

GCS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
SEPTEMBER 30, 2023 AND 2022

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' REVIEW REPORT TRANSLATED FROM CHINESE

To GCS Holdings, Inc.

Introduction

We have reviewed the accompanying consolidated balance sheets of GCS Holdings, Inc. and subsidiaries (the "Group") as of September 30, 2023 and 2022, 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 the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" that came into effect 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 section, we conducted our reviews in accordance with the Standard on Review Engagements 2410 "Review of Financial Information Performed By The Independent Auditor Of The Entity" of the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As explained in Note 6(5), the financial statements of investments accounted for using the equity method were not reviewed by independent auditors. The balance of investments accounted for using the equity method amounted to NT\$ 2,079,371 thousand and NT\$ 2,147,920 thousand, respectively, constituting 52% and 45% of the consolidated total assets as of September 30, 2023 and 2022; and the share of comprehensive loss of associates and joint ventures accounted for using equity method amounted to

NT\$187,621 thousand, NT\$292,213 thousand, NT\$618,062 thousand and NT\$681,771 thousand, respectively, constituting 131%, 359%, 85% and 325% 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, 2023 and 2022, 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” that came into effect as endorsed by the Financial Supervisory Commission.

Bai, Shu-Chien

Cheng, Ya-Huei

For and on behalf of PricewaterhouseCoopers, Taiwan
October 31, 2023

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’ review 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, 2023, DECEMBER 31, 2022 AND SEPTEMBER 30, 2022
 (EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
 (THE BALANCE SHEETS OF SEPTEMBER 30, 2022 AND 2021 ARE REVIEWED, NOT AUDITED)

Assets	Notes	September 30, 2023		December 31, 2022		September 30, 2022		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 231,216	6	\$ 442,196	10	\$ 824,740	17
1170	Accounts receivable, net	6(2)	216,692	5	199,516	4	237,183	5
1180	Accounts receivable - related party	6(2) and 7	2,439	-	2,958	-	9,900	-
1200	Other receivables		5,157	-	3,843	-	2,646	-
1210	Other receivables - related parties	7	-	-	5,984	-	1,048	-
1220	Current income tax assets		36,332	1	34,480	1	35,634	1
130X	Inventories	6(3)	312,583	8	338,168	7	389,776	8
1410	Prepayments		35,344	1	33,561	1	36,516	1
1470	Other current assets	8	70,418	2	33,314	1	34,436	1
11XX	Total current Assets		<u>910,181</u>	<u>23</u>	<u>1,094,020</u>	<u>24</u>	<u>1,571,879</u>	<u>33</u>
Non-current assets								
1517	Non-current financial assets at fair value through other comprehensive income	6(4)	1,468	-	1,397	-	1,445	-
1550	Investments accounted for using equity method	6(5) and 8	2,079,371	52	2,446,614	54	2,147,920	45
1600	Property, plant and equipment	6(6) and 8	798,839	20	695,667	15	729,654	15
1755	Right-of-use assets	6(7)	18,465	1	24,448	1	28,017	-
1780	Intangible assets	6(8)	55,871	1	56,678	1	104,873	2
1840	Deferred income tax assets		134,347	3	127,852	3	128,961	3
1990	Other non-current assets	6(10) and 8	17,495	-	70,238	2	86,935	2
15XX	Total non-current assets		<u>3,105,856</u>	<u>77</u>	<u>3,422,894</u>	<u>76</u>	<u>3,227,805</u>	<u>67</u>
1XXX	Total assets		<u>\$ 4,016,037</u>	<u>100</u>	<u>\$ 4,516,914</u>	<u>100</u>	<u>\$ 4,799,684</u>	<u>100</u>

(Continued)

GCS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2023, DECEMBER 31, 2022 AND SEPTEMBER 30, 2022
 (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, 2023		December 31, 2022		September 30, 2022	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities								
2100	Short-term borrowings	6(11)	\$ 20,000	1	\$ 20,000	1	\$ 20,000	1
2130	Current contract liabilities	6(20)	9,362	-	12,516	-	18,417	-
2170	Accounts payable		37,224	1	7,810	-	29,523	1
2180	Accounts payable - related party	7	174	-	-	-	171	-
2200	Other payables	6(12)	363,535	9	301,021	7	121,642	3
2220	Other payables - related parties	7	5,829	-	2,705	-	15,290	-
2230	Current income tax liabilities		-	-	220	-	154	-
2280	Current lease liabilities		9,116	-	8,273	-	9,225	-
2320	Long-term borrowings, current portion	6(13)	46,690	1	43,277	1	44,278	1
2399	Other current liabilities		1,114	-	9,758	-	4,250	-
21XX	Total current liabilities		<u>493,044</u>	<u>12</u>	<u>405,580</u>	<u>9</u>	<u>262,950</u>	<u>6</u>
Non-current liabilities								
2540	Long-term borrowings	6(13)	310,877	8	329,110	7	351,614	7
2570	Deferred income tax liabilities		68,865	2	65,537	2	67,858	2
2580	Non-current lease liabilities		9,271	-	15,965	-	18,142	-
25XX	Total non-current liabilities		<u>389,013</u>	<u>10</u>	<u>410,612</u>	<u>9</u>	<u>437,614</u>	<u>9</u>
2XXX	Total liabilities		<u>882,057</u>	<u>22</u>	<u>816,192</u>	<u>18</u>	<u>700,564</u>	<u>15</u>
Equity								
Share capital		6(16)						
3110	Common stock		1,112,832	28	1,108,251	24	1,108,421	23
Capital surplus		6(17)						
3200	Capital surplus		2,754,633	69	2,825,143	63	2,747,840	57
Retained earnings		6(18)						
3320	Special reserve		6,821	-	6,821	-	6,821	-
3350	Unappropriated retained earnings (Accumulated deficit)		(788,712)	(20)	(229,734)	(5)	162,119	3
Other equity interest		6(19)						
3400	Other equity interest		48,406	1	(9,759)	-	73,919	2
3XXX	Total equity		<u>3,133,980</u>	<u>78</u>	<u>3,700,722</u>	<u>82</u>	<u>4,099,120</u>	<u>85</u>
Significant contingent liabilities and unrecognized contract commitments		9						
Significant events after the reporting period		11						
3X2X	Total liabilities and equity		<u>\$ 4,016,037</u>	<u>100</u>	<u>\$ 4,516,914</u>	<u>100</u>	<u>\$ 4,799,684</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 MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR LOSS PER SHARE)
(REVIEWED, NOT AUDITED)

Items	Notes	Three months ended September 30				Nine months ended September 30				
		2023		2022		2023		2022		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(20) and 7	\$ 357,878	100	\$ 342,099	100	\$ 950,590	100	\$ 979,343	100
5000	Cost of operating revenue	6(3)(23)(24) and 7	(301,542)	(84)	(263,548)	(77)	(811,921)	(85)	(712,068)	(73)
5900	Net operating margin		<u>56,336</u>	<u>16</u>	<u>78,551</u>	<u>23</u>	<u>138,669</u>	<u>15</u>	<u>267,275</u>	<u>27</u>
	Operating expenses	6(23)(24)								
6100	Selling and marketing expenses		(9,583)	(3)	(9,260)	(3)	(31,033)	(3)	(27,024)	(3)
6200	General and administrative expenses		(47,406)	(13)	(65,547)	(19)	(156,185)	(17)	(176,983)	(18)
6300	Research and development expenses		(55,352)	(16)	(40,866)	(12)	(192,264)	(20)	(124,068)	(12)
6450	Net impairment loss on financial assets	12(2)	(3,222)	(1)	-	-	(932)	-	-	-
6000	Total operating expenses		(115,563)	(33)	(115,673)	(34)	(380,414)	(40)	(328,075)	(33)
6900	Operating loss		(59,227)	(17)	(37,122)	(11)	(241,745)	(25)	(60,800)	(6)
	Non-operating income and expenses									
7100	Interest income		313	-	1,087	-	2,319	-	2,374	-
7010	Other income		-	-	146	-	22	-	5,705	1
7020	Other gains and losses	6(21)	(3,833)	(1)	(14,688)	(4)	(9,337)	(1)	(37,751)	(4)
7050	Finance costs	6(22)	(4,710)	(1)	(3,875)	(1)	(13,139)	(1)	(8,142)	(1)
7060	Share of net loss of associates and joint ventures accounted for using equity method	6(5)	(161,827)	(45)	(172,956)	(51)	(526,832)	(56)	(457,448)	(47)
7000	Total non-operating income and expenses		(170,057)	(47)	(190,286)	(56)	(546,967)	(58)	(495,262)	(51)
7900	Loss before income tax		(229,284)	(64)	(227,408)	(67)	(788,712)	(83)	(556,062)	(57)
7950	Income tax benefit	6(25)	41	-	3,333	1	-	-	8,861	1
8200	Net loss for the period		<u>(\$ 229,243)</u>	<u>(64)</u>	<u>(\$ 224,075)</u>	<u>(66)</u>	<u>(\$ 788,712)</u>	<u>(83)</u>	<u>(\$ 547,201)</u>	<u>(56)</u>
	Other comprehensive income (loss)									
	Other comprehensive income components that will not be reclassified to profit or loss									
8361	Financial statements translation differences of foreign operations	6(19)	\$ 114,116	32	\$ 270,416	79	\$ 156,792	17	\$ 579,497	59
	Components of other comprehensive loss that will be reclassified to profit or loss									
8370	Share of other comprehensive loss of subsidiaries, associates and joint ventures accounted for using the equity method-financial statements translation differences of foreign operations	6(19)	(28,420)	(8)	(127,740)	(37)	(94,886)	(10)	(242,001)	(24)
8300	Total other comprehensive income, net		<u>\$ 85,696</u>	<u>24</u>	<u>\$ 142,676</u>	<u>42</u>	<u>\$ 61,906</u>	<u>7</u>	<u>\$ 337,496</u>	<u>35</u>
8500	Total comprehensive loss for the period		<u>(\$ 143,547)</u>	<u>(40)</u>	<u>(\$ 81,399)</u>	<u>(24)</u>	<u>(\$ 726,806)</u>	<u>(76)</u>	<u>(\$ 209,705)</u>	<u>(21)</u>
	Total net loss attributable to:									
8610	Owners of the parent		<u>(\$ 229,243)</u>	<u>(64)</u>	<u>(\$ 224,075)</u>	<u>(66)</u>	<u>(\$ 788,712)</u>	<u>(83)</u>	<u>(\$ 547,201)</u>	<u>(56)</u>
	Total comprehensive loss attributable to:									
8710	Owners of the parent		<u>(\$ 143,547)</u>	<u>(40)</u>	<u>(\$ 81,399)</u>	<u>(24)</u>	<u>(\$ 726,806)</u>	<u>(76)</u>	<u>(\$ 209,705)</u>	<u>(21)</u>
	Losses per share	6(26)								
9750	Basic losses per share (in dollars)		<u>(\$ 2.07)</u>		<u>(\$ 2.03)</u>		<u>(\$ 7.15)</u>		<u>(\$ 4.97)</u>	
9850	Diluted losses per share (in dollars)		<u>(\$ 2.07)</u>		<u>(\$ 2.03)</u>		<u>(\$ 7.15)</u>		<u>(\$ 4.97)</u>	

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

GCS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(REVIEWED, 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, 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>
<u>Nine-month period ended September 30, 2023</u>									
Balance at January 1, 2023		<u>\$ 1,108,251</u>	<u>\$ 2,825,143</u>	<u>\$ 6,821</u>	(\$ 229,734)	(\$ 2,438)	(\$ 7,321)	\$ -	\$ 3,700,722
Consolidated net loss for the period		-	-	-	(788,712)	-	-	-	(788,712)
Other comprehensive income for the period	6(19)	-	-	-	-	61,906	-	-	61,906
Total comprehensive (loss) income for the period		-	-	-	(788,712)	61,906	-	-	(726,806)
Capital surplus used to compensate accumulated deficit	6(18)	-	(229,734)	-	229,734	-	-	-	-
Compensation costs of share-based payment	6(15)(17)(19)	-	4,371	-	-	-	13,692	-	18,063
Issuance of restricted stocks to employees	6(15)(16)(17)(19)	4,830	13,847	-	-	-	(18,677)	-	-
Retirement of restricted stocks to employees	6(15)(16)(17)(19)	(275)	(969)	-	-	-	1,244	-	-
Exercise of employee stock options	6(15)(16)(17)	26	3	-	-	-	-	-	29
Retirement of employee stock options	6(15)(17)	-	(2,535)	-	-	-	-	-	(2,535)
Recognized changes in equity of associates	6(17)	-	144,507	-	-	-	-	-	144,507
Balance at September 30, 2023		<u>\$ 1,112,832</u>	<u>\$ 2,754,633</u>	<u>\$ 6,821</u>	<u>(\$ 788,712)</u>	<u>\$ 59,468</u>	<u>(\$ 11,062)</u>	<u>\$ -</u>	<u>\$ 3,133,980</u>

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

GCS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(REVIEWED, NOT AUDITED)

	Notes	Nine months ended September 30	
		2023	2022
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Loss before tax		(\$ 788,712)	(\$ 556,062)
Adjustments			
Adjustments to reconcile profit (loss)			
Net impairment loss on financial assets	12(2)	932	-
Depreciation	6(6)(7)(23)	101,571	90,540
Amortization	6(8)(23)	5,399	5,169
Interest expense	6(22)	13,139	8,142
Interest income		(2,319)	(2,374)
Compensation cost of share-based payment	6(15)	15,528	22,949
Gain on disposal of property, plant and equipment	6(21)	-	(4,988)
Payroll protection loan exempt income	6(13)	-	(5,408)
Share of net loss of associate and joint ventures accounted for using equity method	6(5)	526,832	457,448
(Gain) loss on disposal of investments	6(5)(21)	(2,413)	302
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		(7,680)	(55,181)
Accounts receivable- related party		641	(9,130)
Other receivables		(938)	(902)
Other receivables- related parties		302	23
Inventories		40,988	(62,999)
Prepayments		(308)	(2,031)
Changes in operating liabilities			
Contract liabilities		(3,632)	(6,026)
Accounts payable		27,813	25,448
Accounts payable- related parties		167	158
Other payables		(6,996)	26,596
Other payables- related parties		2,863	14,101
Other current liabilities		(8,759)	2,923
Cash outflow generated from operations		(85,582)	(51,302)
Interest received		2,319	4,539
Interest paid		(13,139)	(8,142)
Income tax paid		(296)	(381)
Net cash flows used in operating activities		(96,698)	(55,286)

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GCS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(REVIEWED, NOT AUDITED)

	Notes	Nine months ended September 30	
		2023	2022
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of investments accounted for using the equity method	6(5)(27) and 7	\$ -	(\$ 1,043,899)
Acquisition of property, plant and equipment	6(27)	(52,216)	(226,094)
Proceeds from disposal of property, plant and equipment	6(27)	5,652	50,714
Acquisition of intangible assets	6(8)	(1,865)	(2,063)
Decrease in refundable deposits		200	-
Increase in other current assets		(35,482)	(89)
Decrease in other non-current assets		300	13
Proceeds from disposal of a subsidiary	6(27)	(49,519)	-
Proceeds from liquidation of a subsidiary	6(27)	49,519	-
Net cash flows used in investing activities		(83,411)	(1,221,418)
<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
Repayments of long-term borrowings	6(28)	(32,336)	(15,540)
Repayments of lease liabilities	6(28)	(6,788)	(5,349)
Proceeds from exercise of employee stock options		29	1,567
Net cash flows (used in) from financing activities		(39,095)	156,358
Effect of changes in exchange rates		8,224	105,321
Net decrease in cash and cash equivalents		(210,980)	(1,015,025)
Cash and cash equivalents at beginning of period	6(1)	442,196	1,839,765
Cash and cash equivalents at end of period	6(1)	\$ 231,216	\$ 824,740

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, 2023 AND 2022
(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 authorized for issuance by the Board of Directors on October 31, 2023.

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”) that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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
Amendments to IAS 12, ‘International tax reform - pillar two model rules’	May 23, 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.

(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 and will become effective from 2024 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024
Amendments to IAS 7 and IFRS 7, 'Supplier finance arrangements'	January 1, 2024

Except for the following, 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:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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 International Accounting Standards Board
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 21, 'Lack of exchangeability'	January 1, 2025

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 statement for the year ended December 31, 2022 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 International Accounting Standard 34, 'Interim financial reporting' that came into effect 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, 2022.

(2) Basis of preparation

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

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
 - (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities 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, 2023	December 31, 2022	September 30, 2022	
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	(Note)
Global Communication Semiconductors, LLC	D-Tech Optoelectronics, Inc.	Developing, manufacturing and selling of photodiodes and avalanche photodiodes for telecommunication systems and data communication networks	100	100	100	-
D-Tech Optoelectronics, Inc.	D-Tech Optoelectronics (Taiwan) Corporation	Manufacturing, retailing and wholesaling of telecommunications devices, and manufacturing and wholesaling of electronic components	100	100	100	-

Note: On November 1, 2022, the Company's Board of Directors resolved to dissolve and liquidate the subsidiary, GCOM Semiconductor Co., Ltd. The Company also obtained the final letter of liquidation issued by the court on May 31, 2023, and collected the remaining investment amount of \$49,519 on June 15, 2023.

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, 2023, the carrying amount of inventories was \$312,583.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Cash on hand	\$ 114	\$ 114	\$ 121
Checking accounts and demand deposits	224,325	413,762	798,919
Time deposits	<u>6,777</u>	<u>28,320</u>	<u>25,700</u>
	<u>\$ 231,216</u>	<u>\$ 442,196</u>	<u>\$ 824,740</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, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Accounts receivable	\$ 248,262	\$ 228,635	\$ 238,511
Accounts receivable-related party	2,439	2,958	9,900
Less: Loss allowance	(31,570)	(29,119)	(1,328)
	<u>\$ 219,131</u>	<u>\$ 202,474</u>	<u>\$ 247,083</u>

A. As of September 30, 2023, December 31, 2022 and September 30, 2022, accounts receivable were all from contracts with customers. And as of January 1, 2022, the balance of receivables from contracts with customers was \$158,786.

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

(3) Inventories

	<u>September 30, 2023</u>		
	<u>Cost</u>	<u>Allowance</u>	<u>Book value</u>
Raw materials	\$ 155,141	(\$ 24,136)	\$ 131,005
Work in progress	242,601	(89,030)	153,571
Finished goods	46,257	(18,250)	28,007
	<u>\$ 443,999</u>	<u>(\$ 131,416)</u>	<u>\$ 312,583</u>
	<u>December 31, 2022</u>		
	<u>Cost</u>	<u>Allowance</u>	<u>Book value</u>
Raw materials	\$ 141,531	(\$ 21,590)	\$ 119,941
Work in progress	246,890	(54,654)	192,236
Finished goods	40,127	(14,136)	25,991
	<u>\$ 428,548</u>	<u>(\$ 90,380)</u>	<u>\$ 338,168</u>
	<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>

Expenses and costs incurred as cost of operating revenue for the three-month and nine-month periods ended September 30, 2023 and 2022 were as follows:

	<u>Three-month periods ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Cost of goods sold	\$ 302,112	\$ 269,955
Loss on decline in market price	5,432	1,634
Revenue from sale of scraps	(6,002)	(8,041)
	<u>\$ 301,542</u>	<u>\$ 263,548</u>

	<u>Nine-month periods ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Cost of goods sold	\$ 801,371	\$ 759,268
Loss (gain) on (reversal of) decline in market price	30,664	(20,587)
Revenue from sale of scraps	(20,114)	(26,613)
	<u>\$ 811,921</u>	<u>\$ 712,068</u>

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

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

<u>Items</u>	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Non-current items:			
Equity instruments			
Unlisted, OTC, Emerging stocks	\$ 1,468	\$ 1,397	\$ 1,445
Valuation adjustment	-	-	-
	<u>\$ 1,468</u>	<u>\$ 1,397</u>	<u>\$ 1,445</u>

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 \$1,468, \$1,397 and \$1,445 as of September 30, 2023, December 31, 2022 and September 30, 2022, respectively.

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>2023</u>	<u>2022</u>
At January 1	\$ 2,446,614	\$ 1,690,553
Addition of investments accounted for using the equity method	-	1,043,899
Share of net loss of investments accounted for using the equity method	(526,832)	(457,448)
Changes in capital surplus	144,507	(214,931)
Gain (loss) on disposal of investments transferred from other comprehensive income due to not recognized by shareholding percentage	2,413	(302)
Net exchange difference	<u>12,669</u>	<u>86,149</u>
At September 30	<u>\$ 2,079,371</u>	<u>\$ 2,147,920</u>

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Associate:			
Unikorn Semiconductor Corporation (“Unikorn”)	\$ 554,227	\$ 662,368	\$ 468,040
Joint ventures:			
Changzhou Chemsemi Co., Ltd. (“Chemsemi”)	1,389,412	1,663,486	1,561,009
Shanghai Galasemi Co., Ltd. (“Shanghai Galasemi”)	<u>135,732</u>	<u>120,760</u>	<u>118,871</u>
	<u>\$ 2,079,371</u>	<u>\$ 2,446,614</u>	<u>\$ 2,147,920</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, 2023	December 31, 2022	September 30, 2022		
Unikorn	Taiwan	39.07%	42.06%	46.40%	Associate	Equity method
Chemsemi	China	24.21%	24.21%	21.87%	Joint venture	Equity method
Shanghai 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, 2023	December 31, 2022	September 30, 2022
Current assets	\$ 813,058	\$ 1,581,958	\$ 887,018
Non-current assets	1,375,052	1,320,778	1,389,092
Current liabilities	(1,086,389)	(1,283,976)	(1,160,909)
Non-current liabilities	(219,090)	(506,162)	(538,923)
Total net assets	<u>\$ 882,631</u>	<u>\$ 1,112,598</u>	<u>\$ 576,278</u>

	Chemsemi		
	September 30, 2023	December 31, 2022	September 30, 2022
Current assets	\$ 1,596,410	\$ 3,107,926	\$ 3,380,018
Non-current assets	8,803,295	6,837,171	5,483,661
Current liabilities	(1,180,845)	(1,076,537)	(439,665)
Non-current liabilities	(3,479,859)	(1,997,491)	(1,289,773)
Total net assets	<u>\$ 5,739,001</u>	<u>\$ 6,871,069</u>	<u>\$ 7,134,241</u>

	Shanghai Galasemi		
	September 30, 2023	December 31, 2022	September 30, 2022
Current assets	\$ 235,345	\$ 219,531	\$ 172,693
Non-current assets	161,990	165,534	122,813
Current liabilities	(34,875)	(49,647)	(26,809)
Non-current liabilities	(59,596)	(61,773)	-
Total net assets	<u>\$ 302,864</u>	<u>\$ 273,645</u>	<u>\$ 268,697</u>

Statement of comprehensive income

	Unikorn	
	Three-month periods ended September 30,	
	2023	2022
Net loss	(\$ 179,064)	(\$ 267,580)
Total comprehensive loss	<u>(\$ 179,064)</u>	<u>(\$ 267,580)</u>

	Unikorn	
	Nine-month periods ended September 30,	
	2023	2022
Net loss	(\$ 649,614)	(\$ 711,108)
Total comprehensive loss	<u>(\$ 649,639)</u>	<u>(\$ 711,232)</u>

	Chemsemi	
	Three-month periods ended September 30,	
	2023	2022
Net loss/ total comprehensive loss	(\$ 462,454)	(\$ 241,973)

	Chemsemi	
	Nine-month periods ended September 30,	
	2023	2022
Net loss/ total comprehensive loss	(\$ 1,141,499)	(\$ 583,279)

	Shanghai Galasemi	
	Three-month periods ended September 30,	
	2023	2022
Net income/ total comprehensive income	\$ 43,579	\$ 6,145

	Shanghai Galasemi	
	Nine-month periods ended September 30,	
	2023	2022
Net income (loss)/ total comprehensive income (loss)	\$ 26,678	(\$ 8,913)

- D. In March and December 2022, the Group participated in Unikorn's increase of common stocks for cash amounting to \$600,000 thousand (USD 21,375 thousand) and \$100,000 thousand (USD 3,256 thousand), respectively. Through the completion of participation in Unikorn's issuance of common stocks, the Group holds 42.06% of Unikorn's common stocks issued. Additionally, the Group did not participate in Unikorn's 2023 increase of common stocks for cash in June 2023, resulting in a change in the shareholding ratio of Unikorn by the Group from 42.06% to 39.07%.
- E. In February and October 2022, the Group participated in Chemsemi's increase of common stocks for cash amounting to USD 15,837 thousand (\$443,899 thousand) and USD 7,885 thousand (\$251,191 thousand). In addition, the Group acquired the equity of Chemsemi from other shareholder at RMB 43,356 thousand (\$191,137 thousand) in November 2022, and gave part of the shares of Chemsemi held by the Group to other shareholder as guarantee for the payment of the transfer of equity. As of September 30, 2023 and December 31, 2022, the Group has not yet paid the transfer of equity of \$209,118 and \$191,137 (recognized as "Other payables"), respectively.
- F. Please refer to Note 8 for information on guarantees provided by investments accounted for using the equity method.

(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, 2023									
Cost	\$ 141,420	\$ 94,280	\$ 1,346,758	\$ 9,283	\$ 160,802	\$ 9,552	\$ 306,573	\$ 87,304	\$ 2,155,972
Accumulated depreciation and impairment	-	(19,978)	(1,071,889)	(8,340)	(85,412)	(9,249)	(265,437)	-	(1,460,305)
	<u>\$ 141,420</u>	<u>\$ 74,302</u>	<u>\$ 274,869</u>	<u>\$ 943</u>	<u>\$ 75,390</u>	<u>\$ 303</u>	<u>\$ 41,136</u>	<u>\$ 87,304</u>	<u>\$ 695,667</u>
<u>2023</u>									
Opening net book amount	\$ 141,420	\$ 74,302	\$ 274,869	\$ 943	\$ 75,390	\$ 303	\$ 41,136	\$ 87,304	\$ 695,667
Additions	-	-	28,695	-	-	-	-	130,966	159,661
Transfers	-	-	86,535	-	444	-	-	(86,979)	-
Depreciation charges	-	(2,035)	(71,787)	(298)	(13,017)	(142)	(7,367)	-	(94,646)
Net exchange differences	7,183	3,686	15,845	35	3,287	10	1,770	6,341	38,157
Closing net book amount	<u>\$ 148,603</u>	<u>\$ 75,953</u>	<u>\$ 334,157</u>	<u>\$ 680</u>	<u>\$ 66,104</u>	<u>\$ 171</u>	<u>\$ 35,539</u>	<u>\$ 137,632</u>	<u>\$ 798,839</u>
At September 30, 2023									
Cost	\$ 148,603	\$ 99,069	\$ 1,535,337	\$ 9,708	\$ 169,248	\$ 10,022	\$ 322,118	\$ 137,632	\$ 2,431,737
Accumulated depreciation and impairment	-	(23,116)	(1,201,180)	(9,028)	(103,144)	(9,851)	(286,579)	-	(1,632,898)
	<u>\$ 148,603</u>	<u>\$ 75,953</u>	<u>\$ 334,157</u>	<u>\$ 680</u>	<u>\$ 66,104</u>	<u>\$ 171</u>	<u>\$ 35,539</u>	<u>\$ 137,632</u>	<u>\$ 798,839</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, 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>
2022									
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>

A. Amount of borrowing costs capitalized as part of property, plant and equipment for the nine-month periods ended September 30, 2023 and 2022: 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, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings	\$ 18,465	\$ 24,448	\$ 28,017

	<u>Three-month periods ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Buildings	\$ 2,365	\$ 2,179
	<u>Nine-month periods ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Buildings	\$ 6,925	\$ 5,012

C. For the nine-month periods ended September 30, 2023 and 2022, the additions to right-of-use assets were \$0 and \$26,998, 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>2023</u>	<u>2022</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 173	\$ 156
Expense on short-term lease agreements	575	458
Expense on leases of low-value assets	7	13
	<u>Nine-month periods ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 564	\$ 227
Expense on short-term lease agreements	1,828	1,387
Expense on leases of low-value assets	37	38

E. For the nine-month periods ended September 30, 2023 and 2022, the Group's total cash outflow for leases amounted to \$9,217 and \$7,001, respectively.

(8) Intangible assets

	<u>Computer Software</u>	<u>Goodwill</u>	<u>Total</u>
<u>At January 1, 2023</u>			
Cost	\$ 74,953	\$ 178,428	\$ 253,381
Accumulated amortization and impairment	(65,812)	(130,891)	(196,703)
	<u>\$ 9,141</u>	<u>\$ 47,537</u>	<u>\$ 56,678</u>
<u>2023</u>			
At January 1	\$ 9,141	\$ 47,537	\$ 56,678
Addition	1,865	-	1,865
Amortization charges	(5,399)	-	(5,399)
Net exchange differences	312	2,415	2,727
At September 30	<u>\$ 5,919</u>	<u>\$ 49,952</u>	<u>\$ 55,871</u>
<u>At September 30, 2023</u>			
Cost	\$ 79,801	\$ 187,492	\$ 267,293
Accumulated amortization and impairment	(73,882)	(137,540)	(211,422)
	<u>\$ 5,919</u>	<u>\$ 49,952</u>	<u>\$ 55,871</u>
	<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>

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

	Three-month periods ended September 30,	
	2023	2022
Cost of operating revenue	\$ 1,801	\$ 1,867
	Nine-month periods ended September 30,	
	2023	2022
Cost of operating revenue	\$ 5,399	\$ 5,169

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

(9) Impairment of non-financial assets

As of September 30, 2023, the Group's assumptions used for impairment testing did not change significantly. Please refer to Note 6(9) in the consolidated financial statements for the year ended December 31, 2022.

(10) Non-current assets

Item	September 30, 2023	December 31, 2022	September 30, 2022
Prepayments for equipment	\$ 15,004	\$ 67,556	\$ 84,185
Refundable deposits (Note 1)	2,491	2,382	2,450
Time deposits (Note 2)	-	300	300
	<u>\$ 17,495</u>	<u>\$ 70,238</u>	<u>\$ 86,935</u>

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

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

(11) Short-term borrowings

Type of borrowings	September 30, 2023	December 31, 2022	September 30, 2022	Collateral
Bank borrowings				
Secured borrowings	\$ 20,000	\$ 20,000	\$ 20,000	Time deposit (Note)
Interest rate range	<u>2.40%</u>	<u>2.10%</u>	<u>1.78%</u>	

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

(12) Other payables

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Payable for investment (Note)	\$ 209,118	\$ 191,137	\$ -
Payables for equipment	60,668	5,775	5,392
Accrued salaries and bonuses	35,245	46,092	50,449
Accrued unused compensated absences	28,096	29,839	30,528
Accrued utilities	5,299	2,944	4,464
Accrued maintenance expenses	3,501	1,982	6,298
Accrued outsourcing manufacturing services charges	2,911	1,886	8,349
Accrued professional service fee	1,854	412	2,130
Other accrued expenses	16,843	20,954	14,032
	<u>\$ 363,535</u>	<u>\$ 301,021</u>	<u>\$ 121,642</u>

Note : Please refer to Note 6(5) for information on relevant investment payables.

(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, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Subsidiary- Global Communication Semiconductor, LLC						
Secured borrowings (Note 1)	(Note 2)	3.50%~ 4.50%	Land and buildings (Note 5)	\$ 215,568	\$ 209,338	\$ 217,884
Secured borrowings (Note 1)	(Note 3)	4.00%~ 5.00%	Standby letter of credit issued for collateral	141,999	-	-
Non-secured borrowings (Note 1)	(Note 3)	4.00%~ 5.00%	-	<u>-</u>	<u>163,049</u>	<u>178,008</u>
				357,567	372,387	395,892
Less: Current portion				(46,690)	(43,277)	(44,278)
				<u>\$ 310,877</u>	<u>\$ 329,110</u>	<u>\$ 351,614</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, 2023, December 31, 2022 and September 30, 2022, the Group had not violated any of the required financial covenants.

Note 2: 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 was adjusted to 3.50%. Additionally, starting from March 1, 2023, due to the adjustment of base interest rate, the borrowing rate was adjusted to 4.50% from 3.50%.

Note 3: From April 22, 2022 to December 31, 2026, with monthly interest and principal repayments. The Company's subsidiary, Global Communication Semiconductors, LLC made amendments to this long-term loan and security agreement with Bank on August 7, 2023. The main amendments is that the Company guaranteed the loan by standby letter of credit.

Note 4: It refers to Second Draw Paycheck Protection Program ("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 nine-month period ended September 30, 2022.

Note 5: 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, 2023 and 2022 amounted to \$4,057, \$4,427, \$13,454 and \$12,428, respectively.

(15) Share-based payment-employee compensation plan

A. Through September 30, 2023, December 31, 2022 and September 30, 2022, 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	February 2015	652,200 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	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	February 2022	454,000 shares	10 years	(Note 1)
Employee stock options	August 2022	23,000 shares	10 years	(Note 1)
Employee stock options	November 2022	36,000 shares	10 years	(Note 1)
Employee stock options	February 2023	40,000 shares	10 years	(Note 1)
Employee stock options	May 2023	75,000 shares	10 years	(Note 1)
Employee stock options	July 2023	18,000 shares	10 years	(Note 1)
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)
Restricted stocks to employees (Note 3)	February 2023	483,000 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, 2023		
	No. of options	Currency	Weighted average exercise price (in dollars)
Options outstanding at beginning of the period	3,454,120	NTD	\$ 53.52
Options granted	133,000	NTD	34.97
Options exercised	(2,667)	NTD	11.10
Options forfeited	(289,167)	NTD	32.31
Options outstanding at end of the period	<u>3,295,286</u>	NTD	54.67
Options exercisable at end of the period	<u>2,448,349</u>	NTD	58.26
	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

C. The weighted-average stock price of stock options at exercise dates for nine-month periods ended September 30, 2023 and 2022 was \$37.82 (in dollars) and \$44.91 (in dollars), respectively.

D. As of September 30, 2023, December 31, 2022 and September 30, 2022, the range of exercise prices of stock options outstanding are as follows:

Grant date	Expiry date	September 30, 2023		
		No. of Shares	Currency	Stock options exercise price (in dollars)
October 2013	October 2023	7,917	NTD	\$ 17.30
February 2015	February 2025	223,369	NTD	39.30
August 2016	August 2026	601,000	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	11,000	NTD	61.00
March 2019	March 2029	485,000	NTD	58.20
August 2019	August 2029	25,000	NTD	56.80
March 2020	March 2030	180,000	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	616,000	NTD	48.70
February 2022	February 2032	399,000	NTD	45.90
August 2022	August 2032	23,000	NTD	39.85
November 2022	November 2032	36,000	NTD	35.05
February 2023	February 2033	40,000	NTD	38.65
May 2023	May 2033	75,000	NTD	33.20
July 2023	July 2033	18,000	NTD	34.20
		<u>3,295,286</u>		

		December 31, 2022		
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
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
November 2022	November 2032	36,000	NTD	35.05
		<u>3,454,120</u>		

		September 30, 2022		
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
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
Augst 2022	Augst 2032	23,000	NTD	39.85
		<u>3,418,120</u>		

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

Employee restricted stocks	2023	2022
	No. of shares	No. of shares
Outstanding at beginning of the period	575,000	587,500
Granted (Notes 1 and 2)	483,000	445,000
Vested	(366,500)	(375,000)
Retired (cancelled)	(12,500)	(50,500)
Retired (uncancelled)	(6,000)	(17,000)
Outstanding at end of the period	<u>673,000</u>	<u>590,000</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 2023 and 2022 was \$38.65 (in dollars) and \$45.90 (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	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
Employee stock options	November 2022	NTD	37.80	35.05	24.25%	6.26	1.00%	1.28%	15.46
Employee stock options	February 2023	NTD	38.55	38.65	15.12%	6.26	1.00%	1.20%	11.63
Employee stock options	May 2023	NTD	34.96	33.20	19.10%	6.26	1.00%	1.16%	12.61
Employee stock options	July 2023	NTD	32.47	34.20	30.71%	6.26	1.00%	1.25%	12.68

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

	Three-month periods ended September 30,	
	2023	2022
Equity-settled	\$ 6,310	\$ 6,155
	Nine-month periods ended September 30,	
	2023	2022
Equity-settled	\$ 15,528	\$ 22,949

(16) Common stock

A. As of September 30, 2023, the Company's paid-in capital was \$1,112,832, consisting of 111,283,234 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

	2023	2022
Outstanding ordinary shares at January 1	110,810,067	110,397,567
Exercise of employee stock options	2,667	50,000
Issuance of restricted stocks to employees	483,000	445,000
Retirement of restricted stocks to employees	(12,500)	(50,500)
Restricted stocks retrieved from employees and to be cancelled	(6,000)	(17,000)
Outstanding ordinary shares at September 30	111,277,234	110,825,067
Restricted stocks retrieved from employees	6,000	17,000
Issued ordinary shares at September 30	111,283,234	110,842,067

- B. 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, 2023, the Company had retrieved 82,500 employee restricted stocks in total due to the employees' resignation, and the retrieved shares have been retired.
- C. 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, 2023, the Company had retrieved 78,500 employee restricted stocks in total due to the employees' resignation, and the retrieved shares have been retired.
- D. 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, 2023, the Company had retrieved 45,000 employee restricted stocks in total due to the employees' resignation and 43,000 stocks have been retired. Additionally, the remaining 2,000 retrieved stocks as of September 30, 2023, have not been retired.
- E. On May 20, 2022, 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 20, 2023, the Board of Directors resolved to grant 483,000 employee restricted stocks. As of September 30, 2023, the Company had retrieved 8,000 employee restricted stocks in total due to the employees' resignation and 4,000 stocks have been retired. Additionally, the 4,000 retired stocks as of September 30, 2023 have not been retired.
- F. 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. As of September 30, 2023, 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.

(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.

	2023					
	Share premium	Employee stock options	Employee restricted stocks	Recognized changes in equity of associates	Others	Total
At January 1	\$ 1,982,312	\$ 77,389	\$ 26,476	\$ 696,464	\$ 42,502	\$ 2,825,143
Compensation costs of share-based payment	-	4,371	-	-	-	4,371
Issuance of restricted stocks to employees	-	-	13,847	-	-	13,847
Retirement of restricted stocks to employees	-	-	(969)	-	-	(969)
Restricted stocks to employees vested	15,291	-	(15,291)	-	-	-
Exercise of employee stock options	52	(49)	-	-	-	3
Retirement of employee stock options	-	(5,562)	-	-	3,027	(2,535)
Capital surplus used to compensate accumulated deficits	-	-	-	(229,734)	-	(229,734)
Recognized changes in equity of associates	-	-	-	144,507	-	144,507
At September 30	<u>\$ 1,997,655</u>	<u>\$ 76,149</u>	<u>\$ 24,063</u>	<u>\$ 611,237</u>	<u>\$ 45,529</u>	<u>\$ 2,754,633</u>

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>

(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 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. 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.

On June 6, 2023, after considering the Company’s future operating development, the shareholders’ meeting resolved to use capital surplus of \$229,734 to compensate the deficit in the 2022 deficit compensation proposal.

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

	2023			
	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	\$ 127,150	(\$ 129,588)	(\$ 7,321)	(\$ 9,759)
Currency translation differences				
-Group	156,792	(6,043)	-	150,749
-Group- transfer to net income from disposal of investment	-	2,387	-	2,387
-Associates	-	(88,817)	-	(88,817)
-Associates- transfer to net loss from disposal of investments	-	(2,413)	-	(2,413)
Compensation costs of share-based payment	-	-	13,692	13,692
Issuance of restricted stocks to employees	-	-	(18,677)	(18,677)
Retirement of restricted stocks to employees	-	-	1,244	1,244
At September 30	<u>\$ 283,942</u>	<u>(\$ 224,474)</u>	<u>(\$ 11,062)</u>	<u>\$ 48,406</u>

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	-	(224,625)	-	(224,625)
-Associates- transfer to net loss from disposal of investments	-	302	-	302
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>

(20) Operating revenue

	<u>Three-month periods ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Revenue from contracts with customers	<u>\$ 357,878</u>	<u>\$ 342,099</u>
	<u>Nine-month periods ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Revenue from contracts with customers	<u>\$ 950,590</u>	<u>\$ 979,343</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:

	<u>Three-month period ended September 30, 2023</u>		
	<u>Sales revenue</u>	<u>Royalty revenue</u>	<u>Total</u>
United States	\$ 149,792	\$ -	\$ 149,792
China	151,837	33	151,870
Taiwan	8,976	2	8,978
Others	47,238	-	47,238
	<u>\$ 357,843</u>	<u>\$ 35</u>	<u>\$ 357,878</u>

Three-month period ended September 30, 2022			
	Sales revenue	Royalty revenue	Total
China	\$ 122,323	\$ -	\$ 122,323
United States	148,095	-	148,095
Taiwan	9,997	192	10,189
Others	61,492	-	61,492
	<u>\$ 341,907</u>	<u>\$ 192</u>	<u>\$ 342,099</u>
Nine-month period ended September 30, 2023			
	Sales revenue	Royalty revenue	Total
United States	\$ 412,902	\$ -	\$ 412,902
China	324,379	2,695	327,074
Taiwan	24,706	98	24,804
Others	185,810	-	185,810
	<u>\$ 947,797</u>	<u>\$ 2,793</u>	<u>\$ 950,590</u>
Nine-month period ended September 30, 2022			
	Sales revenue	Royalty revenue	Total
China	\$ 388,547	\$ -	\$ 388,547
United States	390,184	-	390,184
Taiwan	17,840	578	18,418
Others	182,194	-	182,194
	<u>\$ 978,765</u>	<u>\$ 578</u>	<u>\$ 979,343</u>

B. Contract liabilities

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

	September 30, 2023	December 31, 2022	September 30, 2022	January 1, 2022
Contract liabilities				
– advance sales receipts	<u>\$ 9,362</u>	<u>\$ 12,516</u>	<u>\$ 18,417</u>	<u>\$ 21,752</u>

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

	Three-month periods ended September 30,	
	2023	2022
Contract liabilities – advance sales receipts	<u>\$ 5,339</u>	<u>\$ 469</u>
	Nine-month periods ended September 30,	
	2023	2022
Contract liabilities – advance sales receipts	<u>\$ 12,606</u>	<u>\$ 16,391</u>

(21) Other gains and losses

	Three-month periods ended September 30,	
	2023	2022
Gain on disposal of property, plant and equipment	\$ -	\$ 385
Net currency exchange losses	(999)	(11,042)
Other losses	(2,834)	(4,031)
	<u>(\$ 3,833)</u>	<u>(\$ 14,688)</u>
	Nine-month periods ended September 30,	
	2023	2022
Gain on disposal of property, plant and equipment	\$ -	\$ 4,988
Loss on subsidiary liquidation	(105)	-
Gain (loss) on disposal of investments	2,413	(302)
Net currency exchange losses	(1,460)	(33,156)
Other losses	(10,185)	(9,281)
	<u>(\$ 9,337)</u>	<u>(\$ 37,751)</u>

(22) Finance costs

	Three-month periods ended September 30,	
	2023	2022
Interest expense	\$ 4,537	\$ 3,719
Leased liabilities - Interest expense	173	156
	<u>\$ 4,710</u>	<u>\$ 3,875</u>
	Nine-month periods ended September 30,	
	2023	2022
Interest expense	\$ 12,575	\$ 7,915
Leased liabilities - interest expense	564	227
	<u>\$ 13,139</u>	<u>\$ 8,142</u>

(23) Expenses by nature

	Three-month periods ended September 30,	
	2023	2022
Employee benefit expense	\$ 165,737	\$ 168,471
Depreciation charges on property, plant and equipment and right-of-use assets	\$ 34,647	\$ 33,168
Amortization charges on intangible assets	\$ 1,801	\$ 1,867

	Nine-month periods ended September 30,	
	2023	2022
Employee benefit expense	\$ 505,860	\$ 483,578
Depreciation charges on property, plant and equipment and right-of-use assets	\$ 101,571	\$ 90,540
Amortization charges on intangible assets	\$ 5,399	\$ 5,169

(24) Employee benefit expense

	Three-month periods ended September 30,	
	2023	2022
Wages and salaries	\$ 139,354	\$ 142,880
Compensation costs of share-based payment	6,310	6,155
Insurance expenses	15,967	14,682
Pension costs	4,057	4,427
Other personnel expenses	49	327
	<u>\$ 165,737</u>	<u>\$ 168,471</u>

	Nine-month periods ended September 30,	
	2023	2022
Wages and salaries	\$ 431,113	\$ 405,482
Compensation costs of share-based payment	15,528	22,949
Insurance expenses	45,388	41,408
Pension costs	13,454	12,428
Other personnel expenses	377	1,311
	<u>\$ 505,860</u>	<u>\$ 483,578</u>

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

B. For the three-month and nine-month periods ended September 30, 2023 and 2022, 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 expense (benefit)

Components of income tax expense (benefit)

	<u>Three-month periods ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Current tax:		
Current tax on profit for the period	\$ -	\$ 5,825
Prior year income tax over estimation	-	-
Total current tax	<u>-</u>	<u>5,825</u>
Deferred tax:		
Origination and reversal of temporary differences	(41)	(9,158)
Total deferred tax	<u>(41)</u>	<u>(9,158)</u>
Income tax expense (benefit)	<u>(\$ 41)</u>	<u>(\$ 3,333)</u>

	<u>Nine-month periods ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Current tax:		
Current tax on profit for the period	\$ 33	\$ 7,631
Prior year income tax over estimation	8	-
Total current tax	<u>41</u>	<u>7,631</u>
Deferred tax:		
Origination and reversal of temporary differences	(41)	(16,492)
Total deferred tax	<u>(41)</u>	<u>(16,492)</u>
Income tax expense (benefit)	<u>\$ -</u>	<u>(\$ 8,861)</u>

C. Through September 30, 2023, 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 2021
D-Tech Optoelectronics (Taiwan) Corporation	Assessed and approved up to 2021

(26) Losses per share

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

	<u>Three-month period ended September 30, 2023</u>		
	<u>Amount</u>	<u>Weighted average</u>	<u>Losses</u>
	<u>after tax</u>	<u>outstanding stocks</u>	<u>per share</u>
		<u>(in thousand of shares)</u>	<u>(in dollars)</u>
<u>Basic losses per share</u>			
Losses attributable to ordinary shareholders of the parent (Note)	<u>(\$ 229,243)</u>	<u>\$ 110,604</u>	<u>(\$ 2.07)</u>
	<u>Three-month period ended September 30, 2022</u>		
	<u>Amount</u>	<u>Weighted average</u>	<u>Losses</u>
	<u>after tax</u>	<u>outstanding stocks</u>	<u>per share</u>
		<u>(in thousand of shares)</u>	<u>(in dollars)</u>
<u>Basic losses per share</u>			
Losses attributable to ordinary shareholders of the parent (Note)	<u>(\$ 224,075)</u>	<u>110,235</u>	<u>(\$ 2.03)</u>
	<u>Nine-month period ended September 30, 2023</u>		
	<u>Amount</u>	<u>Weighted average</u>	<u>Losses</u>
	<u>after tax</u>	<u>outstanding stocks</u>	<u>per share</u>
		<u>(in thousand of shares)</u>	<u>(in dollars)</u>
<u>Basic losses per share</u>			
Losses attributable to ordinary shareholders of the parent (Note)	<u>(\$ 788,712)</u>	<u>110,361</u>	<u>(\$ 7.15)</u>
	<u>Nine-month period ended September 30, 2022</u>		
	<u>Amount</u>	<u>Weighted average</u>	<u>Losses</u>
	<u>after tax</u>	<u>outstanding stocks</u>	<u>per share</u>
		<u>(in thousand of shares)</u>	<u>(in dollars)</u>
<u>Basic losses per share</u>			
Losses attributable to ordinary shareholders of the parent (Note)	<u>(\$ 547,201)</u>	<u>110,070</u>	<u>(\$ 4.97)</u>

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, 2023 and 2022, 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,	
	2023	2022
Acquisition of property, plant and equipment	\$ 159,661	\$ 181,831
Add: Ending balance of prepayments for equipment (Note 1)	15,004	84,185
Less: Beginning balance of prepayments for equipment (Note 1)	(67,556)	(41,431)
Less: Ending balance of payables for equipment	(60,668)	(5,392)
Add: Beginning balance of payables for equipment	5,775	6,901
Cash paid	<u>\$ 52,216</u>	<u>\$ 226,094</u>

Note 1 : Shown as “Other non-current assets”.

	Nine-month periods ended September 30,	
	2023	2022
Addition of investments accounted for using the equity method	\$ -	\$ -
Add: Opening balance of payable for investment (Note 2)	191,137	-
Less: Ending balance of payable for investment (Note 2)	(209,118)	-
Less: Net exchange differences	17,981	-
Cash paid	<u>\$ -</u>	<u>\$ -</u>

Note 2 : Shown as “Other payables”.

B. Investing activities with partial cash receivable:

	Nine-month periods ended September 30,	
	2023	2022
Proceeds from disposal of property, plant and equipment	\$ -	\$ 36,031
Add: Opening balance of receivables from disposal of equipment (Note)	5,682	15,689
Less: Ending balance of receivables from disposal of equipment (Note)	-	(1,006)
Less: Net exchange differences	(30)	-
	<u>\$ 5,652</u>	<u>\$ 50,714</u>

Note : Shown as “Other receivables - related parties”.

C. On November 1, 2022, the Company's Board of Directors resolved to dissolve and liquidate the subsidiary, GCOM Semiconductor Co., Ltd. The Company also obtained the final letter of liquidation issued by the court on May 31, 2023, and received the remaining investment amount of \$49,519 on June 15, 2023, and recognized the liquidation loss of \$105. The relevant assets and liabilities of the subsidiary on the date of liquidation are as follows:

	<u>May 31, 2023</u>
Carrying amount of the assets and liabilities of the subsidiary	
Cash	\$ 49,519
Total net assets	<u>\$ 49,519</u>
Shareholding ratio on liquidation date	100%
Book value on liquidation date	<u>\$ 49,519</u>

(28) Changes in liabilities from financing activities

	<u>Short-term borrowings</u>	<u>Lease liabilities</u>	<u>Long-term borrowings (including current portion)</u>	<u>Liabilities from financing activities</u>
At January 1, 2023	\$ 20,000	\$ 24,238	\$ 372,387	\$ 416,625
Changes in cash flow				
from financing activities	-	(6,788)	(32,336)	(39,124)
Interest expense	-	564	-	564
Interest paid	-	(564)	-	(564)
Net exchange differences	-	937	17,516	18,453
At September 30, 2023	<u>\$ 20,000</u>	<u>\$ 18,387</u>	<u>\$ 357,567</u>	<u>\$ 395,954</u>

	<u>Short-term borrowings</u>	<u>Lease liabilities</u>	<u>Long-term borrowings (including current portion)</u>	<u>Liabilities from financing activities</u>
At January 1, 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>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
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

(2) Significant related party transactions and balances

A. Operating revenue:

	<u>Three-month periods ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Sales of goods:		
Changzhou Galasemi	\$ 458	\$ 4,571
Royalty revenue:		
Shanghai Galasem	\$ -	\$ -
	<u>Nine-month periods ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Sales of goods:		
Changzhou Galasemi	\$ 6,487	\$ 16,940
Royalty revenue:		
Shanghai Galasem	\$ 2,695	\$ -

B. Purchases:

	<u>Three-month periods ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Purchases of goods:		
Changzhou Galasemi	\$ -	\$ 671
Unikorn	169	474
	\$ 169	\$ 1,145
	<u>Nine-month periods ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Purchases of goods:		
Changzhou Galasemi	\$ -	\$ 671
Unikorn	334	474
	\$ 334	\$ 1,145

C. Receivables from related parties:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Accounts receivable:			
Changzhou Galasemi	\$ 1,240	\$ 2,958	\$ 9,900
Shanghai Galasemi	1,199		
Other receivables—			
Sales of machinery and equipment:			
Changzhou Galasemi	-	5,682	1,006
Other receivables—Other:			
Changzhou Galasemi	-	302	42
	<u>\$ 2,439</u>	<u>\$ 8,942</u>	<u>\$ 10,948</u>

Accounts receivable 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, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Accounts payable:			
Unikorn	\$ 174	\$ -	\$ 171
Other payables:			
Chemsemi	-	-	8,696
Changzhou Galasemi	2,091	-	-
Unikorn	3,738	2,705	6,594
	<u>\$ 6,003</u>	<u>\$ 2,705</u>	<u>\$ 15,461</u>

E. Property transactions:

(a) Disposal of equipment:

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

Three-month and nine-month periods ended September 30, 2023: None.

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

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

Three-month and nine-month periods ended September 30, 2023, and three-month period ended September 30, 2022: None.

- (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:

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

Note: Please refer to Note 6(5).

Three-month and nine-month periods ended September 30, 2023, and three-month period ended September 30, 2022: None.

F. Other transactions:

Transaction company	Item	Transaction amounts	
		Three-month periods ended September 30,	
		2023	2022
Unikorn	Outsourcing manufacturing services charges	\$ 6,149	\$ 16,338
Changzhou Galasemi	Outsourcing manufacturing services charges	3,425	-
		<u>\$ 9,574</u>	<u>\$ 16,338</u>

Transaction company	Item	Transaction amounts	
		Nine-month periods ended September 30,	
		2023	2022
Unikorn	Outsourcing manufacturing services charges	\$ 45,384	\$ 36,114
Changzhou Galasemi	Outsourcing manufacturing services charges	4,795	-
		<u>\$ 50,179</u>	<u>\$ 36,114</u>

(3) Key management compensation

	Three-month periods ended September 30,	
	2023	2022
Salaries and other short-term employee benefits	\$ 28,117	\$ 23,712
Post-employment benefits	573	573
Compensation costs of share-based payment	800	1,536
	<u>\$ 29,490</u>	<u>\$ 25,821</u>

	Nine-month periods ended September 30,	
	2023	2022
Salaries and other short-term employee benefits	\$ 75,095	\$ 74,247
Post-employment benefits	2,016	2,012
Compensation costs of share-based payment	3,033	4,918
	<u>\$ 80,144</u>	<u>\$ 81,177</u>

8. PLEDGED ASSETS

As of September 30, 2023, December 31, 2022 and September 30, 2022, the Group's assets pledged as collateral were as follows:

Assets	September 30, 2023	December 31, 2022	September 30, 2022	Purpose
Investments accounted for using equity method	\$ 165,935	\$ 198,667	\$ -	Guarantee for Equity Transfer Payment
Land	148,603	141,420	146,209	Long-term borrowings
Buildings	75,593	74,302	77,514	Long-term borrowings
Time deposits (Shown as "Other current assets")	34,874	33,114	34,236	Short-term borrowings
Reserve account-demand deposits (Shown as "Other non-current assets")	32,270	-	-	Standby letter of credit issued for collateral
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")	2,491	2,582	2,650	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, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Property, plant and equipment	\$ <u>354</u>	\$ <u>72,564</u>	\$ <u>87,300</u>

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The Company's Board of Directors resolved to dispose certain equity interests in Chemsemi on September 27, 2023, and the proceeds from disposal of equity interests amounted to RMB 87,600. As of October 31, 2023, the disposal transaction has not yet been completed.

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, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
<u>Financial assets</u>			
Financial assets measured at fair value through other comprehensive income			
Designation of equity instrument	\$ 1,468	\$ 1,397	\$ 1,445
Financial assets at amortized cost			
Cash and cash equivalents	231,216	442,196	824,740
Accounts receivable (including related parties)	219,131	202,474	247,083
Other receivables (including related parties)	5,157	9,827	3,694
Refundable deposits	2,491	2,582	2,650
Time deposits (over three-month period) (Shown as "Other current assets" and "Other non-current assets")	67,144	33,414	34,536
	<u>\$ 526,607</u>	<u>\$ 691,890</u>	<u>\$ 1,114,148</u>

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Financial liabilities</u>			
Financial liabilities at amortized cost			
Short-term borrowings	\$ 20,000	\$ 20,000	\$ 20,000
Accounts payable (including related parties)	37,398	7,810	29,694
Other payables (including related parties)	369,364	303,726	136,932
Long-term borrowings (including current portion)	357,567	372,387	395,892
	<u>\$ 784,329</u>	<u>\$ 703,923</u>	<u>\$ 582,518</u>
Lease liabilities	<u>\$ 18,387</u>	<u>\$ 24,238</u>	<u>\$ 27,367</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, 2023			
Foreign currency			
	amount		Book value
	(in thousands)	Exchange rate	(NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
NTD:USD	\$ 94,766	0.031	\$ 94,766
<u>Non-monetary items</u>			
NTD:USD	554,227	0.031	554,227
RMB:USD	345,485	0.137	1,525,144
December 31, 2022			
Foreign currency			
	amount		Book value
	(in thousands)	Exchange rate	(NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
NTD:USD	\$ 116,147	0.033	\$ 116,147
<u>Non-monetary items</u>			
NTD:USD	662,368	0.033	662,368
RMB:USD	404,375	0.144	1,784,246
September 30, 2022			
Foreign currency			
	amount		Book value
	(in thousands)	Exchange rate	(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

- iii. 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, 2023 and 2022, amounted to \$999, \$11,042, \$1,460 and \$33,156, respectively.

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

<u>Nine-month period ended September 30, 2023</u>			
<u>Sensitivity analysis</u>			
<u>Degree of variation</u>	<u>Effect on profit or loss</u>	<u>Effect on other comprehensive income</u>	
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
NTD:USD	1%	\$ 948	\$ -
<u>Non-monetary items</u>			
NTD:USD	1%	-	5,542
RMB:USD	1%	-	15,251

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

(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, 2023, December 31, 2022 and September 30, 2022, with no collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the Group's accounts receivable was \$ 219,131, \$202,474 and \$247,083, respectively.

- iv. The Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.
- v. The Group adopts the assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
If the contract payment were past due over 30 days, based on the terms, there would be a significant increase in credit risk on that instrument since initial recognition.
- vi. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
- It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - The disappearance of an active market for that financial asset because of financial difficulties.
- vii. The Group wrote off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.
- viii. Estimation of expected credit loss for accounts receivable:
- The Group classifies customers' accounts receivable in accordance with credit risk on trade. The Group applies the simplified approach using loss rate methodology to estimate expected credit loss.
 - The Group used the forecastability of external research report to adjust historical and timely information for a specific period to assess the default possibility of accounts receivable. As of September 30, 2023, December 31, 2022 and September 30, 2022, the loss rate methodology is as follows:

	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>Accounts receivable</u>					
<u>At September 30, 2023</u>					
Expected loss rate	0%-1%	1%-15%	16%-31%	31%-100%	
Total book value	<u>\$ 201,376</u>	<u>\$ 14,705</u>	<u>\$ 6,098</u>	<u>\$ 28,522</u>	<u>\$ 250,701</u>
Loss allowance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,048</u>	<u>\$ 28,522</u>	<u>\$ 31,570</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>Accounts receivable</u>					
<u>At December 31, 2022</u>					
Expected loss rate	0%-1%	1%-15%	16%-31%	31%-100%	
Total book value	<u>\$ 197,698</u>	<u>\$ 32,611</u>	<u>\$ -</u>	<u>\$ 1,284</u>	<u>\$ 231,593</u>
Loss allowance	<u>\$ -</u>	<u>\$ 27,835</u>	<u>\$ -</u>	<u>\$ 1,284</u>	<u>\$ 29,119</u>

<u>Accounts receivable</u>	<u>Not past due</u>	<u>Less than 180 days and</u>		<u>More than 180 days past due</u>	<u>Total</u>
		<u>Less than 90 days past due</u>	<u>more than 90 days past due</u>		
<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>

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

	<u>2023</u>
	<u>Accounts receivable</u>
At January 1	\$ 29,119
Reversal of impairment loss	932
Effect of foreign exchange	1,519
At September 30	<u>\$ 31,570</u>
	<u>2022</u>
	<u>Accounts receivable</u>
At January 1	\$ 1,157
Effect of foreign exchange	171
At September 30	<u>\$ 1,328</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, 2023, December 31, 2022 and September 30, 2022, the loss rate methodology is as follows:

	<u>Not past due</u>
<u>At September 30, 2023</u>	
Expected loss rate	0%-100%
Total book value	<u>\$ 5,157</u>
Loss allowance	<u>\$ -</u>
	<u>Not past due</u>
<u>At December 31, 2022</u>	
Expected loss rate	0%-100%
Total book value	<u>\$ 9,827</u>
Loss allowance	<u>\$ -</u>

	<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>

(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,</u> 2023	<u>December 31,</u> 2022	<u>September 30,</u> 2022
Floating rate:			
Expiring within one year	<u>\$ 6,000</u>	<u>\$ 67,420</u>	<u>\$ 69,500</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, 2023		
Short-term borrowings	\$ 20,120	\$ -
Accounts payable (including related parties)	37,398	-
Other payables (including related parties)	369,364	-
Lease liabilities	10,470	10,325
Long-term borrowings (including current portion)	62,718	376,421

	<u>Less than 1 year</u>	<u>Over 1 year</u>
<u>Non-derivative financial liabilities:</u>		
Decemebr 31, 2022		
Short-term borrowings	\$ 20,240	\$ -
Accounts payable	7,810	-
Other payables (including related parties)	303,726	-
Lease liabilities	9,734	16,451
Long-term borrowings (including current portion)	56,583	385,909

	<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

(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, 2023</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	\$ -	\$ -	\$ 1,468	\$ 1,468
<u>December 31, 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	\$ -	\$ -	\$ 1,397	\$ 1,397
<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

D. The following chart is the movement of Level 3 for nine-month period ended September 30, 2023:

	<u>2023</u>	<u>2022</u>
	<u>Equity instrument</u>	<u>Equity instrument</u>
At January 1	\$ 1,397	\$ -
Acquired in the period	-	1,352
Effect of exchange rate changes	71	93
At September 30	<u>\$ 1,468</u>	<u>\$ 1,445</u>

E. For the nine-month periods ended September 30, 2023 and 2022, 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, 2023	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instruments					
Unlisted Company Shares	\$ 1,468	Market comparable companies	Discount for lack of marketability	0.7	The higher the discount for lack of marketability, the lower the fair value
	Fair value at December 31, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instruments					
Unlisted Company Shares	\$ 1,397	Last transaction price	Not applicable	Not applicable	Not applicable
	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

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- (a) Loans to others: Please refer to table 1.
- (b) Provision of endorsements and guarantees to others: Please refer to table 2.
- (c) Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): 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: None.
- (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,	
	2023	2022
Revenue from external customers	\$ 950,590	\$ 979,343
Inter-segment revenue	-	-
Total segment revenue	<u>\$ 950,590</u>	<u>\$ 979,343</u>
Segment loss (Note)	<u>(\$ 788,712)</u>	<u>(\$ 556,062)</u>
Note: Exclusive of income tax.		
	September 30, 2023	September 30, 2022
Segment assets	<u>\$ 4,016,037</u>	<u>\$ 4,799,684</u>
Segment liabilities	<u>\$ 882,057</u>	<u>\$ 700,564</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.