Finished goods	55,266	(7,952)	47,314
	$ 427,461	($ 65,440)	$ 362,021

Expenses and costs incurred as cost of operating revenue for the years ended December 31, 2021 and 2020 were as follows:

	Years ended December 31,	
	2021	2020
Cost of goods sold	$ 900,980	$ 908,651
Loss on market price decline	34,933	18,767
Revenue from sale of scraps	(45,089)	(60,522)
Loss on scrap inventory	-	1,229
	$ 890,824	$ 868,125

(4) Investments accounted for using the equity method

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

	2021	2020
At January 1	$ 1,013,963	$ -
Transfer from financial assets at fair value through other comprehensive income	-	164,000
Addition of investments accounted for using the equity method	540,680	864,693
Share of net loss of investments accounted for using the equity method	(461,136)	(252,337)
Changes in capital surplus	613,479	220,066
Changes in retained earnings	(1,285)	(347)
Gain on disposal of investments transferred from other comprehensive income due to changes in ownership of associates	29,526	1,949
Unrealized gains (Note)	(10,400)	-
Net exchange difference	(34,274)	15,959
At December 31	$ 1,690,553	$ 1,013,983

Note: Please refer to Note7(2) for the information of unrealized gain on disposal of property, plant and equipment.

	December 31, 2021	December 31, 2020
Associate:		
Unikorn Semiconductor Corporation ("Unikorn")	$ 213,872	$ 318,241
Joint ventures:		
Changzhou Chemsemi Co., Ltd. ("Chemsemi") (Formerly named Changzhou Neo-Episky Co., Ltd.)	1,357,673	695,722
Shanghai Galasemi Co., Ltd. ("Shanghai Galasemi")	119,008	-
	$ 1,690,553	$ 1,013,963

B. The basic information of the associate and joint ventures that is material to the Group is as follows:

		Shareholding ratio			
Company name	Principal place of business	December 31, 2021	December 31, 2020	Nature of relationship	Methods of measurement
Unikorn	Taiwan	45.39%	34.73%	Associate	Equity method
Chemsemi	China	19.65%	32.80%	Joint venture	Equity method
Galasemi	China	48.00%	-	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	
	December 31, 2021	December 31, 2020
Current assets	$ 378,828	$ 112,763
Non-current assets	1,278,829	1,265,832
Current liabilities	(1,203,001)	(834,411)
Non-current liabilities	(373,708)	(160,171)
Total net assets	$ 80,948	$ 384,013

	Chemsemi (Formerly named Changzhou Neo-Episky Co., Ltd.)	
	December 31, 2021	December 31, 2020
Current assets	$ 4,996,856	$ 1,148,053
Non-current assets	3,070,981	1,164,763
Current liabilities	(504,214)	(190,806)
Non-current liabilities	(654,347)	(1,030)
Total net assets	$ 6,909,276	$ 2,120,980

	Shanghai Galasemi	
	December 31, 2021	December 31, 2020
Current assets	$ 165,650	$ -
Non-current assets	90,579	-
Current liabilities	(12,996)	-
Non-current liabilities	-	-
Total net assets	$ 243,233	$ -

Statement of comprehensive income

	Unikorn	
	Years ended December 31,	
	2021	2020
Net loss	($ 800,249)	($ 641,475)
Total comprehensive loss	($ 803,054)	($ 642,475)

	Chemsemi (Formerly named Changzhou Neo-Episky Co., Ltd.)	
	Years ended December 31,	
	2021	2020
Net loss/ total comprehensive loss	($ 429,137)	($ 57,707)

	Shanghai Galasemi
	April 12, 2021 (acquisition date) to December 31, 2021
Net loss/ total comprehensive loss	($ 25,291)

D. On January 30, 2020, the Group participated in Unikorn Semiconductor Corporation's ("Unikorn") issuance of common stocks for cash amounting to $400,000 (USD 13,793 thousand). Through the completion of participation in Unikorn's issuance of common stocks, the Group holds 36.06% of Unikorn's common stocks issued, which resulted in the Group having a significant influence in Unikorn; therefore, the investment in Unikorn was reclassified from financial assets measured at fair value through other comprehensive income to investments accounted for using the equity method.

In August 2021, the Group participated in Unikorn's increase of common stocks for cash amounting to $400,000 (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.

E. In order to expand operation scale, increase profits and strengthen competitiveness, the Group invested in Changzhou Neo-Episky Co., Ltd. for RMB 110 million (USD 15,479 thousand) in May 2020. Additionally, Changzhou Neo-Episky Co., Ltd. was renamed as Changzhou Chemsemi Co., Ltd. in August 2020.

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 Unikorn's common stocks changed from 32.80% to 19.65%.

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 remains shareholding ratio of Shanghai Galasemi's common stocks issued as 48%, and the total investment amount was USD 5,016 thousand ($ 140,680 thousand).

(5) Property, plant and equipment

	Land	Buildings	Machinery equipment	Computer and communication equipment	Research equipment	Office equipment	Leasehold improvements	Construction in progress	Total
At January 1, 2021									
Cost	$ 131,150	$ 87,434	$ 1,322,122	$ 10,379	$ 98,128	$ 9,700	$ 276,828	$ 6,672	$ 1,942,413
Accumulated depreciation	-	(13,531)	(920,689)	(9,196)	(58,766)	(8,960)	(235,637)	-	(1,246,779)
	$ 131,150	$ 73,903	$ 401,433	$ 1,183	$ 39,362	$ 740	$ 41,191	$ 6,672	$ 695,634
2021									
Opening net book amount	$ 131,150	$ 73,903	$ 401,433	$ 1,183	$ 39,362	$ 740	$ 41,191	$ 6,672	$ 695,634
Additions	-	-	54,591	1,484	5,775	80	-	36,308	98,238
Transfers	-	-	3,913	279	-	-	-	(5,895)	(1,703)
Disposals	-	-	(89,598)	(16)	-	-	-	-	(89,614)
Effects due to changes in consolidated entities	-	-	-	(975)	(244)	(76)	-	(198)	(1,493)
Depreciation charges	-	(2,457)	(84,328)	(631)	(11,872)	(255)	(7,096)	-	(106,639)
Impairment loss	-	-	(1,070)	-	-	-	-	-	(1,070)
Net exchange differences	(3,684)	(2,047)	(9,508)	(34)	(961)	(17)	(1,073)	(544)	(17,868)
Closing net book amount	$ 127,466	$ 69,399	$ 275,433	$ 1,290	$ 32,060	$ 472	$ 33,022	$ 36,343	$ 575,485
At December 31, 2021									
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)
	$ 127,466	$ 69,399	$ 275,433	$ 1,290	$ 32,060	$ 472	$ 33,022	$ 36,343	$ 575,485

	Land	Buildings	Machinery equipment	Computer and communication equipment	Research equipment	Office equipment	Leasehold improvements	Construction in progress	Total
At January 1, 2020									
Cost	$ 138,058	$ 92,039	$ 1,189,695	$ 10,647	$ 99,712	$ 11,514	$ 293,827	$ 104,363	$ 1,939,855
Accumulated depreciation	-	(11,614)	(840,230)	(8,895)	(50,181)	(10,271)	(242,856)	-	(1,164,047)
	$ 138,058	$ 80,425	$ 349,465	$ 1,752	$ 49,531	$ 1,243	$ 50,971	$ 104,363	$ 775,808
2020									
Opening net book amount	$ 138,058	$ 80,425	$ 349,465	$ 1,752	$ 49,531	$ 1,243	$ 50,971	$ 104,363	$ 775,808
Additions	-	-	54,794	344	3,489	145	-	6,923	65,695
Transfers	-	-	102,547	-	-	-	-	(102,547)	-
Transfers from right-of-use assets	-	-	1,624	-	-	-	-	-	1,624
Disposals	-	-	(26)	-	-	(44)	-	-	(70)
Depreciation charges	-	(2,592)	(84,278)	(844)	(11,657)	(558)	(7,501)	-	(107,430)
Impairment loss	-	-	(3,624)	-	-	(6)	-	-	(3,630)
Net exchange differences	(6,908)	(3,930)	(19,069)	(69)	(2,001)	(40)	(2,279)	(2,067)	(36,363)
Closing net book amount	$ 131,150	$ 73,903	$ 401,433	$ 1,183	$ 39,362	$ 740	$ 41,191	$ 6,672	$ 695,634
At December 31, 2020									
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)
	$ 131,150	$ 73,903	$ 401,433	$ 1,183	$ 39,362	$ 740	$ 41,191	$ 6,672	$ 695,634

A. Amount of borrowing costs capitalized as part of property, plant and equipment for the years ended December 31, 2021 and 2020: None.

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

(6) Leasing arrangements－lessee

A. The Group leases various assets including plant, office premises and machinery equipment. Lease agreements are typically made for periods of 1 to 8 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants. Short-term leases with a lease term of 12 months or less comprise 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:

	December 31, 2021	December 31, 2020
	Carrying amount	Carrying amount
Buildings	$ 3,641	$ 9,365
Machinery equipment	-	-
	$ 3,641	$ 9,365

	Years ended December 31,	
	2021	2020
	Depreciation charge	Depreciation charge
Buildings	$ 5,526	$ 6,719
Machinery equipment	-	4,879
	$ 5,526	$ 11,598

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

	Years ended December 31,	
	2021	2020
Items affecting profit or loss		
Interest expense on lease liabilities	$ 436	$ 895
Expense on short-term lease agreements	2,509	1,817
Expense on leases of low-value assets	35	50

D. For the years ended December 31, 2021 and 2020, the Group’s total cash outflow for leases amounted to $8,925 and $9,594, respectively.

(7) Intangible assets

	Computer Software	Goodwill	Total
At January 1, 2021			
Cost	$ 76,575	$ 165,472	$ 242,047
Accumulated amortization and impairment	(58,750)	(38,642)	(97,392)
	$ 17,825	$ 126,830	$ 144,655
2021			
At January 1	$ 17,825	$ 126,830	$ 144,655
Transferred from construction in progress	1,703	-	1,703
Additions	329	-	329
Effects due to changes in consolidated entities	(232)	-	(232)
Amortization charges	(6,471)	-	(6,471)
Impairment	-	(42,074)	(42,074)
Net exchange differences	(476)	(3,068)	(3,544)
At December 31	$ 12,678	$ 81,688	$ 94,366
At December 31, 2021			
Cost	$ 66,520	$ 160,824	$ 227,344
Accumulated amortization and impairment	(53,842)	(79,136)	(132,978)
	$ 12,678	$ 81,688	$ 94,366

	Computer Software		Goodwill		Total
At January 1, 2020					
Cost	$ 78,068	$	174,186	$	252,254
Accumulated amortization and impairment	(55,222)		-	(	55,222)
	$ 22,846	$	174,186	$	197,032
2020					
At January 1	$ 22,846	$	174,186	$	197,032
Additions	2,533		-		2,533
Amortization charges	(6,557)		-	(	6,557)
Impairment loss	-	(	40,094)	(	40,094)
Net exchange differences	(997)	(	7,262)	(	8,259)
At December 31	$ 17,825	$	126,830	$	144,655
At December 31, 2020					
Cost	$ 76,575	$	165,472	$	242,047
Accumulated amortization and impairment	(58,750)	(	38,642)	(	97,392)
	$ 17,825	$	126,830	$	144,655

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

	Years ended December 31,	
	2021	2020
Cost of operating revenue	$ 6,457	$ 6,401
General and administrative expenses	14	156
	$ 6,471	$ 6,557

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

(8) Impairment of non-financial assets

A. The Group recognized impairment loss for the years ended December 31, 2021 and 2020 amounting to $43,144 and $43,724, respectively.

Details of such loss are as follows:

	Year ended December 31, 2021	
	Recognized in profit or loss	Recognized in other comprehensive income
Impairment loss－machinery	$ 1,070	$ 3,630
Impairment loss－goodwill	42,074	40,094
	$ 43,144	$ 43,724

B. The Group carried out the impairment assessment of goodwill on the balance sheet date. The recoverable amount of the cash-generation units is determined based on the value-in-use calculated using cash flow projections discounted from financial budgets approved by management covering a five-year-period. The discount rate used by management are 12.01% and 10.04%, respectively. The calculation of value-in-use for the cash-until is mainly based on the future growth rate of operating revenues, historical information on gross margins and operating expenses rations, and the future trend of industrial economy.

For the years ended December 31, 2021 and 2020, based on the Group's assessment, the impairment losses of $42,074 and $40,094 were recognized, respectively, for the goodwill due to the recoverable amount is less than the carrying amount.

(9) Non-current assets

Item	December 31, 2021	December 31, 2020
Prepayments for equipment	$ 41,431	$ -
Refundable deposits (Note 1)	2,172	2,229
Reserve account-demand deposits (Note 2)	-	1,824
Time deposits (Note 2)	300	317
	$ 43,903	$ 4,370

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

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

(10) Short-term borrowings

Type of borrowings	December 31, 2021	December 31, 2020	Collateral
Bank borrowings			
Secured borrowings	$ 20,000	$ 20,000	Time deposit (Note)
Interest rate range	1.53%	1.66%	

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

(11) Other payables

	December 31, 2021	December 31, 2020
Accrued salaries and bonuses	$ 41,568	$ 57,085
Accrued unused compensated absences	22,270	29,370
Payables for equipment	6,901	389
Accrued outsourcing manufacturing services charges	1,137	2,027
Accrued professional service fees	2,850	448
Accrued utilities	2,406	2,270
Other accrued expenses	19,631	19,454
	$ 96,763	$ 111,043

(12) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	December 31, 2021	December 31, 2020
Subsidiary- Global Communication Semiconductor, LLC					
Secured borrowings (Note 1)	(Note 3)	3.50% ~4.00%	Land and buildings (Note 8)	$ 193,755	$ 33,146
Non-secured borrowings	(Note 5)	1.00%		-	82,524
Subsidiary- D-Tech Optoelectronics (Taiwan) Corporation					
Secured borrowings (Note 1)	(Note 4)	2.57%	(Note 2)	-	7,287
Subsidiary- D-Tech Optoelectronics, Inc.					
Non-secured borrowings	(Note 6)	1.00%		-	6,864
Non-secured borrowings	(Note 7)	1.00%		5,210	-
				198,965	129,821
Less: Current portion				(10,292)	(22,828)
				$ 188,673	$ 106,993

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 December 31, 2021 and 2020, the Group had not violated any of the required financial covenants.

Note 2: The Group commits to hold 100% equity interests of outstanding shares in its wholly - owned subsidiary, D-Tech Optoelectronics (Taiwan) Corporation, and to maintain its management right throughout the duration of the secured loan contract. In addition, the Group deposited 25% of demand deposit to the reserve account for drawing amount under $10,000. Please refer to Note 8 for the information of the Group's assets pledged for secured borrowings.

Note 3: Borrowing period is from August 6, 2015 to August 6, 2022; interest and principal are repayable monthly. On July 12, 2021, the Company's subsidiary, Global Communication Semiconductor, LLC made amendments to the aforementioned long-term loan contract with the bank. The main amendments are that the borrowing amount is adjusted to USD 7,100 thousand with the maturity date on August 6, 2031, and the borrowing rate is adjusted to 3.5%.

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

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

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 $6,751 was recognized as income from PPP (recognized as "Other income").

Note 7: It refers to Second Draw PPP applied from banks with the loan period from February 2, 2021 to February 2, 2026. The PPP loan must be used for operating expenses, such as salary, rent and other expenses as specified in the loan agreement in order to apply for loan forgiveness within 10 months after the covered period.

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

(13) Pension plan

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

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

C. The pension costs under the above pension plans of the Group for the years ended December 31, 2021 and 2020 amounted to $16,164 and $18,244, respectively.

(14) Share-based payment-employee compensation plan

A. Through December 31, 2021 and 2020, the Group's share-based payment transactions are set forth below:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting condition
Employee stock options	April 2013	1,538,000 shares	10 years	(Note 1)
Employee stock options	October 2013	538,000 shares	10 years	(Note 1)
Employee stock options	November 2014	75,000 shares	10 years	(Note 1)
Employee stock options	February 2015	652,200 shares	10 years	(Note 1)
Employee stock options	March 2016	5,000 shares	10 years	(Note 1)
Employee stock options	August 2016	895,000 shares	10 years	(Note 1)
Employee stock options	November 2016	34,000 shares	10 years	(Note 1)
Employee stock options	February 2017	15,000 shares	10 years	(Note 1)
Employee stock options	August 2017	215,000 shares	10 years	(Note 1)
Employee stock options	January 2018	13,000 shares	10 years	(Note 1)
Employee stock options	February 2018	355,000 shares	10 years	(Note 1)
Employee stock options	August 2018	27,000 shares	10 years	(Note 1)
Employee stock options	November 2018	5,000 shares	10 years	(Note 1)
Employee stock options	March 2019	578,000 shares	10 years	(Note 1)
Employee stock options	August 2019	40,000 shares	10 years	(Note 1)
Employee stock options	March 2020	250,000 shares	10 years	(Note 1)
Employee stock options	August 2020	3,000 shares	10 years	(Note 1)
Employee stock options	November 2020	6,000 shares	10 years	(Note 1)
Employee stock options	March 2021	820,000 shares	10 years	(Note 1)
Employee stock options	April 2021	20,000 shares	10 years	(Note 1)
Restricted stocks to employees (Note 3)	February 2018	398,000 shares	2 years	(Note 2)
Restricted stocks to employees (Note 3)	September 2018	28,000 shares	2 years	(Note 2)
Restricted stocks to employees (Note 3)	March 2019	570,000 shares	2 years	(Note 2)
Restricted stocks to employees (Note 3)	March 2020	518,000 shares	2 years	(Note 2)
Restricted stocks to employees (Note 3)	March 2021	427,000 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:

	Year ended December 31, 2021		
	No. of options	Currency	Weighted average exercise price
			(in dollars)
Options outstanding at beginning of the year	2,546,183	NTD	$ 57.47
Options granted	840,000	NTD	49.82
Options exercised	(35,313)	NTD	59.83
Options forfeited	(187,750)	NTD	53.00
Options outstanding at end of the year	3,163,120	NTD	55.68
Options exercisable at end of the year	2,006,203	NTD	58.54

	Year ended December 31, 2020		
	No. of options	Currency	Weighted average exercise price
			(in dollars)
Options outstanding at beginning of the year	2,523,079	NTD	$ 58.45
Options granted	259,000	NTD	44.98
Options exercised	(83,750)	NTD	63.03
Options forfeited	(152,146)	NTD	49.31
Options outstanding at end of the year	2,546,183	NTD	57.47
Options exercisable at end of the year	1,593,454	NTD	56.97

C. The weighted-average stock price of stock options at exercise dates for the years ended December 31, 2021 and 2020 was $49.46 (in dollars) and $50.79 (in dollars), respectively.

D. As of December 31, 2021 and 2020, the range of exercise prices of stock options outstanding are as follows:

		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
		3,163,120		

		December 31, 2020		
Grant date	Expiry date	No. of Shares	Currency	Stock options exercise price
				(in dollars)
April 2013	April 2023	146,834	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	205,000	NTD	64.80
January 2018	January 2028	13,000	NTD	84.50
February 2018	February 2028	315,000	NTD	81.40
August 2018	August 2028	19,000	NTD	62.30
November 2018	November 2028	5,000	NTD	48.20
March 2019	March 2029	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
		2,546,183		

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

	Years ended December 31,	
Employee restricted stocks	2021	2020
	No. of shares	No. of shares
Outstanding at beginning of the year	768,000	768,000
Granted (Notes 1 and 2)	427,000	518,000
Vested	(518,000)	(484,500)
Retired (cancelled)	(61,000)	-
Retired (uncancelled)	(28,500)	(33,500)
Outstanding at end of the year	587,500	768,000

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

Note 2: The fair value of restricted stocks granted in March 2021 and 2020 was $49.80 (in dollars) and $45.20 (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	Exercise price	Expected price volatility	Expected option period	Expected dividend yield rate	Risk-free interest rate	Weighted average fair value
			(in dollars)	(in dollars)		(years)			(in dollars)
Employee stock options	March 2020	NTD	$ 63.11	$ 45.20	50.77%	6.26	1.00%	0.48%	$ 42.83
Employee stock options	August 2020	NTD	53.79	54.10	31.18%	6.26	1.00%	0.40%	24.71
Employee stock options	November 2020	NTD	48.02	48.00	15.76%	6.26	1.00%	0.32%	19.10
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

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

	Years ended December 31, 2021	Years ended December 31, 2020
Equity-settled	$ 28,473	$ 40,606

(15) Common stock

A. As of December 31, 2021, the Company's paid-in capital was $1,106,761, consisting of 110,676,067 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

	2021	2020
Outstanding ordinary shares at January 1	90,024,754	89,456,504
Exercise of employee stock options	35,313	83,750
Issuance of share capital - private placement	20,000,000	-
Issuance of restricted stocks to employees	427,000	518,000
Retirement of restricted stocks to employees	(61,000)	(29,500)
Restricted stocks retrieved from employees and to be cancelled	(28,500)	(4,000)
Outstanding ordinary shares at December 31	110,397,567	90,024,754
Treasury stocks	250,000	1,377,000
Restricted stocks retrieved from employees and to be cancelled	28,500	4,000
Issued ordinary shares at December 31	110,676,067	91,405,754

B. On May 15, 2018, the shareholders adopted a resolution to reserve 1,000,000 shares for the purpose of granting employee restricted stocks with par value of $10 (in dollars) per shares, with the effective date filed with the regulator. The subscription price is $0 (in dollar) per share. The employee restricted stocks issued are subject to certain transfer restrictions before their vesting conditions are met. Other than these restrictions, the rights and obligations of these shares issued are the same as other issued ordinary shares. On September 3, 2018 and March 15, 2019, the Board of Directors resolved to grant 28,000 and 570,000 employee restricted stocks, respectively. As of February 23, 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 December 31, 2021, the Company had retrieved 63,500 employee restricted stocks in total due to the employees' resignation, and the retrieved shares have been retired. Additionally, on February 23, 2022, the Company had retrieved 13,500 employee restricted stocks in total due to employees' resignation, and the retrieved shares have not been retired.

D. On June 5, 2020, the shareholders adopted a resolution to reserve 1,000,000 shares for the purpose of granting employee restricted stocks with par value of $10 (in dollars) per shares, with the effective date filed with the regulator. The subscription price is $0 (in dollar) per share. The employee restricted stocks issued are subject to certain transfer restrictions before their vesting conditions are met. Other than these restrictions, the rights and obligations of these shares issued are the same as other issued ordinary shares. On March 19, 2021, the Board of Directors resolved to grant 427,000 employee restricted stocks. As of December 31, 2021, the Company had retrieved 21,000 employee restricted stocks in total due to the employees' resignation, and the retrieved shares have been retired. Additionally, on February 23, 2022, the Company had retrieved 25,000 employee restricted stocks in total due to employees' resignation, and the retrieved shares have not been retired.

E. 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) 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 December 31, 2021, 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.

F. 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 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.

G. Treasury stocks

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

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

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

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

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

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

(16) Capital surplus

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

	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
Issuance of capital increase-private placement	615,800	-	-	-	-	615,800
Compensation costs of share-based payment	-	5,244	-	-	-	5,244
Issuance of restricted stocks to employees	-	-	16,732	-	-	16,732
Restricted stocks to employees vested	19,941	-	(19,941)	-	-	-
Retirement of restricted stocks to employees	-	-	(2,453)	-	-	(2,453)
Exercise of employee stock options	4,452	(2,688)	-	-	-	1,764
Employee stock option forfeited	-	(3,137)	-	-	3,137	-
Recognized adjustments arising from changes in percentage of ownership in associates	-	-	-	613,479	-	613,479
Treasury stock retired	(16,757)	-	-	-	-	(16,757)
At December 31	$ 1,969,083	$ 68,963	$ 28,133	$ 833,545	$ 37,605	$ 2,937,329

	2020					
	Share premium	Employee stock options	Employee restricted stocks	Recognized changes in equity of associates	Others	Total
At January 1	$ 1,306,536	$ 64,747	$ 45,119	$ -	$ 31,552	$ 1,447,954
Compensation costs of share-based payment	-	15,922	-	-	-	15,922
Issuance of restricted stocks to employees	-	-	17,859	-	-	17,859
Restricted stocks to employees vested	28,044	-	(28,044)	-	-	-
Retirement of restricted stocks to employees	-	-	(1,139)	-	-	(1,139)
Exercise of employee stock options	11,067	(6,621)	-	-	-	4,446
Employee stock option forfeited	-	(4,504)	-	-	2,916	(1,588)
Recognized changes in equity of associates	-	-	-	210,502	-	210,502
Recognized adjustments arising from changes in percentage of ownership in associates	-	-	-	9,564	-	9,564
At December 31	$ 1,345,647	$ 69,544	$ 33,795	$ 220,066	$ 34,468	$ 1,703,520

(17) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset losses incurred in previous years and then a special reserve as required by the applicable securities authority under the applicable public company rules in Taiwan. After combining accumulated undistributed earnings in the previous years and setting aside a certain amount of remaining profits of such financial year as a reserve or reserves for development purposes as the Board of Directors may from time to time deem appropriate, subject to the compliance with the Cayman Islands Companies Law, the Company shall distribute no less than 10% of the remaining profit as dividends to the shareholders. The Company's shareholders' meeting resolved on June 5, 2019 to amend the Company's Articles of Incorporation, which stipulates distribution of earnings by way of cash dividends should be approved by the Company's Board of Directors and reported to the Company's shareholders in its meeting.

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

C. The appropriations of 2019 earnings had been resolved at the shareholders' meeting on June 5, 2020. Details are summarized below:

	2019	
	Amount	Dividends per share (in dollars)
Cash dividends	$ 45,623	$ 0.51

The Company's shareholders at the meeting on July 2, 2021 resolved not to distribute dividends from the appropriations of 2020 earnings.

The Company's Board of Directors resolved not to distribute dividends from the appropriations of 2021 earnings on July 2, 2021.

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

(18) Other equity interest

	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	(104,801)	2,716	-	(102,085)
-Associates	-	23,416	-	23,416
-Group- transfer to net loss from disposal of a subsidiary	-	252	-	252
-Associates- transfer to net income from disposal of investments	-	(29,526)	-	(29,526)
Compensation costs of share-based payment	-	-	23,229	23,229
Issuance of restricted stocks to employees	-	-	(21,002)	(21,002)
Retirement of restricted stocks to employees	-	-	3,103	3,103
At December 31	($ 328,568)	$ 79,957	($ 5,432)	($ 254,043)

	2020			
	Currency translation differences	Share of other comprehensive 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	($ 42,043)	$ -	($ 13,841)	($ 55,884)
Currency translation differences				
-Group	(181,724)	7,658	-	(174,066)
-Associates	-	77,390	-	77,390
-Associates- transfer to net income from disposal of investments	-	(1,949)	-	(1,949)
Compensation costs of share-based payment	-	-	24,684	24,684
Issuance of restricted stocks to employees	-	-	(23,039)	(23,039)
Retirement restricted stocks from employees	-	-	1,434	1,434
At December 31	($ 223,767)	$ 83,099	($ 10,762)	($ 151,430)

(19) Operating revenue

	Years ended December 31,	
	2021	2020
Revenue from contracts with customers	$ 1,235,881	$ 1,481,859

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:

	Year ended December 31, 2021		
	Sales revenue	Royalty revenue	Total
China	$ 501,940	$ 2,324	$ 504,264
United States	530,928	-	530,928
Taiwan	33,508	4,048	37,556
Others	163,133	-	163,133
	$ 1,229,509	$ 6,372	$ 1,235,881

	Year ended December 31, 2020		
	Sales revenue	Royalty revenue	Total
China	$ 767,148	$ 6,262	$ 773,410
United States	429,869	-	429,869
Taiwan	125,134	9,651	134,785
Others	143,795	-	143,795
	$ 1,465,946	$ 15,913	$ 1,481,859

B. Contract liabilities

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

	December 31, 2021	December 31, 2020	January 1, 2020
Contract liabilities – advance sales receipts	$ 21,752	$ 14,815	$ 11,875

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

	Years ended December 31,	
	2021	2020
Contract liabilities – advance sales receipts	$ 12,591	$ 11,736

(20) Other gains and losses

	Years ended December 31,	
	2021	2020
Gain (loss) on disposal of property, plant and equipment	$ 17,064	($ 70)
Gain on disposal of investments	29,526	1,949
Gain on disposal of a subsidiary	12,890	-
Loss on liquidation of a subsidiary	-	(188)
Net currency exchange gains (losses)	1,853	(6,360)
Impairment loss of non-financial assets	(1,070)	-
Impairment loss of intangible assets	(42,074)	(40,094)
Other losses	(1,982)	(3,536)
	$ 16,207	($ 48,299)

(21) Finance costs

	Years ended December 31,	
	2021	2020
Interest expense	$ 4,196	$ 2,425
Leased liabilities - interest expense	436	895
	$ 4,632	$ 3,320

(22) Expenses by nature

	Years ended December 31, 2021	Years ended December 31, 2020
Employee benefit expense	$ 567,216	$ 644,971
Depreciation charges on property, plant and equipment and right-of-use assets	$ 112,165	$ 119,028
Amortization charges on intangible assets	$ 6,471	$ 6,557

(23) Employee benefit expense

	Years ended December 31, 2021	Years ended December 31, 2020
Wages and salaries	$ 470,251	$ 532,134
Compensation costs of share-based payment	28,473	40,606
Insurance expenses	50,352	53,112
Pension costs	16,164	18,244
Other personnel expenses	1,976	875
	$ 567,216	$ 644,971

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 years ended December 31, 2021 and 2020, 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.

(24) Income tax

A. Income tax (benefit) expense

Components of income tax (benefit) expense:

	Years ended December 31, 2021	Years ended December 31, 2020
Current tax:		
Current tax on profit for the year	($ 1,039)	$ 20,049
Tax on undistributed surplus earnings	(19,154)	(5,200)
Total current tax	(20,193)	14,849
Deferred tax:		
Origination and reversal of temporary differences	11,480	(2,935)
Total deferred tax	11,480	(2,935)
Income tax (benefit) expense	($ 8,713)	$ 11,914

B. Reconciliation between income tax (benefit) expense and accounting profit

	Years ended December 31, 2021	Years ended December 31, 2020
Tax calculated based on profit before tax and statutory tax rate (Note)	$ 6,321	$ 43,780
Expenses disallowed by tax regulation	9,798	8,165
Tax exempt income by tax regulation	(22,790)	(6,341)
Change in assessment of realization of deferred tax assets	17,117	(28,490)
Prior year income tax over estimation	19,154	17,117
Income tax (benefit) expense	($ 8,713)	$ 11,914

Note: The basis for computing the applicable tax rate are the rates applicable in the respective countries where the Group entities operate.

C. Amounts of deferred tax assets or liabilities as a result of temporary differences and tax losses are as follows:

	2021			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
—Deferred tax assets:				
Temporary differences:				
Unrealized allowance for inventory decline in market value	$ 14,260	$ 2,574	$ -	$ 16,834
State tax paid	4,354	(3,557)	-	797
Accrued unused compensated absences	6,121	(172)	-	5,949
Other	30,010	3,769	-	33,779
Losses carryforwards-Taiwan tax	1,580	-	-	1,580
Research and development expense tax credit	60,442	(15,597)	-	44,845
Subtotal	$ 116,767	($ 12,983)	$ -	$ 103,784
—Deferred tax liabilities:				
Depreciation-U.S. Federal tax	($ 53,137)	$ 1,292	$ -	($ 51,845)
Depreciation-U.S. state tax	(7,434)	209	-	(7,225)
Other	(103)	-	-	(103)
Subtotal	($ 60,674)	$ 1,501	$ -	($ 59,173)
Total	$ 56,093	($ 11,482)	$ -	$ 44,611

	2020			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
—Deferred tax assets:				
Temporary differences:				
Unrealized allowance for inventory decline in market value	$ 12,336	$ 1,924	$ -	$ 14,260
State tax paid	7,116	(2,762)	-	4,354
Accrued unused compensated absences	6,443	(322)	-	6,121
Other	17,774	12,236	-	30,010
Losses carryforwards-U.S. Federal tax	52,278	(52,278)	-	-
Losses carryforwards-Taiwan tax	6,493	(4,913)	-	1,580
Research and development expense tax credit	26,841	33,601	-	60,442
Subtotal	$ 129,281	($ 12,514)	$ -	$ 116,767
—Deferred tax liabilities:				
Depreciation-U.S. Federal tax	($ 68,264)	$ 15,127	$ -	($ 53,137)
Depreciation-U.S. state tax	(7,826)	392	-	(7,434)
Other	(33)	(70)	-	(103)
Subtotal	($ 76,123)	$ 15,449	$ -	($ 60,674)
Total	$ 53,158	$ 2,935	$ -	$ 56,093

D. Through December 31, 2021, 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 2019
D-Tech Optoelectronics (Taiwan) Corporation	Assessed and approved up to 2019
GCOM Semiconductor Co., Ltd.	Assessed and approved up to 2019

(25) Losses per share

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

	Year ended December 31, 2021		
	Amount after tax	Weighted average outstanding stocks (in thousand of shares)	Losses per share (in dollars)
Basic losses per share			
Losses attributable to ordinary shareholders of the parent (Note)	($ 378,497)	$ 90,016	($ 4.20)

	Year ended December 31, 2020		
	Amount after tax	Weighted average outstanding stocks (in thousand of shares)	Earnings per share (in dollars)
Basic losses per share			
Losses attributable to ordinary shareholders of the parent(Note)	($ 113,994)	89,099	($ 1.28)

Note: The employees' compensation, employee stock options and employee restricted stocks have anti-dilutive effect for the years ended December 31, 2021 and 2020, as a result, would not be considered while calculating the diluted EPS.

(26) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Years ended December 31,	
	2021	2020
Acquisition of property, plant and equipment	$ 98,238	$ 65,695
Add: Ending balance of prepayments for equipment (Note)	41,431	-
Less: Beginning balance of prepayments for equipment (Note)	-	(7,723)
Less: Ending balance of payables for equipment	(6,901)	(389)
Add: Beginning balance of payables for equipment	(389)	12,691
Cash paid	$ 132,379	$ 70,274

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

B. Investing activities with partial cash receivable:

	Years ended December 31, 2021	2020
Proceeds from disposal of property, plant and equipment	$ 119,160	$ -
Less: Ending balance of receivables from disposal of machinery and equipment (Note)	(15,689)	-
Cash received	$ 103,471	$ -

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

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

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

(27) Changes in liabilities from financing activities

	Short-term borrowings	Lease liabilities	Long-term borrowings (including current portion)	Liabilities from financing activities
At January 1, 2021	$ 20,000	$ 9,536	$ 129,821	$ 159,357
Changes in cash flow from financing activities	-	(5,945)	161,170	155,225
Interest expense	-	436	-	436
Interest paid	-	(436)	-	(436)
Forgiveness of Paycheck Protection Plan	-	-	(87,633)	(87,633)
Net exchange differences	-	(198)	(4,393)	(4,591)
At December 31, 2021	$ 20,000	$ 3,393	$ 198,965	$ 222,358

	Short-term borrowings		Lease liabilities		Long-term borrowings (including current portion)		Liabilities from financing activities
At January 1, 2020	$ 20,000	$	27,981	$	65,245	$	113,226
Changes in cash flow from financing activities	-	(	6,832)		69,983		63,151
Interest expense	-		895		-		895
Interest paid	-	(	895)		-	(	895)
Lease modifications	-	(	11,019)		-	(	11,019)
Net exchange differences	-	(	594)	(	5,407)	(	6,001)
At December 31, 2020	$ 20,000	$	9,536	$	129,821	$	159,357

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
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

(2) Significant related party transactions and balances

A. Receivables from related parties:

		December 31, 2021
Accounts receivable:		
Changzhou Galasemi	$	2,913
Other receivables－ Sales of machinery and equipment:		
Changzhou Galasemi		15,689
Other receivables－Other:		
Unikorn		65
	$	18,667

As of December 31, 2020, the Group had no receivables from related parties.

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

B. Property transactions:

(a) The Company acquired the common stocks issued by the investee accounted for using equity method - Unikorn in August 2021. The details of the transaction are as follows:

Transaction company	Accounts	No. of shares	Objects	Year ended December 31, 2021 Consideration
Unikorn	Investments accounted for using equity method	40,000,000	Common Stocks	$ 400,000

As of December 31, 2020: None.

(b) The Company participated in the investee accounted for using equity method - Shanghai Galasemi's 2021 increase of common stocks for cash in November 2021. The details of the transaction are as follows:

Transaction company	Accounts	No. of shares	Objects	Year ended December 31, 2021 Consideration
Shanghai Galasemi	Investments accounted for using equity method	Note	Equity of Shanghai Galasemi	$ 56,045

As of December 31, 2020: None.

Note: Please refer to Note 6(4).

(c) Disposal of property, plant and equipment:

	Year ended December 31, 2021	
	Disposal proceeds	Gain (loss) on disposal
Unikorn	$ 77,532	$ 5,961
Changzhou Galasemi	15,745	-
	$ 93,277	$ 5,961

As of December 31, 2020: None.

(d) The Company disposed its wholly owned subsidiary, Changzhou Galasemi Co., Ltd., to Shanghai Galasemi Co., Ltd. in July 2021. The transaction is as follows:

Transaction company	Accounts	Year ended December 31, 2021 Proceeds	Gain/(loss)
Shanghai Galasemi	Investments accounted for using equity method	$ 54,314	$ 12,890

According to the abovementioned transaction, the Group lost its control over Changzhou Galasemi Co., Ltd. Therefore, parts of Changzhou Galasemi Co., Ltd. in prior years had been transferred to realized gains on disposal of property, plant and equipment. As of December 31, 2021, unrealized gain on disposal of property, plant and equipment amounted to $10,400 was recognized as a deduction of investments accounted for using the equity method.

As of December 31, 2020: None.

C. Other transactions:

	Item	Transaction amounts Years ended December 31, 2021	2020
Unikorn	Outsourcing manufacturing services charges	$ 13,170	$ -

(3) Key management compensation

	Years ended December 31, 2021	2020
Salaries and other short-term employee benefits	$ 61,470	$ 96,424
Post-employment benefits	2,192	2,407
Compensation costs of share-based payment	7,576	17,415
	$ 71,238	$ 116,246

8. PLEDGED ASSETS

As of December 31, 2021 and 2020, the Group's assets pledged as collateral were as follows:

Assets	December 31, 2021	December 31, 2020	Purpose
Land	$ 127,466	$ 131,150	Long-term borrowings
Buildings	69,399	73,903	Long-term borrowings
Time deposits (Shown as "Other current assets")	29,760	30,163	Short-term borrowings
Reserve account-demand deposits (Shown as "Other non-current assets")	-	1,824	Long-term borrowings
Time deposits (Shown as "Other non-current assets")	300	317	Custom guarantee for imported goods
Refundable deposits (Shown as "Other current asset" and "Other non-current assets")	2,372	2,429	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:

	December 31, 2021	December 31, 2020
Property, plant and equipment	$ -	$ 7,338

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The appropriation of 2021 earnings had been resolved by the Board of Directors on February 23, 2022. Please refer to Note 6(17).

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

	December 31, 2021	December 31, 2020
Financial assets		
Financial assets at amortized cost		
Cash and cash equivalents	$ 1,839,765	$ 1,106,476
Accounts receivable (including related parties)	158,786	197,537
Other receivables (including related parties)	19,509	9,698
Refundable deposits	2,372	2,429
Reserve account- demand deposits (Shown as "Other non-current assets")	-	1,824
Time deposits (over three-month period) (Shown as "Other current assets" and "Other-current assets")	30,060	172,880
	$ 2,050,492	$ 1,490,844
Financial liabilities		
Financial liabilities at amortized cost		
Short-term borrowings	$ 20,000	$ 20,000
Accounts payable	1,682	22,249
Other payables	96,763	111,043
Long-term borrowings (including current portion)	198,965	129,821
	$ 317,410	$ 283,113
Lease liabilities	$ 3,393	$ 9,536

B. Financial risk management policies

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

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

C. Significant financial risks and degrees of financial risks

a) Market risk

Foreign exchange risk

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

ii. The Group holds some investment of foreign operations. Their net assets were exposed to the foreign exchange risk. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

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

	December 31, 2020		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Non-monetary items			
NTD:USD	$ 318,241	0.035	$ 318,241
RMB:USD	159,273	0.153	695,722

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

	Year ended December 31, 2021		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Non-monetary items			
NTD:USD	1%	$ -	$ 2,139
RMB:USD	1%	-	14,767

	Year ended December 31, 2020				
	Sensitivity analysis				
	Degree of variation	Effect on profit or loss		Effect on other comprehensive income	
(Foreign currency: functional currency)					
Financial assets					
Non-monetary items					
NTD:USD	1%	$	-	$	3,182
RMB:USD	1%		-		6,957

Cash flow and fair value interest rate risk

i. The Group's interest rate risk arises from short-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During the years ended December 31, 2021 and 2020, the Group's borrowings at variable rate were denominated in the NTD.

ii. Based on the simulations performed, the impact on post-tax profit of a 1% shift, with all other variables held constant, would be a maximum increase or decrease of $160 and $218 for the years ended December 31, 2021 and 2020, respectively, as a result of the decrease or increase in interest expense which is affected by variable rates.

b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the credit risk of financial assets at amortized cost.

ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a minimum rating of "BBB+" are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored.

iii. The Group does not hold any collateral as security for accounts receivable. As of December 31, 2021 and 2020, with no collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the Group's accounts receivable was $158,786 and $197,537, respectively.

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

v.The Group adopts the assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

If the contract payment were past due over 30 days, based on the terms, there would be a significant increase in credit risk on that instrument since initial recognition.

vi. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:

a. It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;

b. The disappearance of an active market for that financial asset because of financial difficulties.

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

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

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

b) The Group used the forecastability of external research report to adjust historical and timely information for a specific period to assess the default possibility of notes receivable and accounts receivable. As of December 31, 2021 and 2020, the loss rate methodology is as follows:

Accounts receivable	Not past due	Less than 90 days past due	Less than 180 days and more than 90 days past due	More than 180 days past due	Total
At December 31, 2021					
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

Accounts receivable	Not past due	Less than 90 days past due	Less than 180 days and more than 90 days past due	More than 180 days past due	Total
At December 31, 2020					
Expected loss rate	0%-1%	1%-15%	16%-31%	31%-100%	
Total book value	$ 175,314	$ 21,782	$ 881	$ 1,241	$ 199,218
Loss allowance	$ 81	$ 218	$ 141	$ 1,241	$ 1,681

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

	2021
	Accounts receivable
At January 1	$ 1,681
Provision for impairment loss	875
Write-offs due to uncollectible accounts receivable	(1,308)
Effect of foreign exchange	(91)
At December 31	$ 1,157

	2020
	Accounts receivable
At January 1	$ 5,063
Reversal of impairment loss	(2,211)
Write-offs due to uncollectible accounts receivable	(1,082)
Effect of foreign exchange	(89)
At December 31	$ 1,681

viiii.The Group used the forecastability of external research report to adjust historical and timely information for a specific period to assess the default possibility of other receivables. As of December 31, 2021 and 2020, the loss rate methodology is as follows:

	Not past due
At December 31, 2021	
Expected loss rate	0%-100%
Total book value	$ 19,509
Loss allowance	$ -

	Not past due
At December 31, 2020	
Expected loss rate	0%-100%
Total book value	$ 9,698
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 head-room as determined by the above-mentioned forecasts.

iii. The Group has the following undrawn borrowing facilities:

	December 31, 2021	December 31, 2020
Floating rate:		
Expiring within one year	$ 6,000	$ 6,000

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

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

	Less than 1 year	Over 1 year
Non-derivative financial liabilities:		
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

	Less than 1 year	Over 1 year
Non-derivative financial liabilities:		
December 31, 2020		
Short-term borrowings	$ 20,276	$ -
Accounts payable	22,249	-
Other payables	111,043	-
Lease liabilities	6,476	4,111
Long-term borrowings (including current portion)	24,019	110,043

(3) Fair value information

A. Financial instruments not measured at fair value

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

B. The related information of financial and non-financial instruments measured at fair value on December 31, 2021 and 2020: None.

C. The following table is the movement of Level 3 financial instruments for the years ended December 31, 2021 and 2020:

	Financial assets measured at fair value through other comprehensive income	
	2021	2020
At January 1	$ -	$ 159,531
Transfer to investments accounted for using the equity method during the year (Note)	-	(164,000)
Net exchange differences	-	4,469
At December 31	$ -	$ -

Note: Please refer to Note 6(4).

(4) Others

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

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

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

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

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

(d) Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: Please refer to table 4.

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

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

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

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

(i) Derivative financial instruments: None.

(j) Significant inter-company transactions: Please refer to table 9.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in mainland

China): Please refer to table 10.

(3) Information on investments in mainland China

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

(b)Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to Note 7.

(4) Major shareholders information

Major shareholders information: Please refer to table 12.

14. SEGMENT INFORMATION

(1) General information

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

(2) Segment information

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

	Years ended December 31,	
	2021	2020
Revenue from external customers	$ 1,235,881	$ 1,481,859
Inter-segment revenue	-	-
Total segment revenue	$ 1,235,881	$ 1,481,859
Segment (loss) income (Note)	($ 387,210)	($ 102,002)
Segment assets	$ 4,901,994	$ 3,898,075
Segment liabilities	$ 402,754	$ 370,979

Note: Exclusive of income tax.

(3) Reconciliation for segment income (loss)

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

(4) Information on products and services

Please refer to Note 6 (19) for the related information.

(5) Geographical information

Geographical information for the years ended December 31, 2021 and 2020 is as follows:

	Year ended December 31, 2021		Year ended December 31, 2020	
	Revenue	Non-current assets	Revenue	Non-current assets
China	$ 504,264	$ 1,476,681	$ 773,410	$ 697,119
United States	530,928	703,828	429,869	831,443
Taiwan	37,556	227,139	134,785	339,108
Others	163,133	-	143,795	-
	$ 1,235,881	$ 2,407,648	$ 1,481,859	$ 1,867,670

(6) Major customer information

Major customers information of the Group for the years ended December 31, 2021 and 2020 is as follows:

	Year ended December 31, 2021		Year ended December 31, 2020	
	Revenue	Segment	Revenue	Segment
H	$ 336,081	27%	$ 509,312	34%
I	236,745	10%	104,277	7%
J	123,296	10%	68,111	5%

GCS HOLDINGS, INC. AND SUBSIDIARIES

Loans to others

Year ended December 31, 2021

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 year ended December 31, 2021 (Note 3)	Balance at December 31, 2021	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
													Item	Value			
1	Global Communication Semiconductors, LLC	D-Tech Optoelectronics, Inc.	Other receivable - related parties	Yes	$ 57,080	$ 55,360	$ -	Settled by contract	2	$ -	Operation	$ -	None	$ -	$ 619,575	$ 619,575	-
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	-	619,575	619,575	-
1	Global Communication Semiconductors, LLC	GCS Holdings, Inc.	Other receivable - related parties	Yes	278,000	276,800	-	Settled by contract	2	-	Operation	-	None	-	619,575	619,575	-

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

Year ended December 31, 2021

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed: Company name	Party being endorsed/guaranteed: Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount for the year ended December 31, 2021	Outstanding endorsement/ guarantee amount at December 31, 2021	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	$ 1,799,696	$ 28,540	$ 27,680	$ 20,000	$ 27,680	0.62%	$ 1,799,696	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 notexceed forty percent (40%) of the Company's net worth.

The aggregate total amount of endorsement/guarantee provided by the Company and its subsidiaries shall not exceed fifty percent (50%) of the Company's net worth.

GCS HOLDINGS, INC. 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

Year ended December 31, 2021

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

					Balance as at January 1, 2021		Addition（Note 3）		Disposal（Note 3）				Balance as at December 31, 2021	
Investor	Marketable securities（Note 1）	General ledger account	Counterparty（Note 2）	Relationship with the investor（Note 2）	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	56,400,000	$ 564,000	40,000,000	$ 400,000	-	$ -	$ -	$ -	96,400,000	$ 213,872

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: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

GCS HOLDINGS, INC. AND SUBSIDIARIES

Significant inter-company transactions during the reporting period

Year ended December 31, 2021

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

				Transaction			
Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
2	D-Tech Optoelectronics (Taiwan) Corporation	Global Communication Semiconductors, LLC	3	Service revenue	$ 29,406	Conducted in the ordinary course of business with terms similar to those with third parties	2.38%
2	D-Tech Optoelectronics (Taiwan) Corporation	Global Communication Semiconductors, LLC	3	Accounts receivable - related party	1,540	Conducted in the ordinary course of business with terms similar to those with third parties	0.03%
2	D-Tech Optoelectronics Corporation	Global Communication Semiconductors, LLC	3	Sales revenue	10,629	Conducted in the ordinary course of business with terms similar to those with third parties	0.86%
2	GCS Device Technologies, Co., Ltd.	Global Communication Semiconductors, LLC	3	Service revenue	10,339	Conducted in the ordinary course of business with terms similar to those with third parties	0.84%
2	GCS Device Technologies, Co., Ltd.	Global Communication Semiconductors, LLC	3	Accounts receivable - related party	2,937	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 year-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the year to consolidated total operating revenues for income statement accounts.

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

GCS HOLDINGS, INC. AND SUBSIDIARIES

Information on investees (not including investees in mainland China)

Year ended December 31, 2021

Table 10

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee (Note 1、2)	Location	Main business activities	Initial investment amount: Balance as at December 31, 2021	Initial investment amount: Balance as at December 31, 2020	Shares held as at December 31, 2021: Number of shares	Shares held as at December 31, 2021: Ownership (%)	Shares held as at December 31, 2021: Book value	Net profit (loss) of the investee for the year ended December 31, 2021 (Note 2(2))	Investment income (loss) recognized by the Company for the year ended December 31, 2021 (Note 2(3))	Footnote
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%	$ 1,522,993	$ 39,142	$ 39,142	Subsidiary
GCS Holdings, Inc.	GCS Device Technologies, Co., Ltd.	Taiwan	Product design and research development services	12,000	12,000	-	100%	25,477	(683)	(683)	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%	49,599	(76)	(76)	Subsidiary
GCS Holdings, Inc.	Unikorn Semiconductor Corporation	Taiwan	Specialized OEM of III-V compound semiconductors	964,000	164,000	96,400,000	45.39%	213,872	(800,249)	(313,027)	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%	220,128	(73,304)	(73,304)	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%	55,458	(24,343)	(24,343)	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 December 31, 2021’ 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 year ended December 31, 2021’ column should fill in amount of net profit (loss) of the investee for this year.

(3)The ‘Investment income (loss) recognized by the Company for the year ended December 31, 2021’ 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 year. 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 year has included its investment income (loss) which shall be recognized by regulations.

GCS HOLDINGS, INC.AND SUBSIDIARIES

Information on investments in mainland China

Year ended December 31, 2021

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 December 31, 2021	Amount remitted from Taiwan to mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2021		Accumulated amount of remittance from Taiwan to mainland China as of December 31, 2021	Net income of investee for the year ended December 31, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2021	Book value of investments in mainland China as of December 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021	Footnote
					Remitted to mainland China	Remitted back to Taiwan							
Changzhou Chemsemi Co., Ltd. (Formerly named Changzhou Neo-Episky 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.	$ 7,341,226	2	$ -	$ -	$ -	$ -	($ 429,137)	19.65%	($ 135,999)	$ 1,357,673	$ -	Note 2(2)B、Note 4
Changzhou Galasemi Co., Ltd.	Manufacturing and selling of semiconductor discrete devices, and technical services, technical development and advisory services	57,310	2	-	-	-	-	(12,320)	-	(12,320)	-	-	Note 2(2)B、Note 5
Shanghai Galasemi Co., Ltd	Technical services and development services in the field of optoelectronic technology , and selling of semiconductor discrete devices	294,516	2	-	-	-	-	(25,291)	48%	(12,110)	119,008	-	Note 2(2)B、Note 6

Company name	Accumulated amount of remittance from Taiwan to mainland China as of December 31, 2021	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. (Formerly named Changzhou Neo-Episky Co., Ltd.)	$ -	$ -	$ -
Changzhou Galasemi 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 nine-month period September 30, 2021’ 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 investment amount of RMB 110 million (approximately $464,693) was transferred from the Company’s U.S. bank account to Changzhou Neo-Episky Co., Ltd. on May 11, 2020. Additionally, Changzhou Neo-Episky Co., Ltd was renamed as Changzhou Chemsemi Co., Ltd. in August 2020.

Note 5: The Company sold our all the shares of Changzhou Galasemi Co., Ltd., to the Company's its investee accounted for using equity method, Shanghai Galasemi, Co., Ltd. in July 2021.

Note 6: Shanghai Galasemi Co., Ltd was established on December 8, 2020.

GCS HOLDINGS, INC. AND SUBSIDIARIES

Major shareholders information

December 31, 2021

Table 12

Name of major shareholders	Shares	
	Number of shares	Ownership (%)
ENNOSTAR INC.	9,028,000	9.95%
Harvestar Investment Corp.	9,013,000	9.93%

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 90,676,067 = 90,676,067 (common shares) + 0 (preferred shares).