

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

For the convenience of readers and for information purpose only, the auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and consolidated financial statements shall prevail.

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To GCS Holdings, Inc.

Introduction

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of our review

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

Basis for Qualified Opinion

As explained in Note 6(5), the financial statements of investments accounted for under the equity method were not reviewed by independent auditors. The balance of investments accounted for using the equity amounted to NT\$2,147,920 thousand and NT\$1,145,285 thousand, respectively, constituting 45% and 31% of the consolidated total assets as of September 30, 2022 and 2021; and share of comprehensive loss of associates and joint ventures accounted for using the equity method amounted to NT\$292,213 thousand, NT\$130,611 thousand, NT\$681,771 thousand and NT\$320,143 thousand, respectively, constituting 359%, 143%, 325% and 111% of the consolidated total comprehensive loss for the three-month and nine-month periods then ended.

Qualified Conclusion

Based on our reviews, except for the effect of such adjustments, if any, as might have been determined to be necessary had the financial statements of investments account for under equity method been reviewed by independent auditors as described in the Basis for qualified conclusion section, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2022 and 2021, and of its consolidated financial performance for the three-month and nine-month periods then ended and its consolidated cash flows for the nine-month periods then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Bai, Shu-Chian

Cheng, Ya-Huei

For and on behalf of PricewaterhouseCoopers, Taiwan

November 1, 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
SEPTEMBER 30, 2022, DECEMBER 31, 2021 AND SEPTEMBER 30, 2021
 (EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
 (THE BALANCE SHEETS OF SEPTEMBER 30, 2022 AND 2021 ARE REVIEWED, NOT AUDITED)

Assets	Notes	September 30, 2022		December 31, 2021		September 30, 2021		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 824,740	17	\$ 1,839,765	37	\$ 909,407	24
1170	Accounts receivable, net	6(2)	237,183	5	155,873	3	184,014	5
1180	Accounts receivable - related party	6(2) and 7	9,900	-	2,913	-	4,133	-
1200	Other receivables		2,646	-	3,755	-	11,860	-
1210	Other receivables - related parties	7	1,048	-	15,754	-	78,671	2
1220	Current income tax assets		35,634	1	31,074	1	31,265	1
130X	Inventories	6(3)	389,776	8	280,451	6	327,498	9
1410	Prepayments		36,516	1	30,717	1	32,361	1
1470	Other current assets	8	34,436	1	29,960	1	30,145	1
11XX	Total current Assets		<u>1,571,879</u>	<u>33</u>	<u>2,390,262</u>	<u>49</u>	<u>1,609,354</u>	<u>43</u>
Non-current assets								
1517	Non-current financial assets at fair value through other comprehensive income	6(4)	1,445	-	-	-	-	-
1550	Investments accounted for using equity method	6(5)	2,147,920	45	1,690,553	34	1,145,285	31
1600	Property, plant and equipment	6(6) and 8	729,654	15	575,485	12	659,532	18
1755	Right-of-use assets	6(7)	28,017	-	3,641	-	5,037	-
1780	Intangible assets	6(8)	104,873	2	94,366	2	138,427	4
1840	Deferred income tax assets		128,961	3	103,784	2	104,412	3
1990	Other non-current assets	6(10) and 8	86,935	2	43,903	1	37,944	1
15XX	Total non-current assets		<u>3,227,805</u>	<u>67</u>	<u>2,511,732</u>	<u>51</u>	<u>2,090,637</u>	<u>57</u>
1XXX	Total assets		<u>\$ 4,799,684</u>	<u>100</u>	<u>\$ 4,901,994</u>	<u>100</u>	<u>\$ 3,699,991</u>	<u>100</u>

(Continued)

GCS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2022, DECEMBER 31, 2021 AND SEPTEMBER 30, 2021
 (EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
 (THE BALANCE SHEETS OF SEPTEMBER 30, 2022 AND 2021 ARE REVIEWED, NOT AUDITED)

Liabilities and Equity		Notes	September 30, 2022		December 31, 2021		September 30, 2021	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities								
2100	Short-term borrowings	6(11)	\$ 20,000	1	\$ 20,000	-	\$ 20,000	-
2130	Current contract liabilities	6(20)	18,417	-	21,752	1	26,490	1
2170	Accounts payable		29,523	1	1,682	-	21,342	1
2180	Accounts payable - related party	7	171	-	-	-	-	-
2200	Other payables	6(12)	121,642	3	96,763	2	110,965	3
2220	Other payables - related parties	7	15,290	-	-	-	-	-
2230	Current income tax liabilities		154	-	42	-	42	-
2280	Current lease liabilities		9,225	-	3,393	-	4,950	-
2320	Long-term borrowings, current portion	6(13)	44,278	1	10,292	-	12,190	-
2399	Other current liabilities		4,250	-	984	-	1,298	-
21XX	Total current liabilities		<u>262,950</u>	<u>6</u>	<u>154,908</u>	<u>3</u>	<u>197,277</u>	<u>5</u>
Non-current liabilities								
2540	Long-term borrowings	6(13)	351,614	7	188,673	4	195,047	5
2570	Deferred income tax liabilities		67,858	2	59,173	1	61,048	2
2580	Non-current lease liabilities		18,142	-	-	-	-	-
25XX	Total non-current liabilities		<u>437,614</u>	<u>9</u>	<u>247,846</u>	<u>5</u>	<u>256,095</u>	<u>7</u>
2XXX	Total liabilities		<u>700,564</u>	<u>15</u>	<u>402,754</u>	<u>8</u>	<u>453,372</u>	<u>12</u>
Equity								
Share capital		6(16)						
3110	Common stock		1,108,421	23	1,106,761	23	916,966	25
Capital surplus		6(17)						
3200	Capital surplus		2,747,840	57	2,937,329	59	1,709,935	46
Retained earnings		6(18)						
3320	Special reserve		6,821	-	6,821	-	6,821	-
3350	Unappropriated retained earnings		162,119	3	715,327	15	919,892	25
Other equity interest		6(19)						
3400	Other equity interest		73,919	2	(254,043)	(5)	(224,986)	(6)
3500	Treasury stocks	6(16)	-	-	(12,955)	-	(82,009)	(2)
3XXX	Total equity		<u>4,099,120</u>	<u>85</u>	<u>4,499,240</u>	<u>92</u>	<u>3,246,619</u>	<u>88</u>
Significant contingent liabilities and unrecognized contract commitments		9						
Significant events after the reporting period		11						
3X2X	Total liabilities and equity		<u>\$ 4,799,684</u>	<u>100</u>	<u>\$ 4,901,994</u>	<u>100</u>	<u>\$ 3,699,991</u>	<u>100</u>

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

GCS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2022 AND 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT OF LOSS PER SHARE)
(REVIEWED, NOT AUDITED)

Items	Notes	Three months ended September 30				Nine months ended September 30				
		2022		2021		2022		2021		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(20) and 7	\$ 342,099	100	\$ 318,374	100	\$ 979,343	100	\$ 927,238	100
5000	Cost of operating revenue	6(3) and 7	(263,548)	(77)	(217,704)	(68)	(712,068)	(73)	(648,554)	(70)
5900	Net operating margin		78,551	23	100,670	32	267,275	27	278,684	30
	Operating expenses	6(23)(24)								
6100	Selling and marketing expenses		(9,260)	(3)	(8,348)	(2)	(27,024)	(3)	(22,706)	(2)
6200	General and administrative expenses		(65,547)	(19)	(47,147)	(15)	(176,983)	(18)	(152,975)	(17)
6300	Research and development expenses		(40,866)	(12)	(37,035)	(12)	(124,068)	(12)	(121,668)	(13)
6450	Net impairment income (loss) on financial assets	12(2)	-	-	3	-	-	-	(877)	-
6000	Total operating expenses		(115,673)	(34)	(92,527)	(29)	(328,075)	(33)	(298,226)	(32)
6900	Operating (loss) profit		(37,122)	(11)	8,143	3	(60,800)	(6)	(19,542)	(2)
	Non-operating income and expenses									
7100	Interest income		1,087	-	1,902	1	2,374	-	4,883	-
7010	Other income	6(13)	146	-	(314)	-	5,705	1	88,101	9
7020	Other gains and losses	6(21)	(14,688)	(4)	30,657	10	(37,751)	(4)	27,236	3
7050	Finance costs	6(22)	(3,875)	(1)	(1,843)	(1)	(8,142)	(1)	(2,918)	-
7060	Share of net loss of associates and joint ventures accounted for using equity method	6(5)	(172,956)	(51)	(125,761)	(40)	(457,448)	(47)	(324,219)	(35)
7000	Total non-operating income and expenses		(190,286)	(56)	(95,359)	(30)	(495,262)	(51)	(206,917)	(23)
7900	Loss before income tax		(227,408)	(67)	(87,216)	(27)	(556,062)	(57)	(226,459)	(25)
7950	Income tax benefit	6(25)	3,333	1	1,350	-	8,861	1	7,206	1
8200	Net loss for the period		(\$ 224,075)	(66)	(\$ 85,866)	(27)	(\$ 547,201)	(56)	(\$ 219,253)	(24)
	Other comprehensive income (loss)									
	Other comprehensive income (loss) components that will not be reclassified to profit or loss									
8361	Financial statements translation differences of foreign operations	6(19)	\$ 270,416	79	(\$ 932)	-	\$ 579,497	59	(\$ 76,423)	(8)
	Components of other comprehensive (loss) income that will be reclassified to profit or loss									
8370	Share of other comprehensive (loss) income of subsidiaries, associates and joint ventures accounted for using the equity method- financial statements translation differences of foreign operations	6(19)	(127,740)	(37)	(4,759)	(2)	(242,001)	(24)	7,145	1
8300	Total other comprehensive income (loss), net		\$ 142,676	42	(\$ 5,691)	(2)	\$ 337,496	35	(\$ 69,278)	(7)
8500	Total comprehensive loss for the period		(\$ 81,399)	(24)	(\$ 91,557)	(29)	(\$ 209,705)	(21)	(\$ 288,531)	(31)
	Loss attributable to:									
8610	Owners of the parent		(\$ 224,075)	(66)	(\$ 85,866)	(27)	(\$ 547,201)	(56)	(\$ 219,253)	(24)
	Total comprehensive loss attributable to:									
8710	Owners of the parent		(\$ 81,399)	(24)	(\$ 91,557)	(29)	(\$ 209,705)	(21)	(\$ 288,531)	(31)
	Losses per share	6(26)								
9750	Basic losses per share (in dollars)		(\$ 2.03)		(\$ 0.95)		(\$ 4.97)		(\$ 2.45)	
9850	Diluted losses per share (in dollars)		(\$ 2.03)		(\$ 0.95)		(\$ 4.97)		(\$ 2.45)	

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

GCS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2022 AND 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(REVIEW, NOT AUDITED)

	Equity Attributable To Owners Of The Parent								
	Notes	Retained Earnings				Other Equity Interest			Total
		Common Stock	Capital Surplus	Special Reserve	Unappropriated Retained Earnings	Financial Statements Translation Differences Of Foreign Operations	Unearned Compensation Costs	Treasury Stocks	
<u>Nine-month period ended September 30, 2021</u>									
Balance at January 1, 2021		\$ 914,058	\$ 1,703,520	\$ 6,821	\$ 1,144,997	(\$ 140,668)	(\$ 10,762)	(\$ 90,870)	\$ 3,527,096
Consolidated net loss for the period		-	-	-	(219,253)	-	-	-	(219,253)
Other comprehensive loss for the period	6(19)	-	-	-	-	(69,278)	-	-	(69,278)
Total comprehensive loss for the period		-	-	-	(219,253)	(69,278)	-	-	(288,531)
Compensation costs of share-based payment	6(15)(17)(19)	-	7,707	-	-	-	16,278	-	23,985
Issuance of restricted stocks to employees	6(15)(16)(17)(19)	4,270	16,768	-	-	-	(21,038)	-	-
Retirement of restricted stocks to employees	6(15)(16)(17)(19)	(95)	(387)	-	-	-	482	-	-
Exercise of employee stock options	6(15)(16)(17)	3	2	-	-	-	-	-	5
Retirement of treasury stocks	6(16)(17)	(1,270)	(1,739)	-	(5,852)	-	-	8,861	-
Recognized changes in equity of associates	6(17)	-	(15,936)	-	-	-	-	-	(15,936)
Balance at September 30, 2021		<u>\$ 916,966</u>	<u>\$ 1,709,935</u>	<u>\$ 6,821</u>	<u>\$ 919,892</u>	<u>(\$ 209,946)</u>	<u>(\$ 15,040)</u>	<u>(\$ 82,009)</u>	<u>\$ 3,246,619</u>
<u>Nine-month period ended September 30, 2022</u>									
Balance at January 1, 2022		\$ 1,106,761	\$ 2,937,329	\$ 6,821	\$ 715,327	(\$ 248,611)	(\$ 5,432)	(\$ 12,955)	\$ 4,499,240
Consolidated net loss for the period		-	-	-	(547,201)	-	-	-	(547,201)
Other comprehensive income for the period	6(19)	-	-	-	-	337,496	-	-	337,496
Total comprehensive (loss) income for the period		-	-	-	(547,201)	337,496	-	-	(209,705)
Compensation costs of share-based payment	6(15)(17)(19)	-	15,712	-	-	-	7,237	-	22,949
Issuance of restricted stocks to employees	6(15)(16)(17)(19)	4,450	16,039	-	-	-	(20,489)	-	-
Retirement of restricted stocks to employees	6(15)(16)(17)(19)	(790)	(2,928)	-	-	-	3,718	-	-
Exercise of employee stock options	6(15)(16)(17)	500	1,067	-	-	-	-	-	1,567
Retirement of treasury stocks	6(16)(17)	(2,500)	(4,448)	-	(6,007)	-	-	12,955	-
Recognized changes in equity of associates	6(17)	-	(214,931)	-	-	-	-	-	(214,931)
Balance at September 30, 2022		<u>\$ 1,108,421</u>	<u>\$ 2,747,840</u>	<u>\$ 6,821</u>	<u>\$ 162,119</u>	<u>\$ 88,885</u>	<u>(\$ 14,966)</u>	<u>\$ -</u>	<u>\$ 4,099,120</u>

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

GCS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2022 AND 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(REVIEWED, NOT AUDITED)

	Notes	Nine-month periods ended September 30,	
		2022	2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Loss before tax		(\$ 556,062)	(\$ 226,459)
Adjustments			
Adjustments to reconcile profit (loss)			
Net impairment loss on financial assets	12(2)	-	877
Depreciation	6(6)(7)(23)	90,540	85,679
Amortization	6(8)(23)	5,169	4,856
Interest expense	6(22)	8,142	2,918
Interest income		(2,374)	(4,883)
Compensation cost of share-based payment	6(15)	22,949	23,985
Gain on disposal of property, plant and equipment	6(21)	(4,988)	(11,133)
Payroll protection loan exempt income	6(13)	(5,408)	(88,101)
Share of net loss of associate and joint ventures accounted for using equity method	6(5)	457,448	324,219
Loss (gain) on disposal of investments	6(5)(21)	308	(7,751)
Gain on disposal of a subsidiary	6(21) and 7	-	(12,890)
Impairment loss on non-financial assets	6(21)	-	1,070
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		(55,181)	7,069
Accounts receivable- related party		(9,130)	(4,133)
Other receivables		(902)	(4,435)
Other receivable- related parties		23	-
Inventories		(62,999)	19,674
Prepayments		(2,031)	(84)
Changes in operating liabilities			
Contract liabilities		(6,026)	12,097
Accounts payable		25,448	(418)
Accounts payable- related parties		158	-
Other payables		26,596	(1,004)
Other payable- related parties		14,101	-
Other current liabilities		2,923	(1,440)
Cash (outflow) inflow generated from operations		(51,296)	119,713
Interest received		4,539	6,958
Interest paid		(8,142)	(2,904)
Income tax refund received		-	19,148
Income tax paid		(381)	(366)
Net cash flows (used in) from operating activities		(55,280)	142,549

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GCS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2022 AND 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(REVIEWED, NOT AUDITED)

	Notes	Nine-month periods ended September 30,	
		2022	2021
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of investments accounted for using the equity method	6(5) and 7	(\$ 1,043,899)	(\$ 484,615)
Acquisition of property, plant and equipment	6(27)	(226,094)	(97,248)
Proceeds from disposal of property, plant and equipment	6(27)	50,714	281
Acquisition of intangible assets	6(8)	(2,063)	(330)
(Increase) decrease in other current assets		(89)	139,897
Decrease in other non-current assets		13	387
Disposal of a subsidiary-decrease in cash	6(27)	-	(24,675)
Net cash flows used in investing activities		<u>(1,221,418)</u>	<u>(466,303)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from short-term borrowings	6(28)	20,000	20,000
Repayments of short-term borrowings	6(28)	(20,000)	(20,000)
Proceeds from long-term borrowings	6(28)	175,680	204,581
Repayments of long-term borrowings	6(28)	(15,540)	(35,709)
Repayments of lease liabilities	6(28)	(5,349)	(4,410)
Proceeds from exercise of employee stock options		<u>1,567</u>	<u>5</u>
Net cash flows from financing activities		<u>156,358</u>	<u>164,467</u>
Effect of changes in exchange rates		<u>105,315</u>	<u>(37,782)</u>
Net decrease in cash and cash equivalents		(1,015,025)	(197,069)
Cash and cash equivalents at beginning of period	6(1)	<u>1,839,765</u>	<u>1,106,476</u>
Cash and cash equivalents at end of period	6(1)	<u>\$ 824,740</u>	<u>\$ 909,407</u>

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

GCS HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2022 AND 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS OTHERWISE
INDICATED)
(REVIEWED, NOT AUDITED)

1. HISTORY AND ORGANIZATION

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

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

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

These consolidated financial statements were reported to the Board of Directors on November 1, 2022.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

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

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

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

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

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

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

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by IASB
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2021, except for the compliance statement, basis of preparation, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

- A. The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IAS 34, 'Interim financial reporting' as endorsed by the FSC.
- B. These consolidated financial statements are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2021.

(2) Basis of preparation

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

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and can affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive loss is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Note
			September 30, 2022	December 31, 2021	September 30, 2021	
The Company	Global Communication Semiconductors, LLC	1. Manufacturing of compound semiconductor wafers and foundry related services as well as granting royalty rights for intellectual property 2. Manufacturing and selling of advanced optoelectronics technology products	100	100	100	-
The Company	GCS Device Technologies, Co., Ltd.	Product design and research development services	100	100	100	-
The Company	GCOM Semiconductor Co., Ltd.	Wholesaling and retailing of electronic components, product design, and outsourcing management services	100	100	100	-
The Company	Changzhou Galasemi Co., Ltd.	Manufacturing and selling of semiconductor discrete devices, and technical services, technical development and advisory services	-	-	-	(Note)

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Note
			September 30, 2022	December 31, 2021	September 30, 2021	
Global Communication Semiconductors, LLC	D-Tech Optoelectronics, Inc.	Developing, manufacturing and selling of photodiodes and avalanche photodiodes for telecommunication systems and data communication networks	100	100	100	-
D-Tech Optoelectronics, Inc.	D-Tech Optoelectronics (Taiwan) Corporation	Manufacturing, retailing and wholesaling of telecommunications devices, and manufacturing and wholesaling of electronic components	100	100	100	-

Note: The Company had disposed all the shares of Changzhou Galasemi Co., Ltd. in July 2021, therefore Changzhou Galasemi Co., Ltd. is no longer included in the Group's consolidated financial statements.

- C. Subsidiaries not included in the consolidated financial statements: None.
- D. Adjustments for subsidiaries with different balance sheet dates: None.
- E. Significant restrictions: None.
- F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Income tax

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

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

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

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

None.

(2) Critical accounting estimates and assumptions

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

Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of September 30, 2022, the carrying amount of inventories was \$ \$389,776.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Cash on hand	\$ 121	\$ 110	\$ 115
Checking accounts and demand deposits	798,919	1,829,855	904,392
Time deposits	25,700	9,800	4,900
	<u>\$ 824,740</u>	<u>\$ 1,839,765</u>	<u>\$ 909,407</u>

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

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

(2) Accounts receivable

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Accounts receivable	\$ 238,511	\$ 157,030	\$ 185,179
Accounts receivable-related party	9,900	2,913	4,133
Less: Loss allowance	(1,328)	(1,157)	(1,165)
	<u>\$ 247,083</u>	<u>\$ 158,786</u>	<u>\$ 188,147</u>

A. As of September 30, 2022, December 31, 2021 and September 30, 2021, accounts receivable were all from contracts with customers. And as of January 1, 2021, the balance of receivables from contracts with customers was \$197,537.

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

(3) Inventories

	<u>September 30, 2022</u>		
	<u>Cost</u>	<u>Allowance</u>	<u>Book value</u>
Raw materials	\$ 147,506	(\$ 19,875)	\$ 127,631
Work in progress	281,176	(51,204)	229,972
Finished goods	44,245	(12,072)	32,173
	<u>\$ 472,927</u>	<u>(\$ 83,151)</u>	<u>\$ 389,776</u>

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

	September 30, 2021		
	Cost	Allowance	Book value
Raw materials	\$ 127,277	(\$ 22,809)	\$ 104,468
Work in progress	223,157	(40,566)	182,591
Finished goods	46,645	(6,206)	40,439
	<u>\$ 397,079</u>	<u>(\$ 69,581)</u>	<u>\$ 327,498</u>

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

	Three-month periods ended September 30,	
	2022	2021
Cost of goods sold	\$ 269,955	\$ 242,178
Loss (gain) on (recovery of) market price decline	1,634	(8,696)
Revenue from sale of scraps	(8,041)	(15,778)
	<u>\$ 263,548</u>	<u>\$ 217,704</u>

	Nine-month periods ended September 30,	
	2022	2021
Cost of goods sold	\$ 759,268	\$ 690,283
(Gain) loss on (recovery of) market price decline	(20,587)	1,401
Revenue from sale of scraps	(26,613)	(43,130)
	<u>\$ 712,068</u>	<u>\$ 648,554</u>

The Group recognized gain on recovery of market price decline for the three-month period ended September 30, 2021 and nine-month period ended September 30, 2022 because some of the inventories previously written down were sold.

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

Items	September 30, 2022
Non-current items:	
Equity instruments	
Unlisted, OTC, Emerging stocks	\$ 1,445
Valuation adjustment	-
	<u>\$ 1,445</u>

December 31 and September 30, 2021: None.

- A. The Group has elected to classify investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$1,445 as at September 30, 2022.
- B. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

(5) Investments accounted for using the equity method

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

	<u>2022</u>	<u>2021</u>
At January 1	\$ 1,690,553	\$ 1,013,963
Addition of investments accounted for using the equity method	1,043,899	484,615
Share of net loss of investments accounted for using the equity method	(457,448)	(324,219)
Changes in capital surplus	(214,931)	(15,936)
(Loss) gain on disposal of investments transferred from other comprehensive income due to not recognized by shareholding percentage	(308)	7,751
Unrealized gains (Note)	-	(10,697)
Net exchange difference	<u>86,155</u>	<u>(10,192)</u>
At September 30	<u>\$ 2,147,920</u>	<u>\$ 1,145,285</u>

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

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Associate:			
Unikorn Semiconductor Corporation ("Unikorn")	\$ 468,040	\$ 213,872	\$ 317,952
Joint ventures:			
Changzhou Chemsemi Co., Ltd. ("Chemsemi")	1,561,009	1,357,673	763,676
Shanghai Galasemi Co., Ltd. ("Shanghai Galasemi")	<u>118,871</u>	<u>119,008</u>	<u>63,657</u>
	<u>\$ 2,147,920</u>	<u>\$ 1,690,553</u>	<u>\$ 1,145,285</u>

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

Company name	Principal place of business	Shareholding ratio			Nature of relationship	Methods of measurement
		September 30, 2022	December 31, 2021	September 30, 2021		
Unikorn	Taiwan	46.40%	45.39%	45.39%	Associate	Equity method
Chemsemi	China	21.87%	19.65%	28.94%	Joint venture	Equity method
Galasemi	China	48.00%	48.00%	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		
	September 30, 2022	December 31, 2021	September 30, 2021
Current assets	\$ 887,018	\$ 378,828	\$ 621,745
Non-current assets	1,389,092	1,278,829	1,152,271
Current liabilities	(1,160,909)	(1,203,001)	(1,113,709)
Non-current liabilities	(538,923)	(373,708)	(358,108)
Total net assets	<u>\$ 576,278</u>	<u>\$ 80,948</u>	<u>\$ 302,199</u>

	Chemsemi		
	September 30, 2022	December 31, 2021	September 30, 2021
Current assets	\$ 3,380,018	\$ 4,996,856	\$ 1,634,583
Non-current assets	5,483,661	3,070,981	2,100,033
Current liabilities	(439,665)	(504,214)	(496,473)
Non-current liabilities	(1,289,773)	(654,347)	(599,317)
Total net assets	<u>\$ 7,134,241</u>	<u>\$ 6,909,276</u>	<u>\$ 2,638,826</u>

	Shanghai Galasemi		
	September 30, 2022	December 31, 2021	September 30, 2021
Current assets	\$ 172,693	\$ 165,650	\$ 202,126
Non-current assets	122,813	90,579	43,447
Current liabilities	(26,809)	(12,996)	(90,765)
Total net assets	<u>\$ 268,697</u>	<u>\$ 243,233</u>	<u>\$ 154,808</u>

Statement of comprehensive income

	Unikorn	
	Three-month periods ended September 30, 2022	Three-month periods ended September 30, 2021
Net loss	(\$ 267,580)	(\$ 184,070)
Total comprehensive loss	(\$ 267,580)	(\$ 184,070)
	Unikorn	
	Nine-month period ended September 30, 2022	Nine-month period ended September 30, 2021
Net loss	(\$ 711,108)	(\$ 581,814)
Total comprehensive loss	(\$ 711,232)	(\$ 581,814)
	Chemsemi	
	Three-month period ended September 30, 2022	Three-month periods ended September 30, 2021
Net loss/ total comprehensive loss	(\$ 241,973)	(\$ 138,878)
	Chemsemi	
	Nine-month period ended September 30, 2022	Nine-month period ended September 30, 2021
Net loss/ total comprehensive loss	(\$ 583,279)	(\$ 314,049)
	Shanghai Galasemi	
	Three-month period ended September 30, 2022	Three-month period ended September 30, 2021
Net income (loss)/ total comprehensive income (loss)	\$ 6,145	(\$ 15,913)
	Shanghai Galasemi	
	Nine-month period ended September 30, 2022	April 12, 2021 (acquisition date) to September 30, 2021
Net income (loss)/ total comprehensive income (loss)	(\$ 8,913)	(\$ 21,733)

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

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

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

In February 2022, the Group participated in Chemsemi's increase of common stocks for cash amounting to USD 15,837 thousand (\$443,899 thousand). Through the completion of participation in Chemsemi's issuance of common stocks, the Group holds 22.14% of Chemsemi's common stocks issued. In addition, since Chemsemi obtained the investing fund invested by other investor in May 2022, the Group holds 21.87% of Chemsemi's common stocks issued.

F. The Group invested USD 3,000 thousand (\$84,635 thousand) in Shanghai Galasemi in April 2021. The joint venture is mainly engaged in the design and sales of electronic components for the optical communication market. In addition, in November 2021, the Group participated in Shanghai Galasemi's increase of common stocks for cash amounting to USD 2,016 thousand (\$56,045 thousand). Through the completion of participation in Shanghai Galasemi's issuance of common stocks, the Group retained the shareholding ratio in Shanghai Galasemi's common stocks issued at 48%, and the total investment amount was USD 5,016 thousand (\$140,680 thousand).

(6) Property, plant and equipment

	Land	Buildings	Machinery equipment	Computer and communication equipment	Research equipment	Office equipment	Leasehold improvements	Construction in progress and equipment to be inspected	Total
At January 1, 2022									
Cost	\$ 127,466	\$ 84,978	\$ 1,212,720	\$ 9,304	\$ 99,828	\$ 9,459	\$ 269,208	\$ 36,343	\$ 1,849,306
Accumulated depreciation and impairment	-	(15,579)	(937,287)	(8,014)	(67,768)	(8,987)	(236,186)	-	(1,273,821)
	<u>\$ 127,466</u>	<u>\$ 69,399</u>	<u>\$ 275,433</u>	<u>\$ 1,290</u>	<u>\$ 32,060</u>	<u>\$ 472</u>	<u>\$ 33,022</u>	<u>\$ 36,343</u>	<u>\$ 575,485</u>
<u>2022</u>									
Opening net book amount	\$ 127,466	\$ 69,399	\$ 275,433	\$ 1,290	\$ 32,060	\$ 472	\$ 33,022	\$ 36,343	\$ 575,485
Additions	-	-	53,224	-	54,918	-	12,874	60,815	181,831
Transfers	-	-	4,563	-	-	-	-	(4,563)	-
Disposals	-	-	(4,418)	-	(647)	-	-	(25,978)	(31,043)
Depreciation charges	-	(1,926)	(65,279)	(352)	(11,549)	(163)	(6,259)	-	(85,528)
Net exchange differences	18,743	10,041	38,375	159	8,226	55	5,413	7,897	88,909
Closing net book amount	<u>\$ 146,209</u>	<u>\$ 77,514</u>	<u>\$ 301,898</u>	<u>\$ 1,097</u>	<u>\$ 83,008</u>	<u>\$ 364</u>	<u>\$ 45,050</u>	<u>\$ 74,514</u>	<u>\$ 729,654</u>
At September 30, 2022									
Cost	\$ 146,209	\$ 97,473	\$ 1,405,459	\$ 9,642	\$ 166,123	\$ 10,682	\$ 321,935	\$ 74,514	\$ 2,232,037
Accumulated depreciation and impairment	-	(19,959)	(1,103,561)	(8,545)	(83,115)	(10,318)	(276,885)	-	(1,502,383)
	<u>\$ 146,209</u>	<u>\$ 77,514</u>	<u>\$ 301,898</u>	<u>\$ 1,097</u>	<u>\$ 83,008</u>	<u>\$ 364</u>	<u>\$ 45,050</u>	<u>\$ 74,514</u>	<u>\$ 729,654</u>

	Land	Buildings	Machinery equipment	Computer and communication equipment	Research equipment	Office equipment	Leasehold improvements	Construction in progress and equipment to be inspected	Total
At January 1, 2021									
Cost	\$ 131,150	\$ 87,434	\$ 1,322,122	\$ 10,379	\$ 98,128	\$ 9,700	\$ 276,828	\$ 6,672	\$ 1,942,413
Accumulated depreciation and impairment	-	(13,531)	(920,689)	(9,196)	(58,766)	(8,960)	(235,637)	-	(1,246,779)
	<u>\$ 131,150</u>	<u>\$ 73,903</u>	<u>\$ 401,433</u>	<u>\$ 1,183</u>	<u>\$ 39,362</u>	<u>\$ 740</u>	<u>\$ 41,191</u>	<u>\$ 6,672</u>	<u>\$ 695,634</u>
2021									
Opening net book amount	\$ 131,150	\$ 73,903	\$ 401,433	\$ 1,183	\$ 39,362	\$ 740	\$ 41,191	\$ 6,672	\$ 695,634
Additions	-	-	20,090	1,336	5,787	79	-	39,166	66,458
Transfers	-	-	3,642	280	-	-	-	(5,629)	(1,707)
Disposals	-	-	(1,932)	-	-	-	-	-	(1,932)
Effects due to changes in consolidated entities	-	-	-	(974)	(243)	(76)	-	(198)	(1,491)
Depreciation charges	-	(1,847)	(64,766)	(514)	(8,872)	(193)	(5,333)	-	(81,525)
Impairment loss	-	-	(1,070)	-	-	-	-	-	(1,070)
Net exchange differences	(2,901)	(1,620)	(8,208)	(27)	(786)	(14)	(870)	(409)	(14,835)
Closing net book amount	<u>\$ 128,249</u>	<u>\$ 70,436</u>	<u>\$ 349,189</u>	<u>\$ 1,284</u>	<u>\$ 35,248</u>	<u>\$ 536</u>	<u>\$ 34,988</u>	<u>\$ 39,602</u>	<u>\$ 659,532</u>
At September 30, 2021									
Cost	\$ 128,249	\$ 85,500	\$ 1,282,692	\$ 10,734	\$ 100,378	\$ 9,510	\$ 270,827	\$ 39,602	\$ 1,927,492
Accumulated depreciation and impairment	-	(15,064)	(933,503)	(9,450)	(65,130)	(8,974)	(235,839)	-	(1,267,960)
	<u>\$ 128,249</u>	<u>\$ 70,436</u>	<u>\$ 349,189</u>	<u>\$ 1,284</u>	<u>\$ 35,248</u>	<u>\$ 536</u>	<u>\$ 34,988</u>	<u>\$ 39,602</u>	<u>\$ 659,532</u>

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

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

(7) Leasing arrangements – lessee

A. The Group leases various assets including plant and office premises. Lease agreements are typically made for periods of 1 to 4 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants. Short-term leases with a lease term of 12 months or less comprise of office premises and parking spaces. Low-value assets comprise of office equipment.

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

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings	<u>\$ 28,017</u>	<u>\$ 3,641</u>	<u>\$ 5,037</u>

Three-month periods ended September 30,

	<u>2022</u>	<u>2021</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Buildings	<u>\$ 2,179</u>	<u>\$ 1,375</u>

Nine-month periods ended September 30,

	<u>2022</u>	<u>2021</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Buildings	<u>\$ 5,012</u>	<u>\$ 4,154</u>

C. For the nine-month periods ended September 30, 2022 and 2021, the additions to right-of-use assets were \$26,998 and \$0, respectively.

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

	<u>Three-month periods ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 156	\$ 97
Expense on short-term lease agreements	458	49
Expense on leases of low-value assets	13	9
	<u>Nine-month periods ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 227	\$ 364
Expense on short-term lease agreements	1,387	1,415
Expense on leases of low-value assets	38	26

E. For the nine-month periods ended September 30, 2022 and 2021, the Group's total cash outflow for leases amounted to \$7,001 and \$6,215, respectively.

(8) Intangible assets

	<u>Computer Software</u>	<u>Goodwill</u>	<u>Total</u>
<u>At January 1, 2022</u>			
Cost	\$ 66,520	\$ 160,824	\$ 227,344
Accumulated amortization and impairment	(53,842)	(79,136)	(132,978)
	<u>\$ 12,678</u>	<u>\$ 81,688</u>	<u>\$ 94,366</u>
<u>2022</u>			
At January 1	\$ 12,678	\$ 81,688	\$ 94,366
Addition	2,063	-	2,063
Amortization charges	(5,169)	-	(5,169)
Net exchange differences	1,602	12,011	13,613
At September 30	<u>\$ 11,174</u>	<u>\$ 93,699</u>	<u>\$ 104,873</u>
<u>At September 30, 2022</u>			
Cost	\$ 77,458	\$ 184,471	\$ 261,929
Accumulated amortization and impairment	(66,284)	(90,772)	(157,056)
	<u>\$ 11,174</u>	<u>\$ 93,699</u>	<u>\$ 104,873</u>
	<u>Computer Software</u>	<u>Goodwill</u>	<u>Total</u>
<u>At January 1, 2021</u>			
Cost	\$ 76,575	\$ 165,472	\$ 242,047
Accumulated amortization and impairment	(58,750)	(38,642)	(97,392)
	<u>\$ 17,825</u>	<u>\$ 126,830</u>	<u>\$ 144,655</u>
<u>2021</u>			
At January 1	\$ 17,825	\$ 126,830	\$ 144,655
Transferred from construction in progress and equipment pending acceptance	1,707	-	1,707
Addition	330	-	330
Amortization charges	(232)	-	(232)
Effect due to changes in consolidated entities	(4,856)	-	(4,856)
Net exchange differences	(371)	(2,806)	(3,177)
At September 30	<u>\$ 14,403</u>	<u>\$ 124,024</u>	<u>\$ 138,427</u>
<u>At September 30, 2021</u>			
Cost	\$ 75,862	\$ 161,811	\$ 237,673
Accumulated amortization and impairment	(61,459)	(37,787)	(99,246)
	<u>\$ 14,403</u>	<u>\$ 124,024</u>	<u>\$ 138,427</u>

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

	<u>Three-month periods ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Cost of operating revenue	\$ 1,867	\$ 1,622
General and administrative expenses	-	2
	<u>\$ 1,867</u>	<u>\$ 1,624</u>
	<u>Nine-month periods ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Cost of operating revenue	\$ 5,169	\$ 4,842
General and administrative expenses	-	14
	<u>\$ 5,169</u>	<u>\$ 4,856</u>

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

(9) Impairment of non-financial assets

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

As of September 30, 2022, the Group's assumptions used for impairment testing did not change significantly. Please refer to Note 6(8) in the consolidated financial statements for the year ended December 31, 2021.

(10) Non-current assets

<u>Item</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Prepayments for equipment	\$ 84,185	\$ 41,431	\$ 34,006
Refundable deposits (Note 1)	2,450	2,172	2,184
Reserve account-demand deposits (Note 2)	-	-	1,754
Time deposits (Note 2)	300	300	-
	<u>\$ 86,935</u>	<u>\$ 43,903</u>	<u>\$ 37,944</u>

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

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

(11) Short-term borrowings

<u>Type of borrowings</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>	<u>Collateral</u>
Bank borrowings				
Secured borrowings	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 20,000</u>	Time deposit (Note)
Interest rate range	<u>1.78%</u>	<u>1.53%</u>	<u>1.53%</u>	

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

(12) Other payables

	<u>2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Accrued salaries and bonuses	\$ 50,449	\$ 41,568	\$ 51,715
Accrued unused compensated absences	30,528	22,270	26,664
Accrued outsourcing manufacturing services charges	8,349	1,137	4,066
Accrued maintenance expenses	6,298	2,689	2,055
Payables for equipment	5,392	6,901	3,605
Accrued utilities	4,464	4,755	3,416
Accrued professional service fees	2,130	2,850	3,527
Other accrued expenses	14,032	14,593	15,917
	<u>\$ 121,642</u>	<u>\$ 96,763</u>	<u>\$ 110,965</u>

(13) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate</u>	<u>Collateral</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>
Subsidiary- Global Communication Semiconductor, LLC					
Secured borrowings (Note 1)	(Note 3)	3.50%	Land and buildings (Note 9)	\$ 217,884	\$ 193,755
Non-secured borrowings (Note 1)	(Note 8)	4.00%	-	178,008	-
Subsidiary- D-Tech Optoelectronics, Inc.					
Non-secured borrowings	(Note 7)	1.00%	-	<u>-</u>	<u>5,210</u>
				395,892	198,965
Less: Current portion				<u>(44,278)</u>	<u>(10,292)</u>
				<u>\$ 351,614</u>	<u>\$ 188,673</u>

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	September 30, 2021
Subsidiary- Global Communication Semiconductor, LLC Secured borrowings (Note 1)	(Note 3)	3.50% ~4.00%	Land and buildings (Note 9)	\$ 196,178
Subsidiary- D-Tech Optoelectronics (Taiwan) Corporation Secured borrowings (Note 1)	(Note 4)	2.57%	(Note 2)	5,817
Subsidiary- D-Tech Optoelectronics, Inc. Non-secured borrowings	(Note 7)	1.00%		5,242
				207,237
Less: Current portion				(12,190)
				<u>\$ 195,047</u>

Note 1: According to the secured loan contract, the Group was required to comply with certain financial covenants by maintaining certain financial ratios, such as debt coverage ratio, on an annual basis. As of September 30, 2022, December 31, 2021 and September 30, 2021, the Group had not violated any of the required financial covenants.

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

Note 3: Borrowing period is from August 6, 2015 to August 6, 2022; interest and principal are repayable monthly. On July 12, 2021, the Company's subsidiary, Global Communication Semiconductor, LLC made amendments to the aforementioned long-term loan contract with the bank. The main amendments are that the borrowing amount is adjusted to USD 7,100 thousand with the maturity date on August 6, 2031, and the borrowing rate is adjusted to 3.50%.

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

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

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

Note 7: It refers to Second Draw PPP applied from banks with the loan period from February 2, 2021 to February 2, 2026. The PPP loan must be used for operating expenses, such as salary, rent and other expenses as specified in the loan agreement in order to apply for loan forgiveness within 10 months after the covered period. The Company’s subsidiary, D-Tech Optoelectronics, Inc. had received the approval of the loan forgiveness from SBA on April 27, 2022 and \$5,408 was recognized as income from PPP (recognized as “Other income”) in the Second Quarter of 2022 Consolidated Financial Statements.

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

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

(14) Pension plan

- A. The Group’s US subsidiary has established a 401(K) pension plan (the “Plan”) covering substantially all employees. The Plan provides voluntary salary reduction contributions by eligible participants in accordance with Section 401(K) of the Internal Revenue Code (IRC), as well as discretionary matching contributions below 15% of employees’ salaries from the Company’s subsidiary to its employees’ individual pension accounts.
- B. The Group’s Taiwan subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company’s Taiwan subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- C. The pension costs under the above pension plans of the Group for the three-month and nine-month periods ended September 30, 2022 and 2021 amounted to \$4,427, \$3,949, \$12,428 and \$12,769, respectively.

(15) Share-based payment-employee compensation plan

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

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting condition
Employee stock options	April 2013	1,538,000 shares	10 years	(Note 1)
Employee stock options	October 2013	538,000 shares	10 years	(Note 1)
Employee stock options	November 2014	75,000 shares	10 years	(Note 1)
Employee stock options	February 2015	652,200 shares	10 years	(Note 1)
Employee stock options	March 2016	5,000 shares	10 years	(Note 1)
Employee stock options	August 2016	895,000 shares	10 years	(Note 1)
Employee stock options	November 2016	34,000 shares	10 years	(Note 1)
Employee stock options	February 2017	15,000 shares	10 years	(Note 1)
Employee stock options	August 2017	215,000 shares	10 years	(Note 1)
Employee stock options	January 2018	13,000 shares	10 years	(Note 1)
Employee stock options	February 2018	355,000 shares	10 years	(Note 1)
Employee stock options	August 2018	27,000 shares	10 years	(Note 1)
Employee stock options	November 2018	5,000 shares	10 years	(Note 1)
Employee stock options	March 2019	578,000 shares	10 years	(Note 1)
Employee stock options	August 2019	40,000 shares	10 years	(Note 1)
Employee stock options	March 2020	250,000 shares	10 years	(Note 1)
Employee stock options	August 2020	3,000 shares	10 years	(Note 1)
Employee stock options	November 2020	6,000 shares	10 years	(Note 1)
Employee stock options	March 2021	820,000 shares	10 years	(Note 1)
Employee stock options	April 2021	20,000 shares	10 years	(Note 1)
Employee stock options	February 2022	454,000 shares	10 years	(Note 1)
Employee stock options	August 2022	23,000 shares	10 years	(Note 1)
Restricted stocks to employees (Note 3)	March 2020	518,000 shares	2 years	(Note 2)
Restricted stocks to employees (Note 3)	March 2021	427,000 shares	2 years	(Note 2)
Restricted stocks to employees (Note 3)	February 2022	445,000 shares	2 years	(Note 2)

Note 1: Some employee stock options shall be vested and become exercisable up to 50% of the shares after fulfilling two years of service, and in accordance with the agreement, the remaining 50% of such options will be vested ratably in equal installments as of the last day of each of the succeeding 24 months.

Note 2: Some restricted stocks to employees shall be vested up to 50% of the shares after one year of service, and the remaining 50% of such shares to be vested after fulfilling two years of service.

Note 3: The restricted stocks to employees are restricted from transferring within vesting period, but are allowed for voting rights and rights to receive dividends. The Company will recover restricted stocks at no consideration and cancel registration if employees resign or die not due to occupational hazards. However, employees do not need to return dividends already received.

B. Details of the employee stock options are set forth below:

	Nine-month period ended September 30, 2022		
	No. of options	Currency	Weighted average exercise price (in dollars)
Options outstanding at beginning of the period	3,163,120	NTD	\$ 55.68
Options granted	477,000	NTD	45.61
Options exercised	(50,000)	NTD	31.20
Options forfeited	(172,000)	NTD	51.89
Options outstanding at end of the period	<u>3,418,120</u>	NTD	53.71
Options exercisable at end of the period	<u>2,160,828</u>	NTD	57.15
	Nine-month period ended September 30, 2021		
	No. of options	Currency	Weighted average exercise price (in dollars)
Options outstanding at beginning of the period	2,546,183	NTD	\$ 57.47
Options granted	840,000	NTD	49.82
Options exercised	(313)	NTD	17.30
Options forfeited	(103,000)	NTD	51.84
Options outstanding at end of the period	<u>3,282,870</u>	NTD	55.70
Options exercisable at end of the period	<u>2,021,703</u>	NTD	58.34

C. The weighted-average stock price of stock options at exercise dates for the nine-month periods ended September 30, 2022 and 2021 was \$44.91 (in dollars) and \$50.01 (in dollars), respectively.

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

Grant date	Expiry date	September 30, 2022		
		No. of Shares	Currency	Stock options exercise price (in dollars)
April 2013	April 2023	140,834	NTD	\$ 11.10
October 2013	October 2023	7,917	NTD	17.30
February 2015	February 2025	223,369	NTD	39.30
August 2016	August 2026	626,000	NTD	62.70
November 2016	November 2026	8,000	NTD	61.40
February 2017	February 2027	15,000	NTD	54.50
August 2017	August 2027	200,000	NTD	63.40
January 2018	January 2028	8,000	NTD	82.70
February 2018	February 2028	315,000	NTD	79.70
August 2018	August 2028	14,000	NTD	61.00
March 2019	March 2029	515,000	NTD	58.20
August 2019	August 2029	25,000	NTD	56.80
March 2020	March 2030	210,000	NTD	43.80
August 2020	August 2030	3,000	NTD	52.50
November 2020	November 2030	6,000	NTD	47.00
March 2021	March 2031	654,000	NTD	48.70
February 2022	February 2032	424,000	NTD	45.90
August 2022	August 2032	23,000	NTD	39.85
		<u>3,418,120</u>		

		December 31, 2021		
Grant date	Expiry date	No. of Shares	Currency	Stock options exercise price (in dollars)
April 2013	April 2023	140,834	NTD	\$ 11.10
October 2013	October 2023	7,917	NTD	17.30
November 2014	November 2024	50,000	NTD	31.90
February 2015	February 2025	223,369	NTD	40.20
March 2016	March 2026	5,000	NTD	69.20
August 2016	August 2026	646,000	NTD	64.10
November 2016	November 2026	26,000	NTD	62.70
February 2017	February 2027	15,000	NTD	55.70
August 2017	August 2027	200,000	NTD	64.80
January 2018	January 2028	8,000	NTD	84.50
February 2018	February 2028	315,000	NTD	81.40
August 2018	August 2028	14,000	NTD	62.30
March 2019	March 2029	518,000	NTD	59.50
August 2019	August 2029	25,000	NTD	58.00
March 2020	March 2030	210,000	NTD	44.80
August 2020	August 2030	3,000	NTD	53.60
November 2020	November 2030	6,000	NTD	48.00
March 2021	March 2031	750,000	NTD	49.80
		<u>3,163,120</u>		

		September 30, 2021		
Grant date	Expiry date	No. of Shares	Currency	Stock options exercise price (in dollars)
April 2013	April 2023	140,834	NTD	\$ 11.10
October 2013	October 2023	7,917	NTD	17.30
November 2014	November 2024	52,000	NTD	31.90
February 2015	February 2025	230,119	NTD	40.20
March 2016	March 2026	5,000	NTD	69.20
August 2016	August 2026	689,000	NTD	64.10
November 2016	November 2026	26,000	NTD	62.70
February 2017	February 2027	15,000	NTD	55.70
August 2017	August 2027	200,000	NTD	64.80
January 2018	January 2028	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	548,000	NTD	59.50
August 2019	August 2029	25,000	NTD	58.00
March 2020	March 2030	220,000	NTD	44.80
August 2020	August 2030	3,000	NTD	53.60
November 2020	November 2030	6,000	NTD	48.00
March 2021	March 2031	778,000	NTD	49.80
		<u>3,282,870</u>		

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

Employee restricted stocks	Nine-month periods ended September 30,	
	2022	2021
	No. of shares	No. of shares
Outstanding at beginning of the period	587,500	768,000
Granted (Notes 1 and 2)	445,000	427,000
Vested	(375,000)	(518,000)
Retired (cancelled)	(50,500)	(5,500)
Retired (uncancelled)	(17,000)	(55,500)
Outstanding at end of the period	<u>590,000</u>	<u>616,000</u>

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

Note 2: The fair value of restricted stocks granted in February 2022 and March 2021 was \$45.90 (in dollars) and \$49.80 (in dollars), respectively.

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

Type of arrangement	Grant date	Currency	Fair value (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option period (years)	Expected dividend yield rate	Risk-free interest rate	Weighted average fair value (in dollars)
Employee stock options	March 2021	NTD	\$ 50.18	\$ 49.80	13.98%	6.26	1.00%	0.45%	\$ 19.91
Employee stock options	April 2021	NTD	51.27	50.60	23.28%	6.26	1.00%	0.42%	21.84
Employee stock options	February 2022	NTD	46.41	45.90	17.87%	6.26	1.00%	0.95%	18.37
Employee stock options	August 2022	NTD	37.42	39.85	46.86%	6.26	1.00%	1.65%	18.99

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

	Three-month periods ended September 30,	
	2022	2021
Equity-settled	\$ 6,155	\$ 8,075
	Nine-month periods ended September 30,	
	2022	2021
Equity-settled	\$ 22,949	\$ 23,985

(16) Common stock

A. As of September 30, 2022, the Company's paid-in capital was \$1,108,421, consisting of 110,842,067 shares with a par value of \$10 (in dollars) per share.

Movements in the number of the Company's ordinary shares outstanding are as follows:

Unit: Numbers of shares

	2022	2021
Outstanding ordinary shares at January 1	110,397,567	90,024,754
Exercise of employee stock options	50,000	313
Issuance of restricted stocks to employees	445,000	427,000
Retirement of restricted stocks to employees	(50,500)	(5,500)
Restricted stocks retrieved from employees and to be cancelled	(17,000)	(55,500)
Outstanding ordinary shares at September 30	110,825,067	90,391,067
Treasury stocks	-	1,250,000
Restricted stocks retrieved from employees and to be cancelled	17,000	55,500
Issued ordinary shares at September 30	110,842,067	91,696,567

- 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 September 30, 2022, the Company had retrieved 23,000 employee restricted stocks in total due to the employees' resignation, and the retrieved shares have been retired.
- C. On June 5, 2019, the shareholders adopted a resolution to reserve 1,000,000 shares for the purpose of granting employee restricted stocks with par value of \$10 (in dollars) per shares, with the effective date filed with the regulator. The subscription price is \$0 (in dollar) per share. The employee restricted stocks issued are subject to certain transfer restrictions before their vesting conditions are met. Other than these restrictions, the rights and obligations of these shares issued are the same as other issued ordinary shares. On March 16, 2020, the Board of Directors resolved to grant 518,000 employee restricted stocks. As of September 30, 2022, the Company had retrieved 82,500 employee restricted stocks in total.
- D. On June 5, 2020, the shareholders adopted a resolution to reserve 1,000,000 shares for the purpose of granting employee restricted stocks with par value of \$10 (in dollars) per shares, with the effective date filed with the regulator. The subscription price is \$0 (in dollar) per share. The employee restricted stocks issued are subject to certain transfer restrictions before their vesting conditions are met. Other than these restrictions, the rights and obligations of these shares issued are the same as other issued ordinary shares. On March 19, 2021, the Board of Directors resolved to grant 427,000 employee restricted stocks. As of September 30, 2022, the Company had retrieved 71,000 employee restricted stocks in total due to the employees' resignation, and 66,000 stocks have been retired. Additionally, as of November 1, 2022, the other 5,000 retrieved stocks have not been retired.
- E. On July 2, 2021, the shareholders adopted a resolution to reserve 1,000,000 shares for the purpose of granting employee restricted stocks with par value of \$10 (in dollars) per shares, with the effective date filed with the regulator. The subscription price is \$0 (in dollar) per share. The employee restricted stocks issued are subject to certain transfer restrictions before their vesting conditions are met. Other than these restrictions, the rights and obligations of these shares issued are the same as other issued ordinary shares. On February 23, 2022, the Board of Directors resolved to grant 445,000 employee restricted stocks. As of September 30, 2022 the Company had retrieved 27,000 employee restricted stocks in total due to the employees' resignation and 15,000 stocks have been retired. Additionally, as of November 1, 2022, the other 12,000 retrieved stocks have not been retired.
- F. On April 2, 2018, the Board of Directors resolved to increase cash capital by issuing ordinary shares for participating in issuance of Global Depositary Receipts ("GDRs") in order to fund the purchase of plant, machinery and equipment, and overseas purchases of raw materials. On July 31, 2018, the Company received the official letter No. 1070326367 from the FSC of approval of the issuance of ordinary shares for participating in issuance of GDRs, while on October 31, 2018, the Company received another official letter No.1070118798 for the extension of three months to complete the aforementioned issuance. On December 19, 2018, the Board of Directors resolved to adjust the number of shares to be issued from the range of 15,000,000 to 25,000,000

ordinary shares to 8,000,000 to 25,000,000 ordinary shares. The aforementioned adjustment was approved by the FSC with the receipt of the official letter No.1070121974. The Company's GDRs began trading on the Luxembourg Stock Exchange on January 21, 2019. The actual number of units of GDRs for this offering was 1,600,000 and each GDR represents five of the Company's ordinary shares, which in the aggregate representing 8,000,000 ordinary shares. The offering price per GDR was US\$8.20 (in dollars). The actual cash received was US\$12,989 thousand (approximately \$400,717 thousand) after deducting issuance costs. The fundraising had been fully collected by the Company as of January 22, 2019, and the change registration of this capital increase had been completed. As of September 30, 2022, there was no outstanding GDRs. The terms of GDR are as follows:

(a) Voting rights

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

(b) Dividends, stocks warrant and other rights

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

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

H. Treasury stocks

(a) Reason for share repurchase and the number of the Company's treasury stocks are as follows:
September 30, 2022 : None.

		<u>December 31, 2021</u>	
<u>Name of company holding the shares</u>	<u>Reason for repurchase</u>	<u>Number of shares</u>	<u>Carrying amount</u>
The Company	To be reissued to employees	250,000	\$ 12,955
		<u>September 30, 2021</u>	
<u>Name of company holding the shares</u>	<u>Reason for repurchase</u>	<u>Number of shares</u>	<u>Carrying amount</u>
The Company	To be reissued to employees	1,250,000	\$ 82,009

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

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

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

(17) Capital surplus

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

	2022					
	Share premium	Employee stock options	Employee restricted stocks	Recognized changes in equity of associates	Others	Total
At January 1	\$ 1,969,083	\$ 68,963	\$ 28,133	\$ 833,545	\$ 37,605	\$ 2,937,329
Compensation costs of share-based payment	-	15,712	-	-	-	15,712
Issuance of restricted stocks to employees	-	-	16,039	-	-	16,039
Retirement of restricted stocks to employees	-	-	(2,928)	-	-	(2,928)
Exercise of employee stock options	3,492	(2,425)	-	-	-	1,067
Restricted stocks to employees vested	14,185	-	(14,185)	-	-	-
Employee stock option forfeited	-	(4,897)	-	-	4,897	-
Recognized changes in equity of associates	-	-	-	(214,931)	-	(214,931)
Treasury stock retired	(4,448)	-	-	-	-	(4,448)
At September 30	<u>\$ 1,982,312</u>	<u>\$ 77,353</u>	<u>\$ 27,059</u>	<u>\$ 618,614</u>	<u>\$ 42,502</u>	<u>\$ 2,747,840</u>

2021

	Share premium	Employee stock options	Employee restricted stocks	Recognized changes in equity of associates	Others	Total
At January 1	\$ 1,345,647	\$ 69,544	\$ 33,795	\$ 220,066	\$ 34,468	\$ 1,703,520
Compensation costs of share-based payment	-	7,707	-	-	-	7,707
Issuance of restricted stocks to employees	-	-	16,768	-	-	16,768
Restricted stocks to employees vested	19,985	-	(19,985)	-	-	-
Retirement of restricted stocks to employees	-	-	(387)	-	-	(387)
Exercise of employee stock option	11	(9)	-	-	-	2
Options forfeited	-	(1,287)	-	-	1,287	-
Recognized adjustments arising from changes in percentage of ownership in associates	-	-	-	(15,936)	-	(15,936)
Treasury stock retired	(1,739)	-	-	-	-	(1,739)
At September 30	<u>\$ 1,363,904</u>	<u>\$ 75,955</u>	<u>\$ 30,191</u>	<u>\$ 204,130</u>	<u>\$ 35,755</u>	<u>\$ 1,709,935</u>

(18) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset losses incurred in previous years and then a special reserve as required by the applicable securities authority under the applicable public company rules in Taiwan. After combining accumulated undistributed earnings in the previous years and setting aside a certain amount of remaining profits of such financial year as a reserve or reserves for development purposes as the Board of Directors may from time to time deem appropriate, subject to the compliance with the Cayman Islands Companies Law, the Company shall distribute no less than 10% of the remaining profit as dividends to the shareholders. The Company's shareholders' meeting resolved on June 5, 2019 to amend the Company's Articles of Incorporation, which stipulates distribution of earnings by way of cash dividends should be approved by the Company's Board of Directors and reported to the Company's shareholders in its meeting.
- B. The Company's dividend policy is as follows: As the Company operates in a capital intensive industry and in the stable growth stage, the residual dividend policy is adopted taking into consideration the Company's operation scale, cash flow demand and future expansion plans, and cash dividends shall account for at least 10% of the total dividends distributed.

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

Considering the Company's future operating development, the Company's shareholders at the meeting on May 20, 2022 resolved not to distribute dividends from the appropriations of 2021 earnings.

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

(19) Other equity interest

	2022			
	Currency translation differences	Share of other comprehensive income (loss) of subsidiaries, associate and joint ventures accounted for using equity method, financial statements translation differences of foreign operations	Unearned employee compensation	Total
At January 1	(\$ 328,568)	\$ 79,957	(\$ 5,432)	(\$ 254,043)
Currency translation differences				
-Group	579,497	(17,678)	-	561,819
-Associates	-	(224,631)	-	(224,631)
-Associates- transfer to net loss from disposal of investments	-	308	-	308
Compensation costs of share-based payment	-	-	7,237	7,237
Issuance of restricted stocks to employees	-	-	(20,489)	(20,489)
Retirement of restricted stocks to employees	-	-	3,718	3,718
At September 30	<u>\$ 250,929</u>	<u>(\$ 162,044)</u>	<u>(\$ 14,966)</u>	<u>\$ 73,919</u>

	Currency translation differences	Share of other comprehensive income of subsidiaries, associate 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	(76,423)	2,817	-	(73,606)
-Associates	-	11,827	-	11,827
-Group- transfer to net loss from disposal of a subsidiary	-	252	-	252
-Associates- transfer to net income from disposal of investments	- (7,751)	- (7,751)
Compensation costs of share-based payment	-	-	16,278	16,278
Issuance of restricted stocks to employees	-	-	(21,038)	(21,038)
Retirement restricted stocks from employees	-	-	482	482
At September 30	<u>(\$ 300,190)</u>	<u>\$ 90,244</u>	<u>(\$ 15,040)</u>	<u>(\$ 224,986)</u>

(20) Operating revenue

	Three-month periods ended September 30,	
	2022	2021
Revenue from contracts with customers	<u>\$ 342,099</u>	<u>\$ 318,374</u>
	Nine-month periods ended September 30,	
	2022	2021
Revenue from contracts with customers	<u>\$ 979,343</u>	<u>\$ 927,238</u>

A. Disaggregation of revenue from contracts with customers

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

	Three-month period ended September 30, 2022		
	Sales revenue	Royalty revenue	Total
United States	\$ 148,095	\$ -	\$ 148,095
China	122,323	-	122,323
Taiwan	9,997	192	10,189
Others	61,492	-	61,492
	<u>\$ 341,907</u>	<u>\$ 192</u>	<u>\$ 342,099</u>

	Three-month period ended September 30, 2021		
	Sales revenue	Royalty revenue	Total
China	\$ 126,532	\$ -	\$ 126,532
United States	132,124	-	132,124
Taiwan	14,963	1,455	16,418
Others	43,300	-	43,300
	<u>\$ 316,919</u>	<u>\$ 1,455</u>	<u>\$ 318,374</u>

	Nine-month period ended September 30, 2022		
	Sales revenue	Royalty revenue	Total
United States	390,184	-	390,184
China	\$ 388,547	\$ -	\$ 388,547
Taiwan	17,840	578	18,418
Others	182,194	-	182,194
	<u>\$ 978,765</u>	<u>\$ 578</u>	<u>\$ 979,343</u>

	Nine-month period ended September 30, 2021		
	Sales revenue	Royalty revenue	Total
China	\$ 405,245	\$ 2,243	\$ 407,488
United States	377,889	-	377,889
Taiwan	23,837	3,657	27,494
Others	114,367	-	114,367
	<u>\$ 921,338</u>	<u>\$ 5,900</u>	<u>\$ 927,238</u>

B. Contract liabilities

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

	September 30, 2022	December 31, 2021	September 30, 2021	January 1, 2021
Contract liabilities				
– advance sales receipts	<u>\$ 18,417</u>	<u>\$ 21,752</u>	<u>\$ 26,490</u>	<u>\$ 14,815</u>

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

	Three-month periods ended September 30,	
	2022	2021
Contract liabilities – advance sales receipts	\$ 469	\$ 6,691
	Nine-month periods ended September 30,	
	2022	2021
Contract liabilities – advance sales receipts	\$ 16,391	\$ 12,562

(21) Other gains and losses

	Three-month periods ended September 30,	
	2022	2021
Gain on disposal of property, plant and equipment	\$ 385	\$ 12,163
(Loss) gain on disposal of investments	(610)	7,751
Gain on disposal of a subsidiary	-	12,890
Net currency exchange losses	(11,042)	(524)
Impairment loss of non-financial assets	-	(1,070)
Other losses	(3,421)	(553)
	<u>\$ 14,688</u>	<u>\$ 30,657</u>
	Nine-month periods ended September 30,	
	2022	2021
Gain on disposal of property, plant and equipment	\$ 4,988	\$ 11,133
(Loss) gain on disposal of investments	(308)	7,751
Gain on disposal of a subsidiary	-	12,890
Net currency exchange losses	(33,156)	(1,758)
Impairment loss of non-financial assets	-	(1,070)
Other losses	(9,275)	(1,710)
	<u>\$ 37,751</u>	<u>\$ 27,236</u>

(22) Finance costs

	Three-month periods ended September 30,	
	2022	2021
Interest expense	\$ 3,719	\$ 1,746
Leased liabilities - interest expense	156	97
	<u>\$ 3,875</u>	<u>\$ 1,843</u>
	Nine-month periods ended September 30,	
	2022	2021
Interest expense	\$ 7,915	\$ 2,554
Leased liabilities - interest expense	227	364
	<u>\$ 8,142</u>	<u>\$ 2,918</u>

(23) Expenses by nature

	Three-month periods ended September 30,	
	2022	2021
Employee benefit expense	\$ 168,471	\$ 147,040
Depreciation charges on property, plant and equipment and right-of-use assets	\$ 33,168	\$ 27,964
Amortization charges on intangible assets	\$ 1,867	\$ 1,624
	Nine-month periods ended September 30,	
	2022	2021
Employee benefit expense	\$ 483,578	\$ 450,370
Depreciation charges on property, plant and equipment and right-of-use assets	\$ 90,540	\$ 85,679
Amortization charges on intangible assets	\$ 5,169	\$ 4,856

(24) Employee benefit expense

	Three-month periods ended September 30,	
	2022	2021
Wages and salaries	\$ 142,880	\$ 122,100
Compensation costs of share-based payment	6,155	8,075
Insurance expenses	14,682	12,495
Pension costs	4,427	3,949
Other personnel expenses	327	421
	\$ 168,471	\$ 147,040
	Nine-month periods ended September 30,	
	2022	2021
Wages and salaries	\$ 405,482	\$ 375,132
Compensation costs of share-based payment	22,949	23,985
Insurance expenses	41,408	37,723
Pension costs	12,428	12,769
Other personnel expenses	1,311	761
	\$ 483,578	\$ 450,370

A. According to the Articles of Incorporation of the Company, when distributing earnings, an amount equal to the ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be higher than 15% and lower than 5% for employees' compensation and shall not be higher than 2% for directors' remuneration.

B. For the three-month and nine-month periods ended September 30, 2022 and 2021, the Company did not accrue employees' compensation and directors' remuneration, due to net loss before tax.

C. Information about employees' compensation and directors' remuneration of the Company as proposed by the Board of Directors and resolved by the shareholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(25) Income tax

A. Income tax benefit

Components of income tax benefit

	<u>Three-month periods ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Current tax:		
Current tax on profit for the period	\$ 5,825	(\$ 754)
Prior year income tax over estimation	-	(19,174)
Total current tax	<u>5,825</u>	<u>(19,928)</u>
Deferred tax:		
Origination and reversal of temporary differences	(9,158)	18,578
Total deferred tax	<u>(9,158)</u>	<u>18,578</u>
Income tax benefit	<u>(\$ 3,333)</u>	<u>(\$ 1,350)</u>

	<u>Nine-month periods ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Current tax:		
Current tax on profit for the period	\$ 7,631	(\$ 742)
Prior year income tax over estimation	-	(19,193)
Total current tax	<u>7,631</u>	<u>(19,935)</u>
Deferred tax:		
Origination and reversal of temporary differences	(16,492)	12,729
Total deferred tax	<u>(16,492)</u>	<u>12,729</u>
Income tax benefit	<u>(\$ 8,861)</u>	<u>(\$ 7,206)</u>

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

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

(26) Losses per share

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

		<u>Three-month period ended September 30, 2022</u>		
		Amount	Weighted average	Losses
		after tax	outstanding stocks	per share
		(in thousand of shares)	(in thousand of shares)	(in dollars)
<u>Basic losses per share</u>				
Losses attributable to ordinary shareholders of the parent (Note)				
(\$	224,075)	\$	110,235	(\$ 2.03)
		<u>Three-month period ended September 30, 2021</u>		
		Amount	Weighted average	Losses
		after tax	outstanding stocks	per share
		(in thousand of shares)	(in thousand of shares)	(in dollars)
<u>Basic losses per share</u>				
Losses attributable to ordinary shareholders of the parent (Note)				
(\$	85,866)	\$	90,191	(\$ 0.95)
		<u>Nine-month period ended September 30, 2022</u>		
		Amount	Weighted average	Losses
		after tax	outstanding stocks	per share
		(in thousand of shares)	(in thousand of shares)	(in dollars)
<u>Basic losses per share</u>				
Losses attributable to ordinary shareholders of the parent (Note)				
(\$	547,201)	\$	110,070	(\$ 4.97)
		<u>Nine-month period ended September 30, 2021</u>		
		Amount	Weighted average	Losses
		after tax	outstanding stocks	per share
		(in thousand of shares)	(in thousand of shares)	(in dollars)
<u>Basic losses per share</u>				
Losses attributable to ordinary shareholders of the parent (Note)				
(\$	219,253)	\$	89,629	(\$ 2.45)

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

(27) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Nine-month periods ended September 30,	
	2022	2021
Acquisition of property, plant and equipment	\$ 181,831	\$ 66,458
Add: Ending balance of prepayments for equipment (Note)	84,185	34,006
Less: Beginning balance of prepayments for equipment (Note)	(41,431)	-
Less: Ending balance of payables for equipment	(5,392)	(3,605)
Add: Beginning balance of payables for equipment	6,901	389
Cash paid	<u>\$ 226,094</u>	<u>\$ 97,248</u>

Note: Shown as “Other non-current assets”.

B. Investing activities with partial cash receivable:

	Nine-month periods ended September 30,	
	2022	2021
Proceeds from disposal of property, plant and equipment	\$ 36,031	\$ 24,715
Add: Opening balance of receivables from disposal of equipment (Note)	15,689	-
Less: Ending balance of receivables from disposal of equipment (Note)	(1,006)	(24,434)
Cash received	<u>\$ 50,714</u>	<u>\$ 281</u>

Note: Shown as “Other receivable-related party”.

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

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

(28) Changes in liabilities from financing activities

	Short-term borrowings	Lease liabilities	Long-term borrowings (including current portion)	Liabilities from financing activities
At January 1, 2022	\$ 20,000	\$ 3,393	\$ 198,965	\$ 222,358
Changes in cash flow				
from financing activities	-	(5,349)	160,140	154,791
Interest expense	-	227	-	227
Interest paid	-	(227)	-	(227)
Changes in other				
non-cash items	-	26,998	-	26,998
Forgiveness of Paycheck Protection Plan	-	-	(5,408)	(5,408)
Net exchange differences	-	2,325	42,195	44,520
At September 30, 2022	\$ <u>20,000</u>	\$ <u>27,367</u>	\$ <u>395,892</u>	\$ <u>443,259</u>

	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	-	(4,410)	168,872	164,462
Interest expense	-	364	-	364
Interest paid	-	(364)	-	(364)
Forgiveness of Paycheck Protection Plan	-	-	(88,101)	(88,101)
Net exchange differences	-	(176)	(3,355)	(3,531)
At September 30, 2021	<u>\$ 20,000</u>	<u>\$ 4,950</u>	<u>\$ 207,237</u>	<u>\$ 232,187</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

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

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

(2) Significant related party transactions and balances

A. Operating revenue:

	Three-month period ended September 30, 2022	Nine-month period ended September 30, 2022
Operating revenue		
Sales of goods:		
Changzhou Galasemi	<u>\$ 4,571</u>	<u>\$ 16,940</u>

Three-month and nine-month period ended September 30, 2021: None

B. Purchases:

	Three-month period ended September 30, 2022	Nine-month period ended September 30, 2022
Purchases of goods:		
Changzhou Galasemi	\$ 671	\$ 671
Unikorn	474	474
	<u>\$ 1,145</u>	<u>\$ 1,145</u>

Three-month and nine-month period ended September 30, 2021: None

C. Receivables from related parties:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Accounts receivable:			
Changzhou Galasemi	\$ 9,900	\$ 2,913	\$ 4,133
Other receivable — Sales of machinery and equipment:			
Changzhou Galasemi	1,006	15,689	24,434
Other receivables — Other:			
Shanghai Galasemi	-	-	54,237
Unikorn	-	65	-
Changzhou Galasemi	42	-	-
	<u>\$ 10,948</u>	<u>\$ 18,667</u>	<u>\$ 82,804</u>

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

D. Payables to related parties:

	<u>September 30, 2022</u>
Accounts payable:	
Unikorn	\$ 171
Other payables:	
Chemsemi	8,696
Unikorn	6,594
	<u>\$ 15,461</u>

As of December 31 and September 30, 2021, the Group had no payables to related parties.

E. Property transactions:

(a) Disposal of equipment:

	Nine-month period ended September 30, 2022	
	Disposal proceeds	Gain (loss) on disposal
Unikorn	\$ 25,887	\$ -
Changzhou Galasemi	942	295
	<u>\$ 26,829</u>	<u>\$ 295</u>

Nine-month period ended September 30, 2021: None.

- (b) The Company participated in the investee accounted for using equity method – Unikorn’s increase of common stocks for cash in March 2022 and 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:

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

				Nine-month period ended September 30, 2021
Transaction company	Accounts	No. of shares	Objects	Consideration
Unikorn	Investments accounted for using equity method	40,000,000	Common Stocks	<u>\$ 400,000</u>

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

				Nine-month period ended September 30, 2022
Transaction company	Accounts	No. of shares	Objects	Consideration
Chemsemi	Investments accounted for using equity method	Note	Equity of Chemsemi	<u>\$ 443,899</u>

Note: Please refer to Note 6(5).

Nine-month period ended September 30, 2021: None.

- (d) The Company sold all its shares in the subsidiary, Changzhou Galasemi Co., Ltd., to Shanghai Galasemi Co., Ltd. in July 2021. The transaction is as follows:

		Nine-month period ended September 30, 2021	
Trading partner company	Accounts	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 gains on disposal of machinery and equipment by the Group to Changzhou Galasemi Co., Ltd. in prior years have been transferred to realized gains on disposal of property, plant and equipment. As of September 30, 2021, unrealized gain on disposal of property, plant and equipment amounted to \$10,697 and was recognized in deduction of investments accounted for using the equity method.

Nine-month period ended September 30, 2022: None.

F. Other transactions:

		Transaction amounts	
Transaction company	Item	Three-month periods ended September 30,	
		2022	2021
Unikorn	Outsourcing manufacturing services charges	\$ 16,338	\$ 7,758

		Transaction amounts	
Transaction company	Item	Nine-month periods ended September 30,	
		2022	2021
Unikorn	Outsourcing manufacturing services charges	\$ 36,114	\$ 10,811

(3) Key management compensation

	Three-month periods ended September 30,	
	2022	2021
Salaries and other short-term employee benefits	\$ 23,712	\$ 23,105
Post-employment benefits	573	555
Compensation costs of share-based payment	1,536	1,724
	<u>\$ 25,821</u>	<u>\$ 25,384</u>

	<u>Nine-month periods ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Salaries and other short-term employee benefits	\$ 74,247	\$ 62,051
Post-employment benefits	2,012	1,863
Compensation costs of share-based payment	4,918	6,733
	<u>\$ 81,177</u>	<u>\$ 70,647</u>

8. PLEDGED ASSETS

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

<u>Assets</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>	<u>Purpose</u>
Land	\$ 146,209	\$ 127,466	\$ 128,249	Long-term borrowings
Buildings	77,514	69,399	70,436	Long-term borrowings
Time deposits (Shown as "Other current assets")	34,236	29,760	29,945	Short-term borrowings
Reserve account-demand deposits (Shown as "Other non-current assets")	-	-	1,754	Long-term borrowings
Time deposits (Shown as "Other non-current assets")	300	300	-	Custom guarantee for imported goods
Refundable deposits (Shown as "Other current asset" and "Other non-current assets")	2,650	2,372	2,384	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:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Property, plant and equipment	<u>\$ 87,300</u>	<u>\$ -</u>	<u>\$ 19,443</u>

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

- A. On November 1, 2022, the Company's Board of Directors resolved to dissolve and liquidate the Company's subsidiary, D-Tech Optoelectronics (Taiwan) Corporation due to the Group's overall operation plan and saving of operating costs.
- B. On November 1, 2022, the Company's Board of Directors resolved to dissolve and liquidate the Company's subsidiary, GCOM Semiconductor Co., Ltd. due to the Group's overall operation plan and effective integration the Group's resources.

12. OTHERS

(1) Capital management

In order to safeguard the Group's ability to adapt to the changes in the industry and to accelerate the new product development, the Company's objective when managing capital is to maintain sufficient financial resources to support the operating capital, capital expenditures, research and development activities, repayment of debts and dividend paid to shareholders, etc.

(2) Financial instruments

A. Financial instruments by category

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
<u>Financial assets</u>			
Financial assets measured at fair value through other comprehensive income			
Designation of equity instrument	\$ 1,445	\$ -	\$ -
Financial assets at cost			
Cash and cash equivalents	824,740	1,839,765	909,407
Accounts receivable (including related parties)	247,083	158,786	188,147
Other receivables (including related parties)	3,694	19,509	90,531
Refundable deposits	2,650	2,372	2,384
Reserve account- demand deposits (Shown as "Other non-current assets")	-	-	1,754
Time deposits (over three-month period) (Shown as "Other current assets" and "Other-current assets")	34,536	30,060	29,945
	<u>\$ 1,114,148</u>	<u>\$ 2,050,492</u>	<u>\$ 1,222,168</u>
<u>Financial liabilities</u>			
Financial liabilities at amortized cost			
Short-term borrowings	\$ 20,000	\$ 20,000	\$ 20,000
Accounts payable (including related parties)	29,694	1,682	21,342
Other payables (including related parties)	136,932	96,763	110,965
Long-term borrowings (including current portion)	395,892	198,965	207,237
	<u>\$ 582,518</u>	<u>\$ 317,410</u>	<u>\$ 359,544</u>
Lease liabilities	<u>\$ 27,367</u>	<u>\$ 3,393</u>	<u>\$ 4,950</u>

B. Financial risk management policies

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

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

a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and NTD. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities.
- ii. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: USD; other certain subsidiaries' functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	September 30, 2022		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
NTD:USD	\$ 219,437	0.031	\$ 219,437
<u>Non-monetary items</u>			
NTD:USD	468,040	0.031	468,040
RMB:USD	376,187	0.141	1,679,880
	December 31, 2021		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
NTD:USD	\$ 827,761	0.036	\$ 827,761
<u>Non-monetary items</u>			
NTD:USD	213,872	0.036	213,872
RMB:USD	339,829	0.157	1,476,681

September 30, 2021

	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Non-monetary items</u>			
NTD:USD	\$ 317,952	0.036	\$ 317,952
RMB:USD	192,203	0.155	827,333

- i. The total exchange loss, including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for three-month and nine-month periods ended September 30, 2022 and 2021, amounted to \$11,042, \$30,657, \$33,156 and \$27,236, respectively.
- ii. Analysis of foreign currency market risk arising from significant foreign exchange variation:

	Nine-month period ended September 30, 2022		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
NTD:USD	1%	\$ 2,194	-
<u>Non-monetary items</u>			
NTD:USD	1%	-	4,680
RMB:USD	1%	-	16,799

	Nine-month period ended September 30, 2021		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Non-monetary items</u>			
NTD:USD	1%	-	\$ 3,180
RMB:USD	1%	-	8,273

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 September 30, 2022, December 31, 2021 and September 30, 2021, with no collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the Group's accounts receivable was \$247,083, \$158,786 and \$188,147, 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 accounts receivable:
 - a) The Group classifies customers' accounts receivable in accordance with credit risk on trade. The Group applies the simplified approach using loss rate methodology to estimate expected credit loss.

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 accounts receivable. As of September 30, 2022, December 31, 2021 and September 30, 2021, the loss rate methodology is as follows:

<u>Accounts receivable</u>	Not past due	Less than			Total
		Less than 90 days past due	180 days and more than 90 days past due	More than 180 days past due	
<u>At September 30, 2022</u>					
Expected loss rate	0%-1%	1%-15%	16%-31%	31%-100%	
Total book value	<u>\$ 222,719</u>	<u>\$ 24,364</u>	<u>\$ -</u>	<u>\$ 1,328</u>	<u>\$248,411</u>
Loss allowance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,328</u>	<u>\$ 1,328</u>

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

<u>Accounts receivable</u>	Not past due	Less than			Total
		Less than 90 days past due	180 days and more than 90 days past due	More than 180 days past due	
<u>At September 30, 2021</u>					
Expected loss rate	0%-1%	1%-15%	16%-31%	31%-100%	
Total book value	<u>\$ 163,109</u>	<u>\$ 25,029</u>	<u>\$ 9</u>	<u>\$ 1,165</u>	<u>\$189,312</u>
Loss allowance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,165</u>	<u>\$ 1,165</u>

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

	2022	
	<u>Accounts receivable</u>	
At January 1	\$	1,157
Effect of foreign exchange		171
At September 30	<u>\$</u>	<u>1,328</u>

	2021
	<u>Accounts receivable</u>
At January 1	\$ 1,681
Provision for impairment loss	877
Write-offs due to uncollectible accounts receivable	(1,311)
Effect of foreign exchange	(82)
At September 30	<u>\$ 1,165</u>

viii. The Group used the forecastability of external research report to adjust historical and timely information for a specific period to assess the default possibility of other receivables (including related parties). As of September 30, 2022, December 31, 2021 and September 30, 2021, the loss rate methodology is as follows:

	<u>Not past due</u>
<u>At September 30, 2022</u>	
Expected loss rate	0%-100%
Total book value	<u>\$ 3,694</u>
Loss allowance	<u>\$ -</u>
	<u>Not past due</u>
<u>December 31, 2021</u>	
Expected loss rate	0%-100%
Total book value	<u>\$ 19,509</u>
Loss allowance	<u>\$ -</u>
	<u>Not past due</u>
<u>At September 30, 2021</u>	
Expected loss rate	0%-100%
Total book value	<u>\$ 90,531</u>
Loss allowance	<u>\$ -</u>

c) Liquidity risk

- i. Cash flow forecasting is performed by the operating entities of the Group and aggregated by the Group's finance team. The Group's finance team monitors rolling forecasts of the Group's liquidity requirements to ensure the Group has sufficient cash to meet operational needs. Such forecasting takes into consideration the Group's debt financing plans, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management are managed for investment appropriately. The instruments chosen would be with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts.

iii. The Group has the following undrawn borrowing facilities:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Floating rate:			
Expiring within one			
year	\$ <u>69,500</u>	\$ <u>6,000</u>	\$ <u>6,000</u>

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

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

	<u>Less than 1 year</u>	<u>Over 1 year</u>
<u>Non-derivative financial liabilities:</u>		
September 30, 2022		
Short-term borrowings	\$ 20,329	\$ -
Accounts payable		
(including related parties)	29,694	-
Other payables		
(including related parties)	136,932	-
Lease liabilities	10,037	18,748
Long-term borrowings		
(including current portion)	58,500	414,737
	<u>Less than 1 year</u>	<u>Over 1 year</u>
<u>Non-derivative financial liabilities:</u>		
December 31, 2021		
Short-term borrowings	\$ 20,228	\$ -
Accounts payable	1,682	-
Other payables	96,763	-
Lease liabilities	3,463	-
Long-term borrowings		
(including current portion)	17,216	239,842

	<u>Less than 1 year</u>	<u>Over 1 year</u>
<u>Non-derivative financial liabilities:</u>		
September 30, 2021		
Short-term borrowings	\$ 20,306	\$ -
Accounts payable	21,342	-
Other payables	110,965	-
Lease liabilities	5,092	-
Long-term borrowings (including current portion)	19,837	247,609

(3) Fair value information

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

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

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

Level 3: Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value

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

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

<u>September 30, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income	\$ -	\$ -	\$ 1,445	\$ 1,445

December 31, 2021 and September 30, 2021: None.

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

	2022
	<u>Equity instrument</u>
At January 1	\$ -
Acquired in the period	1,352
Effect of exchange rate changes	<u>93</u>
At September 30	<u>\$ 1,445</u>

Nine-month period ended September 30, 2021: None.

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

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

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

	Fair value at September 30, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instruments					
Unlisted Company Shares	\$ 1,445	Last transaction price	Not applicable	Not applicable	Not applicable

December 31 and September 30, 2021: None.

(4) Others

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

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

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

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

- (c) Holding of marketable securities at the end of the year (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- (d) Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 4.
- (e) Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- (f) Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- (g) Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.
- (h) Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- (i) Derivative financial instruments: None.
- (j) Significant inter-company transactions: Please refer to table 9.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in mainland China): Please refer to table 10.

(3) Information on investments in mainland China

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

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

(4) Major shareholders information

Major shareholders information: Please refer to table 12.

14. SEGMENT INFORMATION

(1) General information

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

(2) Segment information

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

	Nine-month periods ended September 30,	
	2022	2021
Revenue from external customers	\$ 979,343	\$ 927,238
Inter-segment revenue	-	-
Total segment revenue	<u>\$ 979,343</u>	<u>\$ 927,238</u>
Segment loss (Note)	<u>(\$ 556,062)</u>	<u>(\$ 226,459)</u>
Note: Exclusive of income tax.		
	September 30, 2022	September 30, 2021
Segment assets	<u>\$ 4,799,684</u>	<u>\$ 3,699,991</u>
Segment liabilities	<u>\$ 700,564</u>	<u>\$ 453,372</u>

(3) Reconciliation for segment income (loss)

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

GCS HOLDINGS, INC. AND SUBSIDIARIES

Loans to others

Nine-month period ended September 30, 2022

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the nine-month period ended September 30, 2022 (Note 3)	Balance at September 30, 2022	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	Item	Value			
1	Global Communication Semiconductors, LLC	D-Tech Optoelectronics, Inc.	Other receivable - related parties	Yes	\$ 63,500	\$ 63,500	\$ 25,400	2%	2	\$ -	Operation	\$ -	None	\$ -	\$ -	\$ 441,771	\$ 441,771	-
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	-	-	441,771	441,771	-
1	Global Communication Semiconductors, LLC	GCS Holdings, Inc.	Other receivable - related parties	Yes	317,500	317,500	-	Settled by contract	2	-	Operation	-	None	-	-	441,771	441,771	-

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. The total amount of lending provided by the Company to any individual entities are limited to forty percent (40%) of the Company's net worth and the term of each loan shall not exceed one year.

GCS HOLDINGS, INC. AND SUBSIDIARIES
Provision of endorsements and guarantees to others
Nine-month period ended September 30, 2022

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount for the nine-month period ended September 30, 2022	Outstanding endorsement/ guarantee amount at September 30, 2022	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in mainland China	Footnote
		Relationship with the endorser/ guarantor (Note 2)	Company name (Note 2)											
0	GCS Holdings, Inc.	GCS Device Technologies, Co., Ltd.	2	\$ 1,639,648	\$ 31,750	\$ 31,750	\$ 20,000	\$ 31,750	0.77%	\$ 1,639,648	Y	N	N	-

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1)The Company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories; fill in the number of category each case belongs to:

(1)Having with which it does business.

(2)The endorser/guarantor parent company owns directly or indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3)The endorser/guarantor parent company owns directly or indirectly more than 50% voting shares of the endorsed/guaranteed company.

(4)The endorsed/guaranteed parent company owns directly or indirectly more than jointly 90% voting shares of the endorser/guarantor company.

(5)Mutual guarantee of the trade or co-contractor as required by the construction contract.

(6)Due to joint venture, mutual shareholder provides endorsements/guarantees to the endorsed/guaranteed company in ratio to its ownership.

(7)Companies in the same industry provide among themselves joint and several security for a performance guarantee of sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: According to the Company's "Procedures for Endorsement and Guarantee", the total amount of endorsement/guarantee provided by the Company is limited to forty percent (40%) of the Company's net worth, and the total amount of the guarantee provided by the Company to any individual entity is limited to ten percent (10%) of the Company's net worth. The total amount of the guarantee provided by the Company to any subsidiary whose voting shares are 100% owned, directly or indirectly, by the Company shall not exceed forty percent (40%) of the Company's net worth.

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

GCS HOLDINGS, INC.

Holding of marketable securities at the end of the period

September 30, 2022

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of September 30, 2022				Footnote (Note 4)
				Number of shares	Book value (Note 3)	Ownership (%)	Fair value	
Global Communication Semiconductors, LLC	ElectroPhotonic-IC Inc.	None.	Financial assets at fair value through other comprehensive income	41,617	\$ 1,445	0.18%	\$ 1,445	None

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

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

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

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

GCS HOLDINGS, INC. AND SUBSIDIARIES

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital
 Nine-month period ended September 30, 2022

Table 4

Expressed in thousands of NTD
 (Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2022		Addition (Note 3)		Disposal (Note 3)			Balance as at September 30, 2022 (Note 5)			
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount	
GCS Holdings, Inc.	Unikorn Semiconductor Corporation	Investment accounted for using equity method	Unikorn Semiconductor Corporation	Related party	96,400,000	\$ 213,872	30,000,000	\$ 600,000	-	\$ -	\$ -	\$ -	-	126,400,000	\$ 468,040
GCS Holdings, Inc.	Changzhou Chemsemi Co., Ltd.	Investment accounted for using equity method	Changzhou Chemsemi Co., Ltd.	Related party	Note 4	1,357,673	Note 4	443,899	-	-	-	-	-	Note 4	1,561,009

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

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

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

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

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

GCS HOLDINGS, INC. AND SUBSIDIARIES
Significant inter-company transactions during the reporting period
Nine-month period ended September 30, 2022

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction		Percentage of consolidated total operating revenues or total assets (Note 3)	
				General ledger account	Amount		
1	D-Tech Optoelectronics (Taiwan) Corporation	Global Communication Semiconductors, LLC	3	Service revenue	\$ 21,238	Conducted in the ordinary course of business with terms similar to those with third parties	2.17%
1	D-Tech Optoelectronics (Taiwan) Corporation	Global Communication Semiconductors, LLC	3	Accounts receivable - related party	1,918	Conducted in the ordinary course of business with terms similar to those with third parties	0.04%
1	D-Tech Optoelectronics (Taiwan) Corporation	Global Communication Semiconductors, LLC	3	Other receivable-related party	4,751	Conducted in the ordinary course of business with terms similar to those with third parties	0.10%
2	D-Tech Optoelectronics, Inc.	Global Communication Semiconductors, LLC	3	Accounts receivable - related party	1,826	Conducted in the ordinary course of business with terms similar to those with third parties	0.04%
2	D-Tech Optoelectronics, Inc.	Global Communication Semiconductors, LLC	3	Service revenue	7,481	Conducted in the ordinary course of business with terms similar to those with third parties	0.76%
2	D-Tech Optoelectronics, Inc.	Global Communication Semiconductors, LLC	3	Other payables - related party	25,589	Loans to other	0.53%
3	GCS Device Technologies, Co., Ltd.	Global Communication Semiconductors, LLC	3	Service revenue	7,210	Conducted in the ordinary course of business with terms similar to those with third parties	0.74%
3	GCS Device Technologies, Co., Ltd.	Global Communication Semiconductors, LLC	3	Accounts receivable - related party	2,095	Conducted in the ordinary course of business with terms similar to those with third parties	0.04%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1)Parent company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(1)Parent company to subsidiary.

(2)Subsidiary to parent company.

(3)Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: Disclosure over 1 million transaction details in this table.

GCS HOLDINGS, INC. AND SUBSIDIARIES
Information on investees (not including investees in mainland China)
Nine-month period ended September 30, 2022

Table 10

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee (Note 1、2)	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2022			Net profit (loss) of the investee for the nine- month period ended September 30, 2022 (Note 2(2))	Investment income (loss) recognized by the Company for the nine-month period ended September 30, 2022 (Note 2(3))	Footnote
				Balance as at September 30, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value			
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%	\$ 1,104,428	(\$ 21,536)	(\$ 21,536)	Subsidiary
GCS Holdings, Inc.	GCS Device Technologies, Co., Ltd.	Taiwan	Product design and research development services	12,000	12,000	-	100%	31,165	5,717	5,717	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%	49,541	(57)	(57)	Subsidiary
GCS Holdings, Inc.	Unikorn Semiconductor Corporation	Taiwan	Specialized OEM of III-V compound semiconductors	1,564,000	964,000	126,400,000	46.40%	468,040	(711,108)	(327,782)	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%	192,753	(48,064)	(48,064)	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%	48,940	(6,500)	(6,500)	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 September 30, 2022' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.
- (2)The 'Net profit (loss) of the investee for the nine-month period ended September 30, 2022' column should fill in amount of net profit (loss) of the investee for this period.
- (3)The 'Investment income (loss) recognized by the Company for the nine-month period ended September 30, 2022' column should fill in the Company (public company) recognized investment income (loss) of its direct subsidiary and recognized investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognized investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognized by regulations.

GCS HOLDINGS, INC.AND SUBSIDIARIES

Information on investments in mainland China

Nine-month period ended September 30, 2022

Table 11

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to mainland China as of September 30, 2022	Amount remitted from Taiwan to mainland China/ Amount remitted back to Taiwan for the nine-month period ended September 30, 2022		Accumulated amount of remittance from Taiwan to mainland China as of September 30, 2022	Net income of investee for the nine-month period ended September 30, 2022	Ownership held by the Company (direct or indirect)	Investment loss recognized by the Company for the nine- month period ended September 30, 2022(Note 5)	Book value of investments in mainland China as of September 30, 2022	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2022	Footnote
					Remitted to mainland China	Remitted back to Taiwan							
Changzhou Chemsemi Co., Ltd.	Manufacturing and selling of semiconductor discrete devices, integrated circuit chips and related products; Designing and services of integrated circuit chips; Manufacturing and selling of optoelectronic device.	\$ 7,957,003	2	\$ -	\$ -	\$ -	\$ -	(\$ 583,279)	21.87%	(\$ 125,852)	\$ 1,561,009	\$ -	Note 2(2)C、 Note 4
Shanghai Galasemi Co., Ltd.	Technical services and development services in the field of optoelectronic technology, and selling of semiconductor discrete devices	294,516	2	-	-	-	-	(8,913)	48%	(3,814)	118,871	-	Note 2(2)C、 Note 4
Company name	Accumulated amount of remittance from Taiwan to mainland China as of September 30, 2022	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in mainland China imposed by the Investment Commission of MOEA										
Changzhou Chemsemi Co., Ltd.	\$ -	\$ -	\$ -										
Shanghai Galasemi Co., Ltd.	-	-	-										

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

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

Note 2: In the 'Investment income (loss) recognized by the Company for the nine-month period September 30, 2022' column:

- (1) It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.
- (2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:
 - A. The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
 - B. The financial statements that are audited and attested by R.O.C. parent company's CPA.
 - C. The financial statements prepared by the investee.

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

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

Note 5: The investment loss recognized by the Company for the nine-month period ended September 30, 2022 was included the adjustment of unrealized investing gain and losses.

GCS HOLDINGS, INC. AND SUBSIDIARIES

Major shareholders information

September 30, 2022

Table 12

Name of major shareholders	Shares	
	Number of shares	Ownership (%)
ENNOSTAR INC.	9,028,000	8.14%
Harvestar Investment Corp.	9,013,000	8.13%
Calystar Investment Corp.	6,500,000	5.86%

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

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

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

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

(5)The total number of shares that have been delivered without physical registration (including treasury stocks) are 110,842,067 = 110,842,067 (common shares) + 0 (preferred shares).