

GCS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
MARCH 31, 2024 AND 2023

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 March 31, 2024 and 2023, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three-month periods then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" 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*, 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 Opinion

As explained in Note 6(5), the financial statements of investments accounted for under the equity method were not reviewed by independent auditors. The balance of investments accounted for using the equity amounted to NT\$1,451,165 thousand and NT\$2,257,581 thousand, respectively, constituting 43% and 53% of the consolidated total assets as of March 31, 2024 and 2023 and share of comprehensive loss of associates and joint ventures accounted for using the equity method amounted to NT\$238,625 thousand and NT\$167,988 thousand, respectively, constituting 198% and 57% of the consolidated total comprehensive loss for the three-month periods then ended, respectively.

Qualified Conclusuon

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of equity method investee been reviewed by independent auditors, that we might have become aware of had it not been for the situation described above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2024 and 2023, and of its consolidated financial performance and its consolidated cash flows for the three-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-Chain

Liu, Chien-Yu

For and on Behalf of PricewaterhouseCoopers, Taiwan

April 30, 2024

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

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

GCS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2024, DECEMBER 31, 2023 AND MARCH 31, 2023
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(THE BALANCE SHEETS OF MARCH 31, 2024 AND 2023 ARE REVIEWED, NOT AUDITED)

Assets	Notes	March 31, 2024		December 31, 2023		March 31, 2023		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 215,869	7	\$ 345,234	10	\$ 337,650	8
1170	Accounts receivable, net	6(2)	249,610	7	237,456	7	207,857	5
1180	Accounts receivable - related party	6(2) and 7	6,976	-	4,830	-	7,773	-
1200	Other receivables		2,489	-	2,844	-	4,103	-
1210	Other receivables - related parties	7	-	-	-	-	5,634	-
1220	Current income tax assets		57,039	2	54,718	1	34,189	1
130X	Inventories	6(3)	308,567	9	257,709	7	365,779	8
1410	Prepayments		29,560	1	32,627	1	28,722	1
1470	Other current assets	8	102,980	3	102,039	3	32,947	1
11XX	Total current Assets		<u>973,090</u>	<u>29</u>	<u>1,037,457</u>	<u>29</u>	<u>1,024,654</u>	<u>24</u>
Non-current assets								
1517	Non-current financial assets at fair value through other comprehensive income	6(4)	1,456	-	1,397	-	1,385	-
1550	Investments accounted for using equity method	6(5) and 8	1,451,165	43	1,625,600	45	2,257,581	53
1600	Property, plant and equipment	6(6) and 8	730,117	22	730,219	20	725,700	17
1755	Right-of-use assets	6(7)	13,533	-	15,280	-	21,968	1
1780	Intangible assets	6(8)	3,904	-	4,056	-	55,818	1
1840	Deferred income tax assets		166,377	5	159,670	5	126,770	3
1990	Other non-current assets	6(10) and 8	18,379	1	16,659	1	55,330	1
15XX	Total non-current assets		<u>2,384,931</u>	<u>71</u>	<u>2,552,881</u>	<u>71</u>	<u>3,244,552</u>	<u>76</u>
1XXX	Total assets		<u>\$ 3,358,021</u>	<u>100</u>	<u>\$ 3,590,338</u>	<u>100</u>	<u>\$ 4,269,206</u>	<u>100</u>

(Continued)

GCS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2024, DECEMBER 31, 2023 AND MARCH 31, 2023
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(THE BALANCE SHEETS OF MARCH 31, 2024 AND 2023 ARE REVIEWED, NOT AUDITED)

Liabilities and Equity	Notes	March 31, 2024		December 31, 2023		March 31, 2023		
		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)	7,566	-	11,815	-	13,404	-
2170	Accounts payable		51,654	2	39,607	1	43,814	1
2180	Accounts payable - related party	7	346	-	-	-	-	-
2200	Other payables	6(12)	89,612	3	97,800	3	319,189	8
2220	Other payables - related parties	7	9,226	-	8,105	-	5,803	-
2230	Current income tax liabilities		-	-	-	-	220	-
2280	Current lease liabilities		9,390	-	8,855	-	8,351	-
2320	Long-term borrowings, current portion	6(13)	211,029	6	329,374	9	42,915	1
2399	Other current liabilities		765	-	379	-	12,730	-
21XX	Total current liabilities		<u>399,588</u>	<u>12</u>	<u>515,935</u>	<u>14</u>	<u>466,426</u>	<u>11</u>
Non-current liabilities								
2540	Long-term borrowings	6(13)	-	-	-	-	315,576	7
2570	Deferred income tax liabilities		86,970	3	83,464	3	64,982	2
2580	Non-current lease liabilities		3,974	-	6,329	-	13,499	-
25XX	Total non-current liabilities		<u>90,944</u>	<u>3</u>	<u>89,793</u>	<u>3</u>	<u>394,057</u>	<u>9</u>
2XXX	Total liabilities		<u>490,532</u>	<u>15</u>	<u>605,728</u>	<u>17</u>	<u>860,483</u>	<u>20</u>
Equity								
Share capital								
3110	Common stock	6(16)	1,118,349	33	1,112,832	31	1,113,107	26
Capital surplus								
3200	Capital surplus	6(17)	2,684,661	80	2,673,180	74	2,837,342	67
Retained earnings								
3320	Special reserve	6(18)	6,821	-	6,821	-	6,821	-
3350	Accumulated deficit		(1,002,645)	(30)	(792,236)	(22)	(523,215)	(12)
Other equity interest								
3400	Other equity interest	6(19)	60,303	2	(15,987)	-	(25,332)	(1)
3XXX	Total equity		<u>2,867,489</u>	<u>85</u>	<u>2,984,610</u>	<u>83</u>	<u>3,408,723</u>	<u>80</u>
Significant events after the reporting period								
3X2X	Total liabilities and equity		<u>\$ 3,358,021</u>	<u>100</u>	<u>\$ 3,590,338</u>	<u>100</u>	<u>\$ 4,269,206</u>	<u>100</u>

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

GCS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE-MONTH PERIODS ENDED MARCH 31, 2024 AND 2023
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR LOSS PER SHARE)
(REVIEWED, NOT AUDITED)

Items	Notes	Three-month periods ended March 31				
		2024		2023		
		AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(20) and 7	\$ 346,986	100	\$ 270,481	100
5000	Cost of operating revenue	6(3)(23)(24) and 7	(229,542)	(66)	(235,997)	(87)
5900	Net operating margin		117,444	34	34,484	13
	Operating expenses	6(23)(24)				
6100	Selling and marketing expenses		(10,664)	(3)	(13,092)	(5)
6200	General and administrative expenses		(49,287)	(14)	(52,421)	(20)
6300	Research and development expenses		(54,788)	(16)	(55,085)	(20)
6450	Net impairment income (loss) on financial assets	12(2)	166	-	(2,300)	(1)
6000	Total operating expenses		(114,573)	(33)	(122,898)	(46)
6900	Operating income (loss)		2,871	1	(88,414)	(33)
	Non-operating income and expenses					
7100	Interest income		1,681	-	978	-
7010	Other income		-	-	22	-
7020	Other gains and losses	6(21)	(3,073)	(1)	(4,040)	(2)
7050	Finance costs	6(22)	(3,180)	(1)	(3,840)	(1)
7060	Share of net loss of associates and joint ventures accounted for using equity method	6(5)	(208,708)	(60)	(198,187)	(73)
7000	Total non-operating income and expenses		(213,280)	(62)	(205,067)	(76)
7900	Loss before income tax		(210,409)	(61)	(293,481)	(109)
7950	Income tax expense	6(25)	-	-	-	-
8200	Net loss for the period		<u>(\$ 210,409)</u>	<u>(61)</u>	<u>(\$ 293,481)</u>	<u>(109)</u>
	Other comprehensive income (loss)					
	Other comprehensive income (loss) components that will not be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(19)	\$ 121,172	35	(\$ 31,844)	(12)
	Components of other comprehensive loss that will be reclassified to profit or loss					
8370	Share of other comprehensive (loss) income of subsidiaries, associates and joint ventures accounted for using the equity method- financial statements translation differences of foreign operations	6(19)	(31,191)	(9)	31,240	12
8300	Total other comprehensive income (loss), net		<u>\$ 89,981</u>	<u>26</u>	<u>(\$ 604)</u>	<u>-</u>
8500	Total comprehensive loss for the period		<u>(\$ 120,428)</u>	<u>(35)</u>	<u>(\$ 294,085)</u>	<u>(109)</u>
	Loss attributable to:					
8610	Owners of the parent		<u>(\$ 210,409)</u>	<u>(61)</u>	<u>(\$ 293,481)</u>	<u>(109)</u>
	Total comprehensive loss attributable to:					
8710	Owners of the parent		<u>(\$ 120,428)</u>	<u>(35)</u>	<u>(\$ 294,085)</u>	<u>(109)</u>
	Losses per share	6(26)				
9750	Basic losses per share (in dollars)		<u>(\$ 1.90)</u>		<u>(\$ 2.66)</u>	
9850	Diluted losses per share (in dollars)		<u>(\$ 1.90)</u>		<u>(\$ 2.66)</u>	

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

GCS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
THREE-MONTH PERIODS ENDED MARCH 31, 2024 AND 2023
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(REVIEWED, NOT AUDITED)

	Notes	Equity attributable to owners of the parent						Total Equity
		Common Stock	Capital Surplus	Special Reserve	Retained Earnings		Other equity interest	
					Unappropriated Retained Earnings	Financial Statements Translation Differences Of Foreign Operations	Unearned Compensation Costs	
<u>Three-month period ended March 31, 2023</u>								
		\$ 1,108,251	\$ 2,825,143	\$ 6,821	(\$ 229,734)	(\$ 2,438)	(\$ 7,321)	\$ 3,700,722
		-	-	-	(293,481)	-	-	(293,481)
	6(19)	-	-	-	-	(604)	-	(604)
		-	-	-	(293,481)	(604)	-	(294,085)
	6(15)(17)(19)	-	884	-	-	-	3,708	4,592
	6(15)(16)(17)(19)	4,830	13,847	-	-	-	(18,677)	-
	6(15)(16)(17)	26	3	-	-	-	-	29
	6(15)(17)	-	(2,535)	-	-	-	-	(2,535)
		<u>\$ 1,113,107</u>	<u>\$ 2,837,342</u>	<u>\$ 6,821</u>	<u>(\$ 523,215)</u>	<u>(\$ 3,042)</u>	<u>(\$ 22,290)</u>	<u>\$ 3,408,723</u>
<u>Three-month period ended March 31, 2024</u>								
		\$ 1,112,832	\$ 2,673,180	\$ 6,821	(\$ 792,236)	(\$ 11,859)	(\$ 4,128)	\$ 2,984,610
		-	-	-	(210,409)	-	-	(210,409)
	6(19)	-	-	-	-	89,981	-	89,981
		-	-	-	(210,409)	89,981	-	(120,428)
	6(15)(17)(19)	-	534	-	-	-	3,035	3,569
	6(15)(16)(17)(19)	5,517	11,209	-	-	-	(16,726)	-
	6(15)(17)	-	(337)	-	-	-	-	(337)
	6(17)	-	75	-	-	-	-	75
		<u>\$ 1,118,349</u>	<u>\$ 2,684,661</u>	<u>\$ 6,821</u>	<u>(\$ 1,002,645)</u>	<u>\$ 78,122</u>	<u>(\$ 17,819)</u>	<u>\$ 2,867,489</u>

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

GCS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE-MONTH PERIODS ENDED MARCH 31, 2024 AND 2023
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(REVIEWED, NOT AUDITED)

	Notes	Three-month periods ended March 31	
		2024	2023
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Loss before tax		(\$ 210,409)	(\$ 293,481)
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(6)(7)(23)	34,052	33,066
Amortization	6(8)(23)	1,480	1,838
Net impairment (income) loss on financial assets	12(2)	(166)	2,300
Share of net loss of associate and joint ventures accounted for using equity method	6(5)	208,708	198,187
Interest income		(1,681)	(978)
Interest expense	6(22)	3,180	3,840
Loss on disposal of property, plant and equipment	6(21)	42	-
Compensation cost of share-based payment	6(15)	3,232	2,057
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		(1,976)	(12,310)
Accounts receivable- related party		(1,910)	(4,831)
Other receivables		465	(98)
Other receivables- related parties		-	302
Inventories		(39,345)	(30,414)
Prepayments		4,177	4,596
Changes in operating liabilities			
Contract liabilities		(4,664)	991
Accounts payable		10,204	35,999
Accounts payable- related parties		340	-
Other payables		(1,802)	(6,204)
Other payables- related parties		768	3,268
Other current liabilities		364	3,047
Cash inflow (outflow) generated from operations		5,059	(58,825)
Interest received		1,681	978
Interest paid		(3,180)	(3,840)
Net cash flows from (used in) operating activities		3,560	(61,687)

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GCS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE-MONTH PERIODS ENDED MARCH 31, 2024 AND 2023
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(REVIEWED, NOT AUDITED)

	Notes	Three-month periods ended March 31	
		2024	2023
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of property, plant and equipment	6(27)	(\$ 12,902)	(\$ 25,274)
Acquisition of intangible assets	6(8)	(1,164)	(1,459)
Decrease in refundable deposits		5	160
Decrease (increase) in other current assets		3,288	(73)
Decrease in other non-current assets		-	300
Net cash flows used in investing activities		(10,773)	(26,346)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from short-term borrowing	6(28)	20,000	20,000
Repayments of short-term borrowing	6(28)	(20,000)	(20,000)
Repayments of long-term borrowings	6(28)	(129,909)	(10,722)
Repayments of lease liabilities	6(28)	(2,415)	(2,179)
Proceeds from exercise of employee stock options		-	29
Net cash flows used in financing activities		(132,324)	(12,872)
Effect of changes in exchange rates		10,172	(3,641)
Net decrease in cash and cash equivalents		(129,365)	(104,546)
Cash and cash equivalents at beginning of period	6(1)	345,234	442,196
Cash and cash equivalents at end of period	6(1)	\$ 215,869	\$ 337,650

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

GCS HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE-MONTH PERIODS ENDED MARCH 31, 2024 AND 2023
(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 April 30, 2024.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS[®]”) Accounting Standards that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by FSC and became 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

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 IFRS Accounting Standards as endorsed by the FSC that has not yet adopted the Group

None.

(3) IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRS Accounting Standards 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
IFRS 18, ‘Presentation and disclosure in financial statements’	January 1, 2027
Amendments to IAS 21, ‘Lack of exchangeability’	January 1, 2025

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 :

A. IFRS 18, ‘Presentation and disclosure in financial statements’

IFRS 18, ‘Presentation and disclosure in financial statements’ replaces IAS 1. The standard introduces a defined structure of the statement of profit or loss, disclosure requirements related to management-defined performance measures, and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statement for the year ended December 31, 2023 except for the compliance statement, basis of preparations 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, 2023.

(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
			March 31, 2024	December 31, 2023	March 31, 2023	
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	(Note 1)
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 2)

Note 1: 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.

Note 2: On November 1, 2022, the Company's Board of Directors resolved to dissolve and liquidate the subsidiary, D-Tech Optoelectronics (Taiwan) Corporation. The Company obtained the dissolution registration letter approved by the local competent authority on December 22, 2023, and has not yet completed the liquidation process.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Income tax

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

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

There have been no significant changes during the period. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2023.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Cash on hand	\$ 114	\$ 111	\$ 114
Checking accounts and demand deposits	215,755	345,123	316,288
Time deposits	-	-	21,248
	<u>\$ 215,869</u>	<u>\$ 345,234</u>	<u>\$ 337,650</u>

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

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

(2) Accounts receivable

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Accounts receivable	\$ 272,410	\$ 259,499	\$ 239,034
Accounts receivable-related party	6,976	4,830	7,773
	<u>\$ 279,386</u>	<u>\$ 264,329</u>	<u>\$ 246,807</u>
Less: Loss allowance	(22,800)	(22,043)	(31,177)
	<u>\$ 256,586</u>	<u>\$ 242,286</u>	<u>\$ 215,630</u>

A. As of March 31, 2024, December 31, 2023 and March 31, 2023, accounts receivable were all from contracts with customers. And as of January 1, 2023, the balance of receivables from contracts with customers was \$202,474.

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

(3) Inventories

	<u>March 31, 2024</u>		
	<u>Cost</u>	<u>Allowance</u>	<u>Book value</u>
Raw materials	\$ 138,000	(\$ 25,489)	\$ 112,511
Work in progress	257,945	(108,814)	149,131
Finished goods	65,071	(18,146)	46,925
	<u>\$ 461,016</u>	<u>(\$ 152,449)</u>	<u>\$ 308,567</u>
	<u>December 31, 2023</u>		
	<u>Cost</u>	<u>Allowance</u>	<u>Book value</u>
Raw materials	\$ 143,509	(\$ 24,653)	\$ 118,856
Work in progress	227,611	(125,496)	102,115
Finished goods	51,998	(15,260)	36,738
	<u>\$ 423,118</u>	<u>(\$ 165,409)</u>	<u>\$ 257,709</u>

	March 31, 2023		
	Cost	Allowance	Book value
Raw materials	\$ 150,380	(\$ 20,714)	\$ 129,666
Work in progress	281,645	(62,405)	219,240
Finished goods	30,817	(13,944)	16,873
	<u>\$ 462,842</u>	<u>(\$ 97,063)</u>	<u>\$ 365,779</u>

Expenses and costs incurred as cost of operating revenue for the three-month periods ended March 31, 2024 and 2023 were as follows:

	Three-month periods ended March 31,	
	2024	2023
Cost of goods sold	\$ 259,523	\$ 232,929
(Gain) loss on (reversal of) decline in market price	(19,370)	7,434
Revenue from sale of scraps	(10,611)	(4,366)
	<u>\$ 229,542</u>	<u>\$ 235,997</u>

The Group recognized gain on reversal of market price decline for the three-month period ended March 31, 2024 because some of the inventories previously written down were sold.

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

Items	March 31, 2024	December 31, 2023	March 31, 2023
Non-current items:			
Equity instruments			
Unlisted, OTC, Emerging stocks	\$ 1,456	\$ 1,397	\$ 1,385
Valuation adjustment	-	-	-
	<u>\$ 1,456</u>	<u>\$ 1,397</u>	<u>\$ 1,385</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 \$1,456, \$1,397 and \$1,385 as of March 31, 2024, December 31, 2023 and March 31, 2023.

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>2024</u>	<u>2023</u>
At January 1	\$ 1,625,600	\$ 2,446,614
Share of net loss of investments accounted for using the equity method	(208,708)	(198,187)
Changes in capital surplus	75	-
Net exchange difference	<u>34,198</u>	<u>9,154</u>
At March 31	<u>\$ 1,451,165</u>	<u>\$ 2,257,581</u>

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Associate:			
Unikorn Semiconductor Corporation (“Unikorn”)	\$ 369,948	\$ 450,012	\$ 543,343
Joint ventures:			
Changzhou Chemsemi Co., Ltd. (“Chemsemi”)	929,481	1,038,986	1,599,477
Shanghai Galasemi Co., Ltd. (“Shanghai Galasemi”)	<u>151,736</u>	<u>136,602</u>	<u>114,761</u>
	<u>\$ 1,451,165</u>	<u>\$ 1,625,600</u>	<u>\$ 2,257,581</u>

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

Company name	Principal place of business	Shareholding ratio			Nature of relationship	Methods of measurement
		March 31, 2024	December 31, 2023	March 31, 2023		
Unikorn	Taiwan	39.05%	39.05%	42.06%	Associate	Equity method
Chemsemi	China	20.99%	20.99%	24.21%	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

	<u>Unikorn</u>		
	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Current assets	\$ 467,815	\$ 618,405	\$ 1,055,264
Non-current assets	1,234,546	1,243,672	1,224,226
Current liabilities	(1,106,336)	(1,019,977)	(1,156,366)
Non-current liabilities	<u>(181,482)</u>	<u>(200,247)</u>	<u>(289,842)</u>
Total net assets	<u>\$ 414,543</u>	<u>\$ 641,853</u>	<u>\$ 833,282</u>

	Chemsemi		
	March 31, 2024	December 31, 2023	March 31, 2023
Current assets	\$ 844,721	\$ 1,217,741	\$ 2,411,089
Non-current assets	8,660,444	8,566,201	7,927,399
Current liabilities	(1,151,664)	(1,246,126)	(1,108,117)
Non-current liabilities	(3,928,810)	(3,591,291)	(2,623,692)
Total net assets	<u>\$ 4,424,691</u>	<u>\$ 4,946,525</u>	<u>\$ 6,606,679</u>

	Shanghai Galasemi		
	March 31, 2024	December 31, 2023	March 31, 2023
Current assets	\$ 283,988	\$ 248,483	\$ 205,393
Non-current assets	171,222	171,876	166,747
Current liabilities	(71,801)	(61,073)	(51,680)
Non-current liabilities	(57,538)	(56,230)	(62,143)
Total net assets	<u>\$ 325,871</u>	<u>\$ 303,056</u>	<u>\$ 258,317</u>

Statement of comprehensive income

	Unikorn	
	Three-month periods ended March 31,	
	2024	2023
Net loss	(\$ 227,309)	(\$ 279,372)
Total comprehensive loss	<u>(\$ 227,353)</u>	<u>(\$ 279,372)</u>

	Chemsemi	
	Three-month periods ended March 31,	
	2024	2023
Net loss/ total comprehensive loss	(\$ 629,212)	(\$ 320,762)

	Shanghai Galasemi	
	Three-month periods ended March 31,	
	2024	2023
Net income (loss)/ total comprehensive income (loss)	<u>\$ 24,257</u>	<u>(\$ 18,150)</u>

- 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%. Additionally, as Unikorn issued new shares for employee stock options in December 2023, resulting in a change in the shareholding ratio of Unikorn by the Group from 39.07% to 39.05%.

- E. In February and October 2022, the Group participated in Chemsemi's increase of common stocks for cash amounting to USD 15,837 thousand (NT\$443,899 thousand) and USD 7,885 thousand (NT\$251,191 thousand). In addition, the Group acquired the equity of Chemsemi from another shareholder at RMB 43,356 thousand (NT\$191,137 thousand) in November 2022, and provided part of the shares of Chemsemi held by the Group to another shareholder as guarantee for the payment of the transfer of equity. As of March 31, 2024, the Group had paid all the transfer of equity. Therefore, the collateral had been unpledged on January 4, 2024.
- F. The Group disposed certain equity interests of Chemsemi in November 2023. The disposal proceeds were USD 12,083 thousand (NT\$376,378 thousand). The shareholding ratio after the above disposal was 20.99%.
- G. 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, 2024									
Cost	\$ 141,420	\$ 94,280	\$ 1,454,917	\$ 9,283	\$ 162,138	\$ 9,553	\$ 306,573	\$ 128,742	\$ 2,306,906
Accumulated depreciation and impairment	-	(22,672)	(1,160,593)	(8,742)	(100,741)	(9,438)	(274,501)	-	(1,576,687)
	<u>\$ 141,420</u>	<u>\$ 71,608</u>	<u>\$ 294,324</u>	<u>\$ 541</u>	<u>\$ 61,397</u>	<u>\$ 115</u>	<u>\$ 32,072</u>	<u>\$ 128,742</u>	<u>\$ 730,219</u>
<u>2024</u>									
Opening net book amount	\$ 141,420	\$ 71,608	\$ 294,324	\$ 541	\$ 61,397	\$ 115	\$ 32,072	\$ 128,742	\$ 730,219
Additions	-	-	1,443	-	-	-	-	59	1,502
Transfers	-	-	72,785	-	-	-	-	(72,785)	-
Disposals	-	-	-	(42)	-	-	-	-	(42)
Depreciation charges	-	(690)	(24,844)	(78)	(4,254)	(48)	(1,791)	-	(31,705)
Net exchange differences	5,940	2,996	13,225	20	2,505	4	1,317	4,136	30,143
Closing net book amount	<u>\$ 147,360</u>	<u>\$ 73,914</u>	<u>\$ 356,933</u>	<u>\$ 441</u>	<u>\$ 59,648</u>	<u>\$ 71</u>	<u>\$ 31,598</u>	<u>\$ 60,152</u>	<u>\$ 730,117</u>
At March 31, 2024									
Cost	\$ 147,360	\$ 98,240	\$ 1,590,455	\$ 6,409	\$ 165,964	\$ 9,940	\$ 319,428	\$ 60,152	\$ 2,397,948
Accumulated depreciation and impairment	-	(24,326)	(1,233,522)	(5,968)	(106,316)	(9,869)	(287,830)	-	(1,667,831)
	<u>\$ 147,360</u>	<u>\$ 73,914</u>	<u>\$ 356,933</u>	<u>\$ 441</u>	<u>\$ 59,648</u>	<u>\$ 71</u>	<u>\$ 31,598</u>	<u>\$ 60,152</u>	<u>\$ 730,117</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, 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	-	-	4,701	-	-	-	-	61,949	66,650
Transfers	-	-	77,409	-	418	-	-	(77,827)	-
Depreciation charges	-	(666)	(23,168)	(112)	(4,392)	(47)	(2,413)	-	(30,798)
Net exchange differences	(1,198)	(631)	(2,211)	(8)	(645)	(2)	(353)	(771)	(5,819)
Closing net book amount	<u>\$ 140,222</u>	<u>\$ 73,005</u>	<u>\$ 331,600</u>	<u>\$ 823</u>	<u>\$ 70,771</u>	<u>\$ 254</u>	<u>\$ 38,370</u>	<u>\$ 70,655</u>	<u>\$ 725,700</u>
At March 31, 2023									
Cost	\$ 140,222	\$ 93,482	\$ 1,417,633	\$ 9,212	\$ 159,891	\$ 9,475	\$ 303,982	\$ 70,655	\$ 2,204,552
Accumulated depreciation and impairment	-	(20,477)	(1,086,033)	(8,389)	(89,120)	(9,221)	(265,612)	-	(1,478,852)
	<u>\$ 140,222</u>	<u>\$ 73,005</u>	<u>\$ 331,600</u>	<u>\$ 823</u>	<u>\$ 70,771</u>	<u>\$ 254</u>	<u>\$ 38,370</u>	<u>\$ 70,655</u>	<u>\$ 725,700</u>

A. Amount of borrowing costs capitalized as part of property, plant and equipment for the three-month periods ended March 31, 2024 and 2023: 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 plants. Rental contracts are made for periods of 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants. Short-term leases with a lease term of 12 months or less comprise of office premises and parking spaces. Low-value assets comprise of office equipment.

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

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings	<u>\$ 13,533</u>	<u>\$ 15,280</u>	<u>\$ 21,968</u>
		<u>Three-month periods ended March 31,</u>	
		<u>2024</u>	<u>2023</u>
		<u>Depreciation charge</u>	<u>Depreciation charge</u>
Buildings		<u>\$ 2,347</u>	<u>\$ 2,268</u>

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

	<u>Three-month periods ended March 31,</u>	
	<u>2024</u>	<u>2023</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 129	\$ 204
Expense on short-term lease agreements	573	625
Expense on leases of low-value assets	6	16

D. For the three-month periods ended March 31, 2024 and 2023, the Group's total cash outflow for leases amounted to \$3,123 and \$3,024, respectively.

(8) Intangible assets

	<u>Computer Software</u>	<u>Goodwill</u>	<u>Total</u>
<u>At January 1, 2024</u>			
Cost	\$ 75,772	\$ 178,428	\$ 254,200
Accumulated amortization and impairment	(71,716)	(178,428)	(250,144)
	<u>\$ 4,056</u>	<u>\$ -</u>	<u>\$ 4,056</u>
<u>2024</u>			
At January 1	\$ 4,056	\$ -	\$ 4,056
Addition	1,164	-	1,164
Amortization charges	(1,480)	-	(1,480)
Net exchange differences	164	-	164
At March 31	<u>\$ 3,904</u>	<u>\$ -</u>	<u>\$ 3,904</u>
<u>At March 31, 2024</u>			
Cost	\$ 74,162	\$ 185,923	\$ 260,085
Accumulated amortization and impairment	(70,258)	(185,923)	(256,181)
	<u>\$ 3,904</u>	<u>\$ -</u>	<u>\$ 3,904</u>
	<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	1,459	-	1,459
Amortization charges	(1,838)	-	(1,838)
Net exchange differences	(79)	(402)	(481)
At March 31	<u>\$ 8,683</u>	<u>\$ 47,135</u>	<u>\$ 55,818</u>
<u>At March 31, 2023</u>			
Cost	\$ 74,980	\$ 176,918	\$ 251,898
Accumulated amortization and impairment	(66,297)	(129,783)	(196,080)
	<u>\$ 8,683</u>	<u>\$ 47,135</u>	<u>\$ 55,818</u>

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

	Three-month periods ended March 31,	
	2024	2023
Cost of operating revenue	\$ 1,480	\$ 1,838

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

(9) Impairment of non-financial assets

As of March 31, 2024, 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, 2023.

(10) Non-current assets

Item	March 31, 2024	December 31, 2023	March 31, 2023
Prepayments for equipment	\$ 15,911	\$ 14,278	\$ 52,968
Refundable deposits (Note)	2,468	2,381	2,362
	<u>\$ 18,379</u>	<u>\$ 16,659</u>	<u>\$ 55,330</u>

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

(11) Short-term borrowings

Type of borrowings	March 31, 2024	December 31, 2023	March 31, 2023	Collateral
Bank borrowings				
Secured borrowings	\$ 20,000	\$ 20,000	\$ 20,000	Time deposit (Note)
Interest rate range	2.52%	2.40%	2.40%	

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

(12) Other payables

	March 31, 2024	December 31, 2023	March 31, 2023
Accrued unused compensated absences	\$ 29,460	\$ 25,891	\$ 31,076
Accrued salaries and bonuses	19,572	23,722	23,378
Payables for equipment	5,774	15,541	32,563
Accrued outsourcing manufacturing services charges	4,832	5,829	1,457
Accrued maintenance expenses	4,201	4,037	4,265
Payables for miscellaneous expenses	3,610	2,411	3,232
Accrued utilities	3,412	3,556	3,442
Accrued professional service fees	2,459	202	2,758
Payable for investment (Note)	-	-	187,263
Other accrued expenses	16,292	16,611	29,755
	<u>\$ 89,612</u>	<u>\$ 97,800</u>	<u>\$ 319,189</u>

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

(13) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	March 31, 2024	December 31, 2023
Subsidiary- Global Communication Semiconductor, LLC					
Secured borrowings (Note 1)	(Note 2)	3.50%~ 4.50%	Land and buildings (Note 4)	\$ 211,029	\$ 203,842
Secured borrowings (Note 1)	(Note 3)	4.00%~ 5.00%	Standby letter of credit issued for collateral (Note 4)	-	125,532
				211,029	329,374
Less: Current portion				(211,029)	(329,374)
				\$ -	\$ -

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	March 31, 2023
Subsidiary- Global Communication Semiconductor, LLC				
Secured borrowings (Note 1)	(Note 2)	3.50%~ 4.50%	Land and buildings (Note 4)	\$ 205,878
Non-secured borrowings (Note 1)	(Note 3)	4.00%~ 5.00%	-	152,613
				358,491
Less: Current portion				(42,915)
				\$ 315,576

Note 1: According to the secured loan contract, the Group was required to comply with certain financial covenants by maintaining certain financial ratios during the contract period. On December 31, 2023, the Group did not meet the abovementioned certain financial ratios, the bank had the right to require the Group to make early repayment of the outstanding loan amount. The outstanding loan amount had been reclassified to long-term borrowings, current portion.

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: Borrowing period is from April 22, 2022 to December 31, 2026; interest and principal are repayable monthly. 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. The payment was fully repaid on January 19, 2024.

Note 4 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 periods ended March 31, 2024 and 2023 amounted to \$4,135 and \$4,467, respectively.

(15) Share-based payment-employee compensation plan

A. Through March 31, 2024, December 31, 2023 and March 31, 2023, 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)
Employee stock options	February 2024	3,000 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)
Restricted stocks to employees (Note 3)	February 2024	551,690 shares	2 years	(Note 2)

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

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

Note 3: The restricted stocks to employees are restricted from transferring within vesting period, but are allowed for voting rights and rights to receive dividends. The Company will

recover restricted stocks at no consideration and cancel registration if employees resign or die not due to occupational hazards. However, employees do not need to return dividends already received.

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

	Three-month period ended March 31, 2024		
	No. of options	Currency	Weighted average exercise price (in dollars)
Options outstanding at beginning of the period	3,287,369	NTD	\$ 54.76
Options granted	3,000	NTD	30.35
Options forfeited	(19,000)	NTD	46.06
Options outstanding at end of the period	<u>3,271,369</u>	NTD	54.78
Options exercisable at end of the period	<u>2,738,369</u>	NTD	57.09
	Three-month period ended March 31, 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	40,000	NTD	38.65
Options exercised	(2,667)	NTD	11.10
Options forfeited	(138,000)	NTD	52.10
Options outstanding at end of the period	<u>3,353,453</u>	NTD	53.43
Options exercisable at end of the period	<u>2,487,286</u>	NTD	56.06

C. For the three-month period ended March 31, 2024, no stock options were exercised. The weighted-average stock price of stock options at exercise dates for the three-month period ended March 31, 2023 was \$37.82 (in dollars).

D. As of March 31, 2024, December 31, 2023 and March 31, 2023, the range of exercise prices of stock options outstanding are as follows:

Grant date	Expiry date	March 31, 2024		
		No. of Shares	Currency	Stock options exercise price (in dollars)
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	602,000	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	35,000	NTD	38.65
May 2023	May 2033	75,000	NTD	33.20
July 2023	July 2033	18,000	NTD	34.20
February 2024	February 2034	3,000	NTD	30.35
		<u>3,271,369</u>		

December 31, 2023				
Grant date	Expiry date	No. of Shares	Currency	Stock options exercise price (in dollars)
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>3,287,369</u>		

		March 31, 2023		
Grant date	Expiry date	No. of Shares	Currency	Stock options exercise price (in dollars)
April 2013	April 2023	138,167	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	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	624,000	NTD	48.70
February 2022	February 2032	404,000	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
		<u>3,353,453</u>		

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

Employee restricted stocks	Three-month periods ended March 31,	
	2024	2023
	No. of shares	No. of shares
Outstanding at beginning of the period	673,000	575,000
Granted (Notes 1 and 2)	551,690	483,000
Vested	(435,500)	(366,500)
Retired (uncancelled)	(4,500)	(8,500)
Outstanding at end of the period	<u>784,690</u>	<u>683,000</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 2024 and 2023 was \$30.35 (in dollars) and \$38.65 (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 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%	\$12.63
Employee stock options	February 2024	NTD	\$31.08	\$30.35	12.68%	6.26	1.00%	1.21%	\$9.93

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

	Three-month periods ended March 31,	
	2024	2023
Equity-settled	\$ 3,232	\$ 2,057

(16) Common stock

A. As of March 31, 2024, the Company's paid-in capital was \$1,118,349, consisting of 111,834,924 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	
	2024	2023
Outstanding ordinary shares at January 1	111,277,234	110,810,067
Exercise of employee stock options	-	2,667
Issuance of restricted stocks to employees	551,690	483,000
Restricted stocks retrieved from employees and to be cancelled	(4,500)	(8,500)
Outstanding ordinary shares at March 31	111,824,424	111,287,234
Restricted stocks retrieved from employees and to be cancelled	10,500	23,500
Issued ordinary shares at March 31	111,834,924	111,310,734

B. On June 5, 2020, the shareholders adopted a resolution to reserve 1,000,000 shares for the purpose of granting employee restricted stocks with par value of \$10 (in dollars) per shares, with the effective date filed with the regulator. The subscription price is \$0 (in dollar) per share. The employee restricted stocks issued are subject to certain transfer restrictions before their vesting conditions are met. Other than these restrictions, the rights and obligations of these shares issued are the same as other issued ordinary shares. On March 19, 2021, the Board of Directors resolved to grant 427,000 employee restricted stocks. As of March 31, 2024, the Company had retrieved 78,500 employee restricted stocks in total due to the employees' resignation, and the retrieved shares have been retired.

- C. On July 2, 2021, the shareholders adopted a resolution to reserve 1,000,000 shares for the purpose of granting employee restricted stocks with par value of \$10 (in dollars) per shares, with the effective date filed with the regulator. The subscription price is \$0 (in dollar) per share. The employee restricted stocks issued are subject to certain transfer restrictions before their vesting conditions are met. Other than these restrictions, the rights and obligations of these shares issued are the same as other issued ordinary shares. On February 23, 2022, the Board of Directors resolved to grant 445,000 employee restricted stocks. As of March 31, 2024, the Company had retrieved 45,000 employee restricted stocks in total due to the employees' resignation and 43,000 stocks have been retired. And the remaining 2,000 retrieved stocks as of March 31, 2024 have not been retired.
- D. 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 March 31, 2024, the Company had retrieved 12,500 employee restricted stocks in total due to the employees' resignation and 4,000 stocks have been retired. And the 8,500 retired stocks as of March 31, 2024 have not been retired.
- E. On June 6, 2023, 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, 2024, the Board of Directors resolved to grant 551,690 employee restricted stocks.
- 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 March 31, 2024, 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.

	2024					
	Share premium	Employee stock options	Employee restricted stocks	Recognized changes in equity of associates	Others	Total
At January 1	\$ 1,997,655	\$ 75,984	\$ 24,063	\$ 529,861	\$ 45,617	\$ 2,673,180
Compensation costs of share-based payment	-	534	-	-	-	534
Issuance of restricted stocks to employees	-	-	11,209	-	-	11,209
Restricted stocks to employees vested	15,038	-	(15,038)	-	-	-
Retirement of employee stock options	-	(337)	-	-	-	(337)
Recognized changes in equity of associates	-	-	-	75	-	75
At March 31	<u>\$ 2,012,693</u>	<u>\$ 76,181</u>	<u>\$ 20,234</u>	<u>\$ 529,936</u>	<u>\$ 45,617</u>	<u>\$ 2,684,661</u>

	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	-	884	-	-	-	884
Issuance of restricted stocks to employees	-	-	13,847	-	-	13,847
Exercise of employee stock options	52	(49)	-	-	-	3
Restricted stocks to employees vested	15,291	-	(15,291)	-	-	-
Retirement of employee stock options	-	(4,310)	-	-	1,775	(2,535)
At March 31	<u>\$ 1,997,655</u>	<u>\$ 73,914</u>	<u>\$ 25,032</u>	<u>\$ 696,464</u>	<u>\$ 44,277</u>	<u>\$ 2,837,342</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. 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.

On February 20, 2024, after considering the Company's future operating development, the Board of Directors resolved the 2023 deficit compensation proposal to use special reserve of \$6,821 and capital surplus of \$785,415 to compensate the deficits. The compensation proposal has not been resolved by the shareholders.

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

	2024			
	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	\$ 137,675	(\$ 149,534)	(\$ 4,128)	(\$ 15,987)
Currency translation differences				
-Group	121,172	(1,274)	-	119,898
-Associates	-	(29,917)	-	(29,917)
Compensation costs of share-based payment	-	-	3,035	3,035
Issuance of restricted stocks to employees	-	-	(16,726)	(16,726)
At March 31	<u>\$ 258,847</u>	<u>(\$ 180,725)</u>	<u>(\$ 17,819)</u>	<u>\$ 60,303</u>

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	(31,844)	1,041	-	(30,803)
-Associates	-	30,199	-	30,199
Compensation costs of share-based payment	-	-	3,708	3,708
Issuance of restricted stocks to employees	-	-	(18,677)	(18,677)
At March 31	<u>\$ 95,306</u>	<u>(\$ 98,348)</u>	<u>(\$ 22,290)</u>	<u>(\$ 25,332)</u>

(20) Operating revenue

	<u>Three-month periods ended March 31,</u>	
	<u>2024</u>	<u>2023</u>
Revenue from contracts with customers	<u>\$ 346,986</u>	<u>\$ 270,481</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 March 31, 2024</u>		
	<u>Sales revenue</u>	<u>Royalty revenue</u>	<u>Total</u>
China	\$ 184,976	\$ 6,290	\$ 191,266
United States	105,328	-	105,328
Taiwan	4,811	214	5,025
Others	45,367	-	45,367
	<u>\$ 340,482</u>	<u>\$ 6,504</u>	<u>\$ 346,986</u>
	<u>Three-month period ended March 31, 2023</u>		
	<u>Sales revenue</u>	<u>Royalty revenue</u>	<u>Total</u>
China	\$ 67,265	\$ 1,520	\$ 68,785
United States	138,057	-	138,057
Taiwan	7,410	95	7,505
Others	56,134	-	56,134
	<u>\$ 268,866</u>	<u>\$ 1,615</u>	<u>\$ 270,481</u>

B. Contract liabilities

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

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>	<u>January 1, 2023</u>
Contract liabilities				
– advance sales receipts	\$ <u>7,566</u>	\$ <u>11,815</u>	\$ <u>13,404</u>	\$ <u>12,516</u>

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

	<u>Three-month periods ended March 31,</u>	
	<u>2024</u>	<u>2023</u>
Contract liabilities – advance sales receipts	\$ <u>6,018</u>	\$ <u>4,867</u>

(21) Other gains and losses

	<u>Three-month periods ended March 31,</u>	
	<u>2024</u>	<u>2023</u>
Loss on disposal of property, plant and equipment	(\$ 42)	\$ -
Net currency exchange (losses) gains	(3,031)	454
Other losses	-	(4,494)
	<u>(\$ 3,073)</u>	<u>(\$ 4,040)</u>

(22) Finance costs

	<u>Three-month periods ended March 31,</u>	
	<u>2024</u>	<u>2023</u>
Interest expense	\$ 3,051	\$ 3,636
Leased liabilities - interest expense	129	204
	<u>\$ 3,180</u>	<u>\$ 3,840</u>

(23) Expenses by nature

	<u>Three-month periods ended March 31,</u>	
	<u>2024</u>	<u>2023</u>
Employee benefit expense	\$ <u>175,912</u>	\$ <u>165,607</u>
Depreciation charges on property, plant and equipment and right-of-use assets	\$ <u>34,052</u>	\$ <u>33,066</u>
Amortization charges on intangible assets	\$ <u>1,480</u>	\$ <u>1,838</u>

(24) Employee benefit expense

	Three-month periods ended March 31,	
	2024	2023
Wages and salaries	\$ 154,254	\$ 143,923
Compensation costs of share-based payment	3,232	2,057
Insurance expenses	14,237	15,064
Pension costs	4,135	4,467
Other personnel expenses	54	96
	<u>\$ 175,912</u>	<u>\$ 165,607</u>

- A. According to the Articles of Incorporation of the Company, when distributing earnings, an amount equal to the ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be higher than 15% and lower than 5% for employees' compensation and shall not be higher than 2% for directors' remuneration.
- B. For the three-month periods ended March 31, 2024 and 2023, 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

Components of income tax expense:

	Three-month periods ended March 31,	
	2024	2023
Current tax:		
Current tax on profits for the period	\$ -	\$ -
Prior year income tax over estimation	-	-
Total current tax	-	-
Deferred tax:		
Origination and reversal of temporary differences	-	-
Total deferred tax	-	-
Income tax expense	<u>\$ -</u>	<u>\$ -</u>

- B. Through March 31, 2024, the assessment of income tax returns of the Taiwan subsidiaries are as follows:

Name of subsidiary	Assessment of income tax returns
Global Device Technologies, Co., Ltd.	Assessed and approved up to 2022
D-Tech Optoelectronics (Taiwan) Corporation	Assessed and approved up to 2022

(26) Losses per share

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

	Three-month period ended March 31, 2024		
	Amount after tax	Weighted average outstanding stocks (in thousand of shares)	Losses per share (in dollars)
<u>Basic losses per share</u>			
Losses attributable to ordinary shareholders of the parent (Note)	(\$ 210,409)	110,640	(\$ 1.90)

	Three-month period ended March 31, 2023		
	Amount after tax	Weighted average outstanding stocks (in thousand of shares)	Losses per share (in dollars)
<u>Basic losses per share</u>			
Losses attributable to ordinary shareholders of the parent (Note)	(\$ 293,481)	110,276	(\$ 2.66)

Note: The employees' compensation, employee stock options and employee restricted stocks have anti-dilutive effect for the three-month periods ended March 31, 2024 and 2023, as a result, would not be considered while calculating the diluted EPS.

(27) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Three-month periods ended March 31,	
	2024	2023
Acquisition of property, plant and equipment	\$ 1,502	\$ 66,650
Add: Ending balance of prepayments for equipment (Note 1)	15,911	52,968
Less: Beginning balance of prepayments for equipment (Note 1)	(14,278)	(67,556)
Less: Ending balance of payables for equipment	(5,774)	(32,563)
Add: Beginning balance of payables for equipment	15,541	5,775
Cash paid	<u>\$ 12,902</u>	<u>\$ 25,274</u>

Note 1 : Shown as "Other non-current assets".

	<u>Three-month periods ended March 31,</u>	
	<u>2024</u>	<u>2023</u>
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)	-	(187,263)
Less: Net exchange differences	-	(3,874)
Cash paid	<u>\$ -</u>	<u>\$ -</u>

Note 2 : Shown as “Other payables”.

B. Investing activities with partial cash receivable:

	<u>Three-month periods ended March 31,</u>	
	<u>2024</u>	<u>2023</u>
Proceeds from disposal of property, plant and equipment	\$ -	\$ -
Add: Opening balance of receivables from disposal of equipment (Note)	-	5,682
Less: Ending balance of receivables from disposal of equipment (Note)	-	(5,634)
Less: Net exchange differences	-	(48)
	<u>\$ -</u>	<u>\$ -</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

	Short-term borrowings	Lease liabilities	Long-term borrowings (including current portion)	Liabilities from financing activities
At January 1, 2024	\$ 20,000	\$ 15,184	\$ 329,374	\$ 364,558
Changes in cash flow from financing activities	-	(2,415)	(129,909)	(132,324)
Interest expense	-	129	-	129
Interest paid	-	(129)	-	(129)
Net exchange differences	-	595	11,564	12,159
At March 31, 2024	<u>\$ 20,000</u>	<u>\$ 13,364</u>	<u>\$ 211,029</u>	<u>\$ 244,393</u>

	Short-term borrowings	Lease liabilities	Long-term borrowings (including current portion)	Liabilities from financing activities
At January 1, 2023	\$ 20,000	\$ 24,238	\$ 372,387	\$ 416,625
Changes in cash flow from financing activities	-	(2,179)	(10,722)	(12,901)
Interest expense	-	204	-	204
Interest paid	-	(204)	-	(204)
Net exchange differences	-	(209)	(3,174)	(3,383)
At March 31, 2023	<u>\$ 20,000</u>	<u>\$ 21,850</u>	<u>\$ 358,491</u>	<u>\$ 400,341</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 March 31,</u>	
	<u>2024</u>	<u>2023</u>
Sales of goods:		
Changzhou Galasemi	<u>\$ 1,759</u>	<u>\$ 4,277</u>
Royalty revenue:		
Shanghai Galasem	<u>\$ 6,290</u>	<u>\$ 1,520</u>

B. Purchases:

	<u>Three-month periods ended March 31,</u>	
	<u>2024</u>	<u>2023</u>
Purchases of goods:		
Unikorn	\$ <u>340</u>	\$ <u>164</u>

C. Receivables from related parties:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Accounts receivable:			
Changzhou Galasemi	\$ 576	\$ 377	\$ 7,773
Shanghai Galasemi	6,400	4,453	-
Other receivables –			
Sales of machinery			
and equipment:			
Changzhou Galasemi	-	-	5,634
	<u>\$ 6,976</u>	<u>\$ 4,830</u>	<u>\$ 13,407</u>

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

D. Payables to related parties:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Accounts payable:			
Unikorn	\$ 346	\$ -	\$ -
Other payables:			
Unikorn	5,310	4,754	5,757
Changzhou Galasemi	3,916	3,351	46
	<u>\$ 9,572</u>	<u>\$ 8,105</u>	<u>\$ 5,803</u>

E. Other transactions:

Transaction company	Item	<u>Transaction amounts</u>	
		<u>Three-month periods ended March 31,</u>	
		<u>2024</u>	<u>2023</u>
Unikorn	Outsourcing manufacturing services charges	\$ 8,044	\$ 10,260
Changzhou Galasemi	Outsourcing manufacturing services charges	<u>6,341</u>	<u>46</u>
		<u>\$ 14,385</u>	<u>\$ 10,306</u>

(3) Key management compensation

	Three-month periods ended March 31,	
	2024	2023
Salaries and other short-term employee benefits	\$ 26,967	\$ 27,629
Post-employment benefits	764	884
Compensation costs of share-based payment	745	1,107
	<u>\$ 28,476</u>	<u>\$ 29,620</u>

8. PLEDGED ASSETS

As of March 31, 2024, December 31, 2023 and March 31, 2023, the Group's assets pledged as collateral were as follows:

Assets	March 31, 2024	December 31, 2023	March 31, 2023	Purpose
Investments accounted for using equity method	\$ -	\$ 143,069	\$ 91,139	Guarantee for equity transfer payment (Note 1)
Land	147,360	141,420	140,222	Long-term borrowings (Note 2)
Buildings	73,914	71,608	73,005	Long-term borrowings (Note 2)
Time deposits (Shown as "Other current assets")	35,915	33,188	32,907	Short-term borrowings
Time deposits (Shown as "Other current assets")	-	65,710	-	Standby letter of credit issued for collateral
Refundable deposits (Shown as "Other current asset" and "Other non-current assets")	2,468	2,381	2,402	Deposits for office rental and waste water treatment

Note 1: Please refer to Note 6(5) for investments accounted for using the equity method.

Note 2: Including current portion.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

Capital expenditures contracted for at the balance sheet date but not yet incurred are as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Property, plant and equipment	<u>\$ 7,342</u>	<u>\$ 5,569</u>	<u>\$ 73,106</u>

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

(a) On April 26, 2024, the Company's Board of Directors resolved that the Company's subsidiary, Global Communication Semiconductors, LLC, to acquire a batch of equipment from Unikorn, an investee company whose 39.05% shares are held by the Company. The estimated transaction consideration is \$435,000. The above transaction has yet to be resolved by the shareholders at their meeting.

(b) On April 26, 2024, the Company's Board of Directors resolved to dispose all the shares of Unikorn held by the Company to a related party, Epistar Corporation. Epistar Corporation is a subsidiary of Ennostar Inc. The disposal proceeds amounted to \$450,000. The above disposal transaction has yet to be resolved by the shareholders at their meeting.

12. OTHERS

(1) Capital management

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

(2) Financial instruments

A. Financial instruments by category

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
<u>Financial assets</u>			
Financial assets measured at fair value through other comprehensive income			
Designation of equity instrument	\$ 1,456	\$ 1,397	\$ 1,385
Financial assets at amortized cost			
Cash and cash equivalents	215,869	345,234	337,650
Accounts receivable (including related parties)	256,586	242,286	215,630
Other receivables (including related parties)	2,489	2,844	9,737
Refundable deposits	2,468	2,381	2,402
Time deposits (over three-month period) (Shown as "Other current assets" and "Other non-current assets")	102,980	98,924	32,907
	<u>\$ 581,848</u>	<u>\$ 693,066</u>	<u>\$ 599,711</u>
<u>Financial liabilities</u>			
Financial liabilities at amortized cost			
Short-term borrowings	\$ 20,000	\$ 20,000	\$ 20,000
Accounts payable (including related parties)	52,000	39,607	43,814
Other payables (including related parties)	98,838	105,905	324,992
Long-term borrowings (including current portion)	211,029	329,374	358,491
	<u>\$ 381,867</u>	<u>\$ 494,886</u>	<u>\$ 747,297</u>
Lease liabilities			
(including current and non-current portion)	<u>\$ 13,364</u>	<u>\$ 15,184</u>	<u>\$ 21,850</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:

	<u>March 31, 2024</u>		
	<u>Foreign currency amount (in thousands)</u>	<u>Exchange rate</u>	<u>Book value (NTD)</u>
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
NTD:USD	\$ 77,303	0.031	\$ 77,303
RMB:USD	801	0.138	3,544
<u>Non-monetary items</u>			
NTD:USD	369,948	0.031	369,948
RMB:USD	244,287	0.138	1,081,216

December 31, 2023			
	Foreign currency		Book value (NTD)
	amount (in thousands)	Exchange rate	
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
NTD:USD	\$ 83,774	0.033	\$ 83,774
RMB:NTD	33,798	0.141	146,189
<u>Non-monetary items</u>			
NTD:USD	450,012	0.033	450,012
RMB:USD	271,790	0.141	1,175,588

March 31, 2023			
	Foreign currency		Book value (NTD)
	amount (in thousands)	Exchange rate	
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
NTD:USD	\$ 108,431	0.033	\$ 108,431
<u>Non-monetary items</u>			
NTD:USD	543,343	0.033	543,343
RMB:USD	386,196	0.146	1,714,238

- iii. The total exchange (loss) gain, including realized and unrealized, arising from significant foreign exchange variation on the monetary items held by the Group for the three-month periods ended March 31, 2024 and 2023, amounted to (\$3,031) and \$454, respectively.
- iv. Analysis of foreign currency market risk arising from significant foreign exchange variation:

	Three-month period ended March 31, 2024		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
NTD:USD	1%	\$ 773	\$ -
RMB:USD	1%	35	-
<u>Non-monetary items</u>			
NTD:USD	1%	-	3,699
RMB:USD	1%	-	10,812

	Three-month period ended March 31, 2023		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
NTD:USD	1%	\$ 1,084	\$ -
<u>Non-monetary items</u>			
NTD:USD	1%	-	5,433
RMB:USD	1%	-	17,142

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the credit risk of financial assets at amortized cost.
- ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a minimum rating of "BBB+" are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored.
- iii. The Group does not hold any collateral as security for accounts receivable. As of March 31, 2024, December 31, 2023 and March 31, 2023, with no collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the Group's accounts receivable was \$279,386, \$264,329 and \$246,807, respectively.
- iv. The Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.
- v. The Group adopts the assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
If the contract payment were past due over 30 days, based on the terms, there would be a significant increase in credit risk on that instrument since initial recognition.
- vi. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - a. It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;

- b. The disappearance of an active market for that financial asset because of financial difficulties.
- vii. The Group wrote off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.
- viii. Estimation of expected credit loss for accounts receivable:
- (a) The Group classifies customers' accounts receivable in accordance with credit risk on trade. The Group applies the simplified approach using loss rate methodology to estimate expected credit loss.
- (b) The Group used the forecastability of external research report to adjust historical and timely information for a specific period to assess the default possibility of accounts receivable. As of March 31, 2024, December 31, 2023 and March 31, 2023, the loss rate methodology is as follows:

	Not past due	Less than			Total
		Less than 90 days past due	Less than 180 days and more than 90 days past due	More than 180 days past due	
<u>Accounts receivable</u>					
<u>At March 31, 2024</u>					
Expected loss rate	0%-1%	1%-15%	16%-31%	31%-100%	
Total book value	<u>\$ 233,023</u>	<u>\$ 22,187</u>	<u>\$ 2,752</u>	<u>\$ 21,424</u>	<u>\$ 279,386</u>
Loss allowance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,376</u>	<u>\$ 21,424</u>	<u>\$ 22,800</u>

	Not past due	Less than			Total
		Less than 90 days past due	Less than 180 days and more than 90 days past due	More than 180 days past due	
<u>Accounts receivable</u>					
<u>At December 31, 2023</u>					
Expected loss rate	0%-1%	1%-15%	16%-31%	31%-100%	
Total book value	<u>\$ 214,214</u>	<u>\$ 28,072</u>	<u>\$ -</u>	<u>\$ 22,043</u>	<u>\$ 264,329</u>
Loss allowance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,043</u>	<u>\$ 22,043</u>

	Not past due	Less than			Total
		Less than 90 days past due	Less than 180 days and more than 90 days past due	More than 180 days past due	
<u>Accounts receivable</u>					
<u>At March 31, 2023</u>					
Expected loss rate	0%-1%	1%-15%	16%-31%	31%-100%	
Total book value	<u>\$ 166,183</u>	<u>\$ 48,359</u>	<u>\$ 29,129</u>	<u>\$ 3,136</u>	<u>\$ 246,807</u>
Loss allowance	<u>\$ -</u>	<u>\$ 152</u>	<u>\$ 27,889</u>	<u>\$ 3,136</u>	<u>\$ 31,177</u>

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

	<u>2024</u>		<u>2023</u>	
	Accounts receivable		Accounts receivable	
At January 1	\$	22,043	\$	29,119
Provision for impairment loss		1,352		2,300
Reversal of impairment loss	(1,519)		-
Effect of foreign exchange		924	(242)
At March 31	\$	<u>22,800</u>	\$	<u>31,177</u>

viii. The Group used the forecastability of external research report to adjust historical and timely information for a specific period to assess the default possibility of other receivables (including related parties). As of March 31, 2024, December 31, 2023 and March 31, 2023, the loss rate methodology is as follows:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
	Not past due	Not past due	Not past due
Expected loss rate	0% -100%	0% -100%	0% -100%
Total book value	\$ <u>2,489</u>	\$ <u>2,844</u>	\$ <u>9,737</u>
Loss allowance	\$ <u>-</u>	\$ <u>-</u>	\$ <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 head-room as determined by the above-mentioned forecasts.
- iii. The Group has the following undrawn borrowing facilities:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Floating rate:			
Expiring within one year	\$ <u>6,000</u>	\$ <u>6,000</u>	\$ <u>66,900</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>		
March 31, 2024		
Short-term borrowings	\$ 20,126	\$ -
Accounts payable (including related parties)	52,000	-
Other payables (including related parties)	98,838	-
Lease liabilities	10,547	4,007
Long-term borrowings (including current portion)	214,817	-
	<u>Less than 1 year</u>	<u>Over 1 year</u>
<u>Non-derivative financial liabilities:</u>		
December 31, 2023		
Short-term borrowings	\$ 20,120	\$ -
Accounts payable (including related parties)	39,607	-
Other payables (including related parties)	105,905	-
Lease liabilities	10,043	6,408
Long-term borrowings (including current portion)	402,988	-
	<u>Less than 1 year</u>	<u>Over 1 year</u>
<u>Non-derivative financial liabilities:</u>		
March 31, 2023		
Short-term borrowings	\$ 20,120	\$ -
Accounts payable	43,814	-
Other payables (including related parties)	324,992	-
Lease liabilities	9,727	13,848
Long-term borrowings (including current portion)	59,181	384,781

(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, 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>March 31, 2024</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	\$ -	\$ -	\$ 1,456	\$ 1,456
<u>December 31, 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	\$ -	\$ -	\$ 1,397	\$ 1,397
<u>March 31, 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	\$ -	\$ -	\$ 1,385	\$ 1,385

D. The following chart is the movement of Level 3 for the three-month periods ended March 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
	<u>Equity instrument</u>	<u>Equity instrument</u>
At January 1	\$ 1,397	\$ 1,397
Effect of exchange rate changes	59	(12)
At March 31	<u>\$ 1,456</u>	<u>\$ 1,385</u>

E. For the three-month periods ended March 31, 2024 and 2023, 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 March 31, 2024	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instruments					
Unlisted Company Shares	\$ 1,456	Market comparable companies	Discount for lack of marketability	1.47	The higher the discount for lack of marketability, the lower the fair value
	Fair value at December 31, 2023	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instruments					
Unlisted Company Shares	\$ 1,397	Market comparable companies	Discount for lack of marketability	1.53	The higher the discount for lack of marketability, the lower the fair value
	Fair value at March 31, 2023	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instruments					
Unlisted Company Shares	\$ 1,385	Market comparable companies	Lack of marketability	0.7	The higher the discount for lack of marketability, the lower the fair value

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 9.

(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:

	<u>Three-month periods ended March 31,</u>	
	<u>2024</u>	<u>2023</u>
Revenue from external customers	\$ 346,986	\$ 270,481
Inter-segment revenue	-	-
Total segment revenue	<u>\$ 346,986</u>	<u>\$ 270,481</u>
Segment loss (Note)	<u>(\$ 210,409)</u>	<u>(\$ 293,481)</u>
Note: Exclusive of income tax.		
	<u>March 31, 2024</u>	<u>March 31, 2023</u>
Segment assets	<u>\$ 3,358,021</u>	<u>\$ 4,269,206</u>
Segment liabilities	<u>\$ 490,532</u>	<u>\$ 860,483</u>

(3) Reconciliation for segment income (loss)

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

GCS HOLDINGS, INC. AND SUBSIDIARIES

Loans to others

Three-month period ended March 31, 2024

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the three-month period ended	Balance at	Actual	Interest rate	Nature of loan (Note 2)	Amount of	Reason for short-term financing	Allowance	Collateral		Limit on loans	Ceiling on	Footnote
					March 31, 2024 (Note 3)	March 31, 2024	amount drawn down			with the borrower		for doubtful accounts	Item	Value	granted to a single party (Note 3)	total loans granted (Note 3)	
1	Global Communication Semiconductors, LLC	D-Tech Optoelectronics, Inc.	Other receivable - related parties	Yes	\$ 64,000	\$ 64,000	\$ -	Settled by contract	2	\$ -	Operation	\$ -	None	\$ -	\$ 373,247	\$ 373,247	Note 4
0	GCS Holdings, Inc.	Global Communication Semiconductors, LLC	Other receivable - related parties	Yes	160,000	160,000	64,000	2%	2	-	Operation	-	None	-	1,146,996	1,146,996	Note 5

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

(1)The Company is '0'.

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

Note 2: In the 'Nature of loan' column:

(1)The business transaction is '1'.

(2)The short-term financing is '2'.

Note 3: According to the Company's "Procedures for Lending Funds to Other Parties", the total amount available for lending purpose shall not exceed forty percent (40%) of the net worth of the Company. The total amount for lending to a company having business relationship with the Company shall not exceed the total transaction amount between the parties during the period of twelve (12) months prior to the time of lending (For the purpose of this Procedure, the "transaction amount" shall mean the sales or purchasing amount between the parties, whichever is higher), and shall not exceed ten percent (10%) of the net worth of the Company. The total amount for lending to a company for funding for a short-term period shall not exceed ten percent (10%) of the net worth of the Company. In addition, the total amount lendable to any one borrower shall be no more than thirty percent (30%) of the borrower's net worth, provided that this restriction will not apply to subsidiaries whose voting shares are 100% owned, directly or indirectly, by the Company. The total amount for fund-lending between the subsidiaries whose voting shares are 100% owned, directly or indirectly, by the Company will not be subject to the limit of forty percent (40%) of the net worth of the lending subsidiary. The total amount of lending provided by the Company to any individual entities are limited to forty percent (40%) of the Company's net worth and the term of each loan shall not exceed one year.

Note 4: On October 31, 2023, the Company's Board of Directors resolved to approve Global Communication Semiconductors, LLC to lend to its subsidiary D-Tech Optoelectronics Inc. with the limitation amounting to USD2,000,000, and the actual drawdown was USD0.

Note 5: On May 2, 2023, the Company's Board of Directors resolved to approve GCS Holdings, Inc. to lend to its subsidiary Global Communication Semiconductors, LLC with the limitation amounting to USD5,000,000, and the actual drawdown was USD2,000,000.

GCS HOLDINGS, INC. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

Three-month period ended March 31, 2024

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Company name	Party being endorsed/guaranteed Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3,4)	Maximum outstanding endorsement/ guarantee amount for the three- month period ended March 31, 2024	Outstanding endorsement/ guarantee amount at March 31, 2024	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3,4)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in mainland China	Footnote
0	GCS Holdings, Inc.	GCS Device Technologies, Co., Ltd.	2	\$ 1,146,996	\$ 32,000	\$ 32,000	\$ 20,000	\$ 32,000	1.12%	\$ 1,146,996	Y	N	N	
0	GCS Holdings, Inc.	Global Communication Semiconductors, LLC	2	1,146,996	64,000	64,000	-	-	2.23%	1,146,996	Y	N	N	
1	GCS Device Technologies, Co., Ltd.	GCS Holdings, Inc.	3	37,008	32,000	32,000	-	-	103.76%	37,008	N	Y	N	Note 4

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

- (1)The Company is '0'.
- (2)The subsidiaries are numbered in order starting from '1'.

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

- (1)Having with which it does business.
- (2)The endorser/guarantor parent company owns directly or indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (3)The endorser/guarantor parent company owns directly or indirectly more than 50% voting shares of the endorsed/guaranteed company.
- (4)The endorsed/guaranteed parent company owns directly or indirectly more than jointly 90% voting shares of the endorser/guarantor company.
- (5)Mutual guarantee of the trade or co-contractor as required by the construction contract.
- (6)Due to joint venture, mutual shareholder provides endorsements/guarantees to the endorsed/guaranteed company in ratio to its ownership.
- (7)Companies in the same industry provide among themselves joint and several security for a performance guarantee of sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: According to the Company's "Procedures for Endorsement and Guarantee", the total amount of endorsement/guarantee provided by the Company is limited to 40% of the Company's net worth, and the total amount of the guarantee provided by the Company to any individual entity is limited to 10% of the Company's net worth. The total amount of the guarantee provided by the Company to any subsidiary whose voting shares are 100% owned, directly or indirectly, by the Company shall not exceed 40% of the Company's net worth. The aggregate total amount of endorsement/guarantee provided by the Company and its subsidiaries shall not exceed 50% of the Company's net worth.

Note 4: According to the GCS Device Technologies, Co., Ltd.'s "Procedures for Endorsement and Guarantee". The total amount of endorsement/guarantee provided by the Company is limited to 40% of its net worth. For any one endorsee/guarantee company, the limit shall not exceed 10% of the Company's net worth, nor the net worth of the endorsee/guarantee company, whichever is lower. The aforementioned limit for any one endorsee/guarantee company and the limit of total net worth of the endorsee/guarantee company shall not exceed 120% of the Company's net worth for endorsement/guarantee provided to the subsidiaries whose voting shares are 100% directly or indirectly owned by the Company or the holding companies who directly or indirectly owns 100% voting shares of the Company; or endorsement/guarantee provided between the subsidiaries whose voting shares are 100% directly or indirectly owned by the Company. The aggregate total amount of endorsement/guarantee provided by the Company and its subsidiaries shall not exceed 120% of the Company's net worth. And the aggregate limitation amount for any one endorsement/guarantee provided by the Company and its subsidiaries shall be calculated by the limitation of each company.

GCS HOLDINGS, INC.

Holding of marketable securities at the end of the year

March 31, 2024

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of March 31, 2024				Footnote (Note 4)
				Number of shares	Book value (Note 3)	Ownership (%)	Fair value	
Global Communication Semiconductors, LLC	ElectroPhotonic-IC Inc.	None.	Financial assets at fair value through other comprehensive income	41,617	\$ 1,456	0.35%	\$ 1,456	None

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

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

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

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

GCS HOLDINGS, INC. AND SUBSIDIARIES
Significant inter-company transactions during the reporting period
Three-month period ended March 31, 2024

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction		Percentage of consolidated total operating revenues or total assets (Note 3)	
				General ledger account	Amount		
1	D-Tech Optoelectronics, Inc.	Global Communication Semiconductors, LLC	3	Accounts receivable - related party	\$ 2,532	Conducted in the ordinary course of business with terms similar to those with third parties	0.08%
1	D-Tech Optoelectronics, Inc.	Global Communication Semiconductors, LLC	3	Service revenue	3,182	Conducted in the ordinary course of business with terms similar to those with third parties	0.92%
2	GCS Device Technologies, Co., Ltd.	GCS Holdings, Inc.	2	Service revenue	1,950	Conducted in the ordinary course of business with terms similar to those with third parties	0.56%
2	GCS Device Technologies, Co., Ltd.	GCS Holdings, Inc.	2	Accounts receivable - related party	2,048	Conducted in the ordinary course of business with terms similar to those with third parties	0.06%
3	Global Communication Semiconductors, LLC	GCS Holdings, Inc.	2	Other payable-related party	64,996	Loans to others	1.94%

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

(1)Parent company is '0'.

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

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

(1)Parent company to subsidiary.

(2)Subsidiary to parent company.

(3)Subsidiary to subsidiary.

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

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

Three-month period ended March 31, 2024

Table 10

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee (Note 1、2)	Location	Main business activities	Initial investment amount		Shares held as of March 31, 2024			Net profit (loss) of the investee for the three-month period ended March 31, 2024 (Note 2(2))	Investment income (loss) recognized by the Company for the three- month period ended March 31, 2024 (Note 2(3))	Footnote
				Balance as of March 31, 2024	Balance as of December 31, 2023	Number of shares	Ownership (%)	Book value			
GCS Holdings, Inc.	Global Communication Semiconductors, LLC	Los Angeles, USA	1. Manufacturing of compound semiconductor wafers and foundry related services as well as granting royalty rights for intellectual property 2. Manufacturing and selling of advanced optoelectronics technology products	\$ 535,350	\$ 403,975	-	100%	\$ 933,117	\$ 10,349	\$ 10,349	Subsidiary
GCS Holdings, Inc.	GCS Device Technologies, Co., Ltd.	Taiwan	Product design and research development services	12,000	12,000	-	100%	30,840	1,166	1,166	Subsidiary
GCS Holdings, Inc.	Unikom Semiconductor Corporation	Taiwan	Specialized OEM of III-V compound semiconductors	1,664,000	1,664,000	131,400,000	39.05%	369,948 (227,309) (88,598)	Investee company of parent company
Global Communication Semiconductors, LLC	D-Tech Optoelectronics, Inc.	Los Angeles, USA	Developing, manufacturing and selling of photodiodes and avalanche photodiodes for telecommunication systems and data communication networks	393,380	393,380	360,000	100%	15,666 (7,898) (7,898)	Subsidiary
D-Tech Optoelectronics, Inc.	D-Tech Optoelectronics (Taiwan) Corporation	Taiwan	Manufacturing, retailing and wholesaling of telecommunications devices, and manufacturing and wholesaling of electronic components	49,840	49,840	1,800,000	100%	3,345	3	3	Subsidiary、 Note 3

Note 1: If a public company is equipped with an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

- (1)The columns of 'Investee', 'Location', 'Main business activities', 'Initial investment amount' and 'Shares held as at March 31, 2024' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.
- (2)The 'Net profit (loss) of the investee for the three-month period ended March 31, 2024' column should fill in amount of net profit (loss) of the investee for this period.
- (3)The 'Investment income (loss) recognized by the Company for the three-month period ended March 31, 2024' column should fill in the Company (public company) recognized investment income (loss) of its direct subsidiary and recognized investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognized investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognized by regulations.

Note 3: On October 20, 2023, the Board of Directors of the subsidiary, D-Tech Optoelectronics (Taiwan) Corporation, resolved to reduce capital and cash of \$40,000 thousand of cash to its shareholders. The paid-in capital after the capital reduction was 1,800,000 shares. On November 1, 2022, the Company's Board of Directors resolved to dissolve and liquidate the subsidiary, D-Tech Optoelectronics (Taiwan) Corporation. The Company obtained the dissolution registration letter approved by the local competent authority on December 22, 2023, and has not yet completed the liquidation process.

GCS HOLDINGS, INC.AND SUBSIDIARIES

Information on investments in mainland China

Three-month period ended March 31, 2024

Table 11

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to mainland China as of March 31, 2024	Amount remitted from Taiwan to mainland China/ Amount remitted back to Taiwan for the three-month period ended March 31, 2024		Accumulated amount of remittance from Taiwan to mainland China as of March 31, 2024	Net income of investee for the three-month period ended March 31, 2024	Ownership held by the Company (direct or indirect)	Investment loss recognized by the Company for the three- month period ended March 31, 2024 (Note 5)	Book value of investments in mainland China as of March 31, 2024	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2024	Footnote
					Remitted to mainland China	Remitted back to Taiwan							
Changzhou Chemsemi Co., Ltd.	Manufacturing and selling of semiconductor discrete devices, integrated circuit chips and related products; Designing and services of integrated circuit chips; Manufacturing and selling of optoelectronic device.	\$ 2,636,875	2	-	-	-	-	(\$ 629,212)	20.99%	(\$ 132,073)	\$ 929,481	-	Note 2(2)C、 Note 4
Shanghai Galasemi Co., Ltd.	Technical services and development services in the field of optoelectronic technology, and selling of semiconductor discrete devices	294,516	2	-	-	-	-	24,257	48.00%	11,963	151,736	-	Note 2(2)C、 Note 4
Company name	Accumulated amount of remittance from Taiwan to mainland China as of March 31, 2024	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in mainland China imposed by the Investment Commission of MOEA										
Changzhou Chemsemi Co., Ltd.	\$ -	\$ -	\$ -										
Shanghai Galasemi Co., Ltd.	-	-	-										

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

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

Note 2: In the 'Investment income (loss) recognized by the Company for March 31, 2024' column:

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

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

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

Note 5: The investment loss recognized by the Company for the three-month period ended March 31, 2024 included the adjustment of unrealized gain and losses.

GCS HOLDINGS, INC. AND SUBSIDIARIES

Major shareholders information

March 31, 2024

Table 12

Name of major shareholders	Shares	
	Number of shares	Ownership (%)
ENNOSTAR INC.	9,028,000	8.07%
Harvestar Investment Corp.	9,013,000	8.05%
Calystar Investment Corp.	6,500,000	5.81%

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

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

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

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

(5)The total number of shares that have been delivered without physical registration (including treasury stocks) are 111,834,924 = 111,834,924 (common shares) + 0 (preferred shares).