

GCS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
SEPTEMBER 30, 2021 AND 2020

For the convenience of readers and for information purpose only, the auditors' report and the accompanying 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 financial statements shall prevail.

INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

To GCS Holdings, Inc.

Introduction

We have reviewed the accompanying consolidated balance sheets of GCS Holdings, Inc. and subsidiaries (the "Group") as of September 30, 2021 and 2020, and the related consolidated statements of comprehensive income for the three-month and nine-month periods then ended, as well as the consolidated statements of changes in equity and of cash flows for the nine-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of our review

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

Basis for qualified conclusion

As explained in Note 6(4), 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 method amounted to NT\$1,145,285 thousand and NT\$1,088,059 thousand, respectively, constituting 31% and 27% of the consolidated total assets as of September 30, 2021 and 2020; and share of comprehensive loss of associates and joint ventures accounted for using the equity method amounted to NT\$130,611 thousand, NT\$11,422 thousand, NT\$320,143 thousand and NT\$125,730 thousand, respectively, constituting 143%, 17%, 111% and 141% of the consolidated total comprehensive loss for the three-month and nine-month periods then ended.

Qualified conclusion

Based on our reviews, except for the effect of such adjustments, if any, as might have been determined to be necessary had the financial statements of investments account for under equity method been reviewed by independent auditors as described in the *Basis for qualified conclusion* section, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2021 and 2020, and of its consolidated financial performance and its consolidated cash flows for the three-month and nine-month periods then ended in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Cheng, Ya-Huei

Lin, Yu-Kuan

For and on behalf of PricewaterhouseCoopers, Taiwan

November 5, 2021

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

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

GCS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2021, DECEMBER 31, 2020 AND SEPTEMBER 30, 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(THE BALANCE SHEETS AS OF SEPTEMBER 30, 2021 AND 2020 ARE REVIEWED, NOT AUDITED)

Assets	Notes	September 30, 2021		December 31, 2020		September 30, 2020		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 909,407	24	\$ 1,106,476	28	\$ 1,146,721	28
1170	Accounts receivable, net	6(2)	184,014	5	197,537	5	190,908	5
1180	Accounts receivable - related party	6(2) and 7	4,133	-	-	-	-	-
1200	Other receivables		11,860	-	9,698	-	25,225	1
1210	Other receivables due from related parties	7	78,671	2	-	-	-	-
1220	Current income tax assets		31,265	1	31,945	1	19,813	1
130X	Inventories	6(3)	327,498	9	362,021	9	365,119	9
1410	Prepayments		32,361	1	32,881	1	17,050	-
1470	Other current assets	8	30,145	1	172,763	5	176,520	4
11XX	Total current Assets		<u>1,609,354</u>	<u>43</u>	<u>1,913,321</u>	<u>49</u>	<u>1,941,356</u>	<u>48</u>
Non-current assets								
1550	Investments accounted for using equity method	6(4)	1,145,285	31	1,013,963	26	1,088,059	27
1600	Property, plant and equipment	6(5) and 8	659,532	18	695,634	18	730,225	18
1755	Right-of-use assets	6(6)	5,037	-	9,365	-	14,107	-
1780	Intangible assets	6(7)	138,427	4	144,655	4	187,197	4
1840	Deferred income tax assets		104,412	3	116,767	3	117,134	3
1990	Other non-current assets	6(9) and 8	37,944	1	4,370	-	6,221	-
15XX	Total non-current assets		<u>2,090,637</u>	<u>57</u>	<u>1,984,754</u>	<u>51</u>	<u>2,142,943</u>	<u>52</u>
1XXX	Total assets		<u>\$ 3,699,991</u>	<u>100</u>	<u>\$ 3,898,075</u>	<u>100</u>	<u>\$ 4,084,299</u>	<u>100</u>

(Continued)

GCS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2021, DECEMBER 31, 2020 AND SEPTEMBER 30, 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(THE BALANCE SHEETS AS OF SEPTEMBER 30, 2021 AND 2020 ARE REVIEWED, NOT AUDITED)

Liabilities and Equity		Notes	September 30, 2021		December 31, 2020		September 30, 2020	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities								
2100	Short-term borrowings	6(10)	\$ 20,000	-	\$ 20,000	-	\$ 20,000	1
2130	Current contract liabilities	6(19)	26,490	1	14,815	-	16,617	-
2170	Accounts payable		21,342	1	22,249	1	9,390	-
2200	Other payables	6(11)	110,965	3	111,043	3	172,531	4
2230	Current income tax liabilities		42	-	53	-	60	-
2280	Current lease liabilities		4,950	-	6,045	-	6,040	-
2320	Long-term borrowings, current portion	6(12)	12,190	-	22,828	1	23,066	1
2399	Other current liabilities		1,298	-	2,788	-	904	-
21XX	Total current liabilities		<u>197,277</u>	<u>5</u>	<u>199,821</u>	<u>5</u>	<u>248,608</u>	<u>6</u>
Non-current liabilities								
2540	Long-term borrowings	6(12)	195,047	5	106,993	3	115,114	3
2570	Deferred income tax liabilities		61,048	2	60,674	2	69,898	2
2580	Non-current lease liabilities		-	-	3,491	-	5,171	-
25XX	Total non-current liabilities		<u>256,095</u>	<u>7</u>	<u>171,158</u>	<u>5</u>	<u>190,183</u>	<u>5</u>
2XXX	Total liabilities		<u>453,372</u>	<u>12</u>	<u>370,979</u>	<u>10</u>	<u>438,791</u>	<u>11</u>
Equity								
Equity attributable to owners of the parent								
Share capital 6(15)								
3110	Common stock		916,966	25	914,058	23	914,353	22
Capital surplus 6(16)								
3200	Capital surplus		1,709,935	46	1,703,520	44	1,710,744	43
Retained earnings 6(17)								
3320	Special reserve		6,821	-	6,821	-	6,821	-
3350	Unappropriated retained earnings		919,892	25	1,144,997	29	1,233,390	30
Other equity interest 6(18)								
3400	Other equity interest		(224,986)	(6)	(151,430)	(4)	(128,930)	(4)
3500	Treasury stocks	6(15)	(82,009)	(2)	(90,870)	(2)	(90,870)	(2)
3XXX	Total equity		<u>3,246,619</u>	<u>88</u>	<u>3,527,096</u>	<u>90</u>	<u>3,645,508</u>	<u>89</u>
Significant contingent liabilities and unrecognized contract commitments 9								
Significant events after the reporting period 11								
3X2X	Total liabilities and equity		<u>\$ 3,699,991</u>	<u>100</u>	<u>\$ 3,898,075</u>	<u>100</u>	<u>\$ 4,084,299</u>	<u>100</u>

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

GCS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2021 AND 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR LOSSES PER SHARE)
(REVIEWED, NOT AUDITED)

	Items	Notes	Three-month period ended September 30				Nine-month period ended September 30			
			2021		2020		2021		2020	
			AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(19)	\$ 318,374	100	\$ 358,437	100	\$ 927,238	100	\$ 1,137,802	100
5000	Cost of operating revenue	6(3)(22)	(217,704)	(68)	(211,442)	(59)	(648,554)	(70)	(643,083)	(57)
5900	Net operating margin		<u>100,670</u>	<u>32</u>	<u>146,995</u>	<u>41</u>	<u>278,684</u>	<u>30</u>	<u>494,719</u>	<u>43</u>
	Operating expenses	6(22)(23)								
6100	Selling and marketing expenses		(8,348)	(2)	(8,008)	(2)	(22,706)	(2)	(23,841)	(2)
6200	General and administrative expenses		(47,147)	(15)	(51,449)	(15)	(152,975)	(17)	(160,389)	(14)
6300	Research and development expenses		(37,035)	(12)	(50,949)	(14)	(121,668)	(13)	(138,107)	(12)
6450	Net impairment income (loss) on financial assets	12(2)	<u>3</u>	<u>-</u>	<u>2,988</u>	<u>1</u>	<u>(877)</u>	<u>-</u>	<u>3,235</u>	<u>-</u>
6000	Total operating expenses		<u>(92,527)</u>	<u>(29)</u>	<u>(107,418)</u>	<u>(30)</u>	<u>(298,226)</u>	<u>(32)</u>	<u>(319,102)</u>	<u>(28)</u>
6900	Operating profit (loss)		<u>8,143</u>	<u>3</u>	<u>39,577</u>	<u>11</u>	<u>(19,542)</u>	<u>(2)</u>	<u>175,617</u>	<u>15</u>
	Non-operating income and expenses									
7100	Interest income		1,902	1	2,141	-	4,883	-	11,512	1
7010	Other income	6(12)	(314)	-	1	-	88,101	9	1	-
7020	Other gains and losses	6(20) and 7	30,657	10	(1,332)	-	27,236	3	(3,456)	-
7050	Finance costs	6(21)	(1,843)	(1)	(778)	-	(2,918)	-	(2,627)	-
7060	Share of net loss of associates and joint ventures accounted for using equity method	6(4)	<u>(125,761)</u>	<u>(40)</u>	<u>(65,151)</u>	<u>(18)</u>	<u>(324,219)</u>	<u>(35)</u>	<u>(166,484)</u>	<u>(15)</u>
7000	Total non-operating income and expenses		<u>(95,359)</u>	<u>(30)</u>	<u>(65,119)</u>	<u>(18)</u>	<u>(206,917)</u>	<u>(23)</u>	<u>(161,054)</u>	<u>(14)</u>
7900	Profit (loss) before income tax		<u>(87,216)</u>	<u>(27)</u>	<u>(25,542)</u>	<u>(7)</u>	<u>(226,459)</u>	<u>(25)</u>	<u>14,563</u>	<u>1</u>
7950	Income tax benefit (expense)	6(24)	<u>1,350</u>	<u>-</u>	<u>(8,833)</u>	<u>(3)</u>	<u>7,206</u>	<u>1</u>	<u>(40,433)</u>	<u>(3)</u>
8200	Net loss for the period		<u><u>(\$ 85,866)</u></u>	<u><u>(27)</u></u>	<u><u>(\$ 34,375)</u></u>	<u><u>(10)</u></u>	<u><u>(\$ 219,253)</u></u>	<u><u>(24)</u></u>	<u><u>(\$ 25,870)</u></u>	<u><u>(2)</u></u>
	Other comprehensive income (loss)									
	Other comprehensive loss components that will not be reclassified to profit or loss									
8361	Financial statements translation differences of foreign operations	6(18)	<u>(\$ 932)</u>	<u>-</u>	<u>(\$ 93,114)</u>	<u>(26)</u>	<u>(\$ 76,423)</u>	<u>(8)</u>	<u>(\$ 107,646)</u>	<u>(10)</u>
	Components of other comprehensive (loss) income that will be reclassified to profit or loss									
8370	Share of other comprehensive (loss) income of subsidiaries, associates and joint ventures accounted for using equity method, financial statements translation differences of foreign operations	6(18)	<u>(4,759)</u>	<u>(2)</u>	<u>58,966</u>	<u>17</u>	<u>7,145</u>	<u>1</u>	<u>44,531</u>	<u>4</u>
8300	Total other comprehensive loss, net		<u><u>(\$ 5,691)</u></u>	<u><u>(2)</u></u>	<u><u>(\$ 34,148)</u></u>	<u><u>(9)</u></u>	<u><u>(\$ 69,278)</u></u>	<u><u>(7)</u></u>	<u><u>(\$ 63,115)</u></u>	<u><u>(6)</u></u>
8500	Total comprehensive loss for the period		<u><u>(\$ 91,557)</u></u>	<u><u>(29)</u></u>	<u><u>(\$ 68,523)</u></u>	<u><u>(19)</u></u>	<u><u>(\$ 288,531)</u></u>	<u><u>(31)</u></u>	<u><u>(\$ 88,985)</u></u>	<u><u>(8)</u></u>
	Loss attributable to:									
8610	Owners of the parent		<u>(\$ 85,866)</u>	<u>(27)</u>	<u>(\$ 34,375)</u>	<u>(10)</u>	<u>(\$ 219,253)</u>	<u>(24)</u>	<u>(\$ 25,948)</u>	<u>(2)</u>
8620	Non-controlling interest		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78</u>	<u>-</u>	
	Total		<u><u>(\$ 85,866)</u></u>	<u><u>(27)</u></u>	<u><u>(\$ 34,375)</u></u>	<u><u>(10)</u></u>	<u><u>(\$ 219,253)</u></u>	<u><u>(24)</u></u>	<u><u>(\$ 25,870)</u></u>	<u><u>(2)</u></u>
	Total comprehensive loss attributable to:									
8710	Owners of the parent		<u>(\$ 91,557)</u>	<u>(29)</u>	<u>(\$ 68,523)</u>	<u>(19)</u>	<u>(\$ 288,531)</u>	<u>(31)</u>	<u>(\$ 89,064)</u>	<u>(8)</u>
8720	Non-controlling interest		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>79</u>	<u>-</u>	
	Total		<u><u>(\$ 91,557)</u></u>	<u><u>(29)</u></u>	<u><u>(\$ 68,523)</u></u>	<u><u>(19)</u></u>	<u><u>(\$ 288,531)</u></u>	<u><u>(31)</u></u>	<u><u>(\$ 88,985)</u></u>	<u><u>(8)</u></u>
	Losses per share	6(25)								
9750	Basic losses per share (in dollars)		<u><u>(\$ 0.95)</u></u>		<u><u>(\$ 0.39)</u></u>		<u><u>(\$ 2.45)</u></u>		<u><u>(\$ 0.29)</u></u>	
9850	Diluted losses per share (in dollars)		<u><u>(\$ 0.95)</u></u>		<u><u>(\$ 0.39)</u></u>		<u><u>(\$ 2.45)</u></u>		<u><u>(\$ 0.29)</u></u>	

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

GCS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2021 AND 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(REVIEWED, NOT AUDITED)

	Equity Attributable To Owners Of The Parent										
	Notes	Retained Earnings				Other Equity Interest				Non-Controlling Interest	Total Equity
		Common Stock	Capital Surplus	Special Reserve	Unappropriated Retained Earnings	Financial Statements Translation Differences Of Foreign Operations	Unearned Compensation Costs	Treasury Stocks	Total		
<u>Nine-month period ended September 30, 2020</u>											
Balance at January 1, 2020		\$ 908,335	\$ 1,447,954	\$ 6,821	\$ 1,304,961	(\$ 42,043)	(\$ 13,841)	(\$ 90,870)	\$ 3,521,317	\$ 5,791	\$ 3,527,108
Consolidated net (loss) income for the period		-	-	-	(25,948)	-	-	-	(25,948)	78	(25,870)
Other comprehensive (loss) income for the period	6(18)	-	-	-	-	(63,116)	-	-	(63,116)	1	(63,115)
Total comprehensive (loss) income for the period		-	-	-	(25,948)	(63,116)	-	-	(89,064)	79	(88,985)
Distribution of 2019 earnings:											
Cash dividends	6(17)	-	-	-	(45,623)	-	-	-	(45,623)	-	(45,623)
Compensation costs of share-based payment	6(14)(16)(18)	-	18,204	-	-	-	13,272	-	31,476	-	31,476
Issuance of restricted stocks to employees	6(14)(15)(16)(18)	5,180	18,022	-	-	-	(23,202)	-	-	-	-
Exercise of employee stock options	6(14)(15)(16)	838	4,487	-	-	-	-	-	5,325	-	5,325
Disposal of a subsidiary		-	-	-	-	-	-	-	-	(5,870)	(5,870)
Recognized changes in equity of associates	6(16)	-	222,077	-	-	-	-	-	222,077	-	222,077
Balance at September 30, 2020		\$ 914,353	\$ 1,710,744	\$ 6,821	\$ 1,233,390	(\$ 105,159)	(\$ 23,771)	(\$ 90,870)	\$ 3,645,508	\$ -	\$ 3,645,508
<u>Nine-month period ended September 30, 2021</u>											
Balance at January 1, 2021		\$ 914,058	\$ 1,703,520	\$ 6,821	\$ 1,144,997	(\$ 140,668)	(\$ 10,762)	(\$ 90,870)	\$ 3,527,096	\$ -	\$ 3,527,096
Consolidated net loss for the period		-	-	-	(219,253)	-	-	-	(219,253)	-	(219,253)
Other comprehensive loss for the period	6(18)	-	-	-	-	(69,278)	-	-	(69,278)	-	(69,278)
Total comprehensive loss for the period		-	-	-	(219,253)	(69,278)	-	-	(288,531)	-	(288,531)
Compensation costs of share-based payment	6(14)(16)(18)	-	7,707	-	-	-	16,278	-	23,985	-	23,985
Issuance of restricted stocks to employees	6(14)(15)(16)(18)	4,270	16,768	-	-	-	(21,038)	-	-	-	-
Retirement of restricted stocks to employees	6(14)(15)(16)(18)	(95)	(387)	-	-	-	482	-	-	-	-
Exercise of employee stock options	6(14)(15)(16)	3	2	-	-	-	-	-	5	-	5
Retirement of treasury stocks	6(15)(16)	(1,270)	(1,739)	-	(5,852)	-	-	8,861	-	-	-
Recognized changes in equity of associates	6(16)	-	(15,936)	-	-	-	-	-	(15,936)	-	(15,936)
Balance at September 30, 2021		\$ 916,966	\$ 1,709,935	\$ 6,821	\$ 919,892	(\$ 209,946)	(\$ 15,040)	(\$ 82,009)	\$ 3,246,619	\$ -	\$ 3,246,619

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

GCS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2021 AND 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(REVIEWED, NOT AUDITED)

	Notes	Nine-month period ended September 30	
		2021	2020
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
(Loss) profit before tax		(\$ 226,459)	\$ 14,563
Adjustments			
Adjustments to reconcile profit (loss)			
Net impairment loss (income) on financial assets	12(2)	877	(3,235)
Depreciation	6(5)(6)(22)	85,679	89,482
Amortization	6(7)(22)	4,856	4,951
Interest expense	6(21)	2,918	2,627
Interest income		(4,883)	(11,512)
Compensation cost of share-based payment	6(14)	23,985	31,476
Gain on disposal of property, plant and equipment	6(20) and 7	(11,133)	(211)
Payroll protection loan exempt income	6(12)	(88,101)	-
Share of net loss of associates and joint ventures accounted for using equity method	6(4)	324,219	166,484
Gain on disposal of investments	6(5)(20)	(7,751)	(1,967)
Gain on disposal of a subsidiary	6(20) and 7	(12,890)	-
Impairment loss on non-financial assets	6(5)(20)	1,070	-
Loss on subsidiary liquidation	6(20)	-	188
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		-	7
Accounts receivable		7,069	124,257
Accounts receivable- related parties		(4,133)	-
Other receivables		(4,435)	(7,166)
Inventories		19,674	(29,461)
Prepayments		(84)	(6,605)
Changes in operating liabilities			
Contract liabilities		12,097	5,217
Accounts payable		(418)	(6,167)
Other payables		(1,004)	(17,669)
Other current liabilities		(1,440)	-
Other non-current liabilities		-	147
Cash inflow generated from operations		<u>119,713</u>	<u>355,406</u>
Interest received		6,958	9,985
Interest paid		(2,904)	(2,535)
Income tax refund received		19,148	-
Income tax paid		(366)	(32,036)
Net cash flows from operating activities		<u>142,549</u>	<u>330,820</u>

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GCS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2021 AND 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(REVIEWED, NOT AUDITED)

	Notes	Nine-month period ended September 30	
		2021	2020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of investment accounted for using the equity method	6(4) and 7	(\$ 484,615)	(\$ 864,693)
Acquisition of property, plant and equipment	6(26)	(97,248)	(61,434)
Proceeds from disposal of property, plant and equipment	6(26)	281	253
Acquisition of intangible assets	6(7)	(330)	(799)
Decrease (increase) in other current assets		139,897	(149,896)
Decrease in other non-current assets		387	7,033
Disposal of a subsidiary-decrease in cash	6(26)	(24,675)	(11,707)
Proceeds from liquidation of a subsidiary		-	5,924
Increase in refundable deposits		-	(200)
Decrease in refundable deposits		-	133
Net cash flows used in investing activities		(466,303)	(1,075,386)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from short-term borrowings	6(27)	20,000	20,000
Repayments of short-term borrowings	6(27)	(20,000)	(20,000)
Proceeds from long-term borrowings	6(27)	204,581	93,594
Repayments of long-term borrowings	6(27)	(35,709)	(17,132)
Repayments of lease liabilities	6(27)	(4,410)	(5,386)
Decrease in guarantee deposit received		-	(168)
Proceeds from exercise of employee stock options		5	5,325
Net cash flows from financing activities		164,467	76,233
Effect of changes in exchange rates		(37,782)	(23,940)
Net decrease in cash and cash equivalents		(197,069)	(692,273)
Cash and cash equivalents at beginning of period	6(1)	1,106,476	1,838,994
Cash and cash equivalents at end of period	6(1)	\$ 909,407	\$ 1,146,721

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

GCS HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2021 AND 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)
(REVIEWED, NOT AUDITED)

1. HISTORY AND ORGANIZATION

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

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

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

These consolidated financial statements were reported to the Board of Directors on November 5, 2021.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

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

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

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

- (2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC that has not yet adopted
New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2020, except for the compliance statement, basis of preparation and basis of consolidation as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

- A. The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IAS 34, 'Interim financial reporting' as endorsed by the FSC.
- B. These consolidated financial statements are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2020.

(2) Basis of preparation

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

(3) Basis of consolidation

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

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Note
			September 30, 2021	December 31, 2020	September 30, 2020	
The Company	Global Communication Semiconductors, LLC	1. Manufacturing of compound semiconductor wafers and foundry related services as well as granting royalty rights for intellectual property 2. Manufacturing and selling of advanced optoelectronics technology products	100	100	100	-
The Company	GCS Device Technologies, Co., Ltd.	Product design and research development services	100	100	100	-
The Company	GCOM Semiconductor Co., Ltd.	Wholesaling and retailing of electronic components, product design, and outsourcing management services	100	100	100	-
The Company	Changzhou Galasemi Co., Ltd.	Manufacturing and selling of semiconductor discrete devices, and technical services, technical development and advisory services	-	100	-	(Note)

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Note
			September 30, 2021	December 31, 2020	September 30, 2020	
Global Communication Semiconductors, LLC	D-Tech Optoelectronics, Inc.	Developing, manufacturing and selling of photodiodes and avalanche photodiodes for telecommunication systems and data communication networks	100	100	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: Changzhou Galasemi Co., Ltd. was established on September 17, 2020. The Company had sold out all the shares of Changzhou Galasemi Co., Ltd. in July 2021, therefore Changzhou Galasemi Co., Ltd. is no longer included in the Group's consolidated financial statements.

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

(4) Income tax

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

(5) Government grants

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

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, 2020.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Cash on hand	\$ 115	\$ 111	\$ 117
Checking accounts and demand deposits	904,392	1,101,465	1,142,104
Time deposits	4,900	4,900	4,500
	<u>\$ 909,407</u>	<u>\$ 1,106,476</u>	<u>\$ 1,146,721</u>

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

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

(2) Accounts receivable

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Accounts receivable	\$ 185,179	\$ 199,218	\$ 191,616
Accounts receivable-related party	4,133	-	-
Less: Loss allowance	(1,165)	(1,681)	(708)
	<u>\$ 188,147</u>	<u>\$ 197,537</u>	<u>\$ 190,908</u>

A. As of September 30, 2021, December 31, 2020 and September 30, 2020, accounts receivable were all from contracts with customers. And as of January 1, 2020, the balance of receivables from contracts with customers was \$317,067.

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

(3) Inventories

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

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

	<u>September 30, 2020</u>		
	<u>Cost</u>	<u>Allowance</u>	<u>Book value</u>
Raw materials	\$ 129,449	(\$ 23,272)	\$ 106,177
Work in progress	253,812	(33,514)	220,298
Finished goods	43,643	(4,999)	38,644
	<u>\$ 426,904</u>	<u>(\$ 61,785)</u>	<u>\$ 365,119</u>

Expenses and costs incurred as cost of operating revenue for the three-month and nine-month periods ended September 30, 2021 and 2020 were as follows:

	<u>Three-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Cost of goods sold	\$ 242,178	\$ 232,706
Gain on recovery of market price decline	(8,696)	(3,365)
Revenue from sale of scraps	(15,778)	(17,899)
	<u>\$ 217,704</u>	<u>\$ 211,442</u>

	<u>Nine-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Cost of goods sold	\$ 690,283	\$ 678,946
Loss on market price decline	1,401	14,159
Revenue from sale of scraps	(43,130)	(50,022)
	<u>\$ 648,554</u>	<u>\$ 643,083</u>

(4) Investments accounted for using the equity method

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

	<u>2021</u>	<u>2020</u>
At January 1	\$ 1,013,963	\$ -
Transfer from financial assets at fair value through other comprehensive income	-	164,000
Addition of investments accounted for using the equity method	484,615	864,693
Share of net loss of investments accounted for using the equity method	(324,219)	(166,484)
Changes in capital surplus	(15,936)	222,077
Gain on disposal of investments transferred from other comprehensive income due to changes in ownership of associates	7,751	1,967
Unrealized gains (Note)	(10,697)	-
Net exchange difference	(10,192)	1,806
At September 30	<u>\$ 1,145,285</u>	<u>\$ 1,088,059</u>

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Associate:			
Unikorn Semiconductor Corporation (“Unikorn”)	\$ 317,952	\$ 318,241	\$ 393,319
Joint ventures:			
Changzhou Chemsemi Co., Ltd. (“Chemsemi”) (Formerly named Changzhou Neo-Episky Co., Ltd.)	763,676	695,722	694,740
Shanghai Galasemi Co., Ltd. (“Shanghai Galasemi”)	63,657	-	-
	<u>\$ 1,145,285</u>	<u>\$ 1,013,963</u>	<u>\$ 1,088,059</u>

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

Company name	Principal place of business	Shareholding ratio			Nature of relationship	Methods of measurement
		September 30, 2021	December 31, 2020	September 30, 2020		
Unikorn	Taiwan	45.39%	34.73%	34.73%	Associate	Equity method
Chemsemi	China	28.94%	32.80%	32.80%	Joint venture	Equity method
Galasemi	China	48.00%	-	-	Joint venture	Equity method

C. The summarized financial information of the associate and joint ventures that is material to the Group is as follows:

Balance sheet

	Unikorn		
	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Current assets	\$ 621,745	\$ 112,763	\$ 124,942
Non-current assets	1,152,271	1,265,832	1,134,767
Current liabilities	(1,113,709)	(834,411)	(671,108)
Non-current liabilities	(358,108)	(160,171)	-
Total net assets	<u>\$ 302,199</u>	<u>\$ 384,013</u>	<u>\$ 588,601</u>
	Chemsemi (Formerly named Changzhou Neo-Episky Co., Ltd.)		
	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Current assets	\$ 1,634,583	\$ 1,148,053	\$ 2,144,623
Non-current assets	2,100,033	1,164,763	96,260
Current liabilities	(496,473)	(190,806)	(121,811)
Non-current liabilities	(599,317)	(1,030)	(1,086)
Total net assets	<u>\$ 2,638,826</u>	<u>\$ 2,120,980</u>	<u>\$ 2,117,986</u>

	Shanghai Galasemi		
	September 30, 2021	December 31, 2020	September 30, 2020
Current assets	\$ 202,126	\$ -	\$ -
Non-current assets	43,447	-	-
Current liabilities	(90,765)	-	-
Non-current liabilities	-	-	-
Total net assets	<u>\$ 154,808</u>	<u>\$ -</u>	<u>\$ -</u>

Statement of comprehensive income

	Unikorn	
	Three-month period ended September 30, 2021	Three-month period ended September 30, 2020
Net loss/ total comprehensive loss	<u>\$ 184,070</u>	<u>\$ 175,839</u>

	Unikorn	
	Nine-month period ended September 30, 2021	January 30, 2020 (acquisition date) to September 30, 2020
Net loss/ total comprehensive loss	<u>\$ 581,814</u>	<u>\$ 453,362</u>

	Chemsemi (Formerly named Changzhou Neo-Episky Co., Ltd.)	
	Three-month period ended September 30, 2021	Three-month period ended September 30, 2020
Net loss/ total comprehensive loss	<u>\$ 138,878</u>	<u>\$ 10,175</u>

	Chemsemi (Formerly named Changzhou Neo-Episky Co., Ltd.)	
	Nine-month period ended September 30, 2021	May 13, 2020 (acquisition date) to September 30, 2020
Net loss/ total comprehensive loss	<u>\$ 314,049</u>	<u>\$ 13,765</u>

	Shanghai Galasemi
	Three-month period ended September 30, 2021
Net loss/ total comprehensive loss	<u>\$ 15,913</u>

	Shanghai Galasemi
	April 12, 2021 (acquisition date) to September 30, 2021
Net loss/ total comprehensive loss	<u>\$ 21,733</u>

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

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

- E. In order to expand operation scale, increase profits and strengthen competitiveness, the Group invested in Changzhou Neo-Episky Co., Ltd. for RMB 110 million (US\$ 15,479 thousand) in May 2020. Additionally, Changzhou Neo-Episky Co., Ltd. was renamed as Changzhou Chemsemi Co., Ltd. in August 2020.
- F. The Group invested USD 3,000 thousand (NTD\$ 84,615 thousand) in Shanghai Galasemi Co., Ltd. in April 2021. The joint venture is mainly engaged in the design and sales of electronic components for the optical communication market.

(5) Property, plant and equipment

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

	Land	Buildings	Machinery equipment	Computer and communication equipment	Research equipment	Office equipment	Leasehold improvements	Construction in progress	Total
At January 1, 2020									
Cost	\$ 138,058	\$ 92,039	\$ 1,189,695	\$ 10,647	\$ 99,712	\$ 11,514	\$ 293,827	\$ 104,363	\$ 1,939,855
Accumulated depreciation	-	(11,614)	(840,230)	(8,895)	(50,181)	(10,271)	(242,856)	-	(1,164,047)
	<u>\$ 138,058</u>	<u>\$ 80,425</u>	<u>\$ 349,465</u>	<u>\$ 1,752</u>	<u>\$ 49,531</u>	<u>\$ 1,243</u>	<u>\$ 50,971</u>	<u>\$ 104,363</u>	<u>\$ 775,808</u>
<u>2020</u>									
Opening net book amount	\$ 138,058	\$ 80,425	\$ 349,465	\$ 1,752	\$ 49,531	\$ 1,243	\$ 50,971	\$ 104,363	\$ 775,808
Additions	-	-	34,276	255	3,521	-	-	21,486	59,538
Transfers	-	-	101,885	-	-	-	-	(101,885)	-
Disposals	-	-	(26)	-	-	(17)	-	-	(43)
Depreciation charges	-	(1,962)	(63,158)	(681)	(8,772)	(478)	(5,681)	-	(80,732)
Impairment loss	-	-	(2,823)	-	-	(6)	-	-	(2,829)
Net exchange differences	(4,052)	(2,314)	(11,392)	(41)	(1,215)	(21)	(1,359)	(1,123)	(21,517)
Closing net book amount	<u>\$ 134,006</u>	<u>\$ 76,149</u>	<u>\$ 408,227</u>	<u>\$ 1,285</u>	<u>\$ 43,065</u>	<u>\$ 721</u>	<u>\$ 43,931</u>	<u>\$ 22,841</u>	<u>\$ 730,225</u>
At September 30, 2020									
Cost	\$ 134,006	\$ 89,337	\$ 1,284,960	\$ 10,514	\$ 100,044	\$ 11,097	\$ 285,445	\$ 22,841	\$ 1,938,244
Accumulated depreciation and impairment	-	(13,188)	(876,733)	(9,229)	(56,979)	(10,376)	(241,514)	-	(1,208,019)
	<u>\$ 134,006</u>	<u>\$ 76,149</u>	<u>\$ 408,227</u>	<u>\$ 1,285</u>	<u>\$ 43,065</u>	<u>\$ 721</u>	<u>\$ 43,931</u>	<u>\$ 22,841</u>	<u>\$ 730,225</u>

A. Amount of borrowing costs capitalized as part of property, plant and equipment for the nine-month periods ended September 30, 2021 and 2020: None.

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

(6) Leasing arrangements — lessee

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

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

	<u>September 30, 2021</u> <u>Carrying amount</u>	<u>December 31, 2020</u> <u>Carrying amount</u>	<u>September 30, 2020</u> <u>Carrying amount</u>
Buildings	\$ 5,037	\$ 9,365	\$ 11,004
Machinery equipment	-	-	3,103
	<u>\$ 5,037</u>	<u>\$ 9,365</u>	<u>\$ 14,107</u>

	<u>Three-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Buildings	\$ 1,375	\$ 1,450
Machinery equipment	-	1,091
	<u>\$ 1,375</u>	<u>\$ 2,541</u>

	<u>Nine-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Buildings	\$ 4,154	\$ 5,306
Machinery equipment	-	3,444
	<u>\$ 4,154</u>	<u>\$ 8,750</u>

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

	<u>Three-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 97	\$ 200
Expense on short-term lease agreements	49	650
Expense on leases of low-value assets	9	18

	<u>Nine-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 364	\$ 724
Expense on short-term lease agreements	1,415	1,516
Expense on leases of low-value assets	26	38

D. For the nine-month periods ended September 30, 2021 and 2020, the Group's total cash outflow for leases amounted to \$6,215 and \$7,664, respectively.

(7) Intangible assets

	<u>Computer Software</u>	<u>Goodwill</u>	<u>Total</u>
<u>At January 1, 2021</u>			
Cost	\$ 76,575	\$ 165,472	\$ 242,047
Accumulated amortization and impairment	(58,750)	(38,642)	(97,392)
	<u>\$ 17,825</u>	<u>\$ 126,830</u>	<u>\$ 144,655</u>
<u>2021</u>			
At January 1	\$ 17,825	\$ 126,830	\$ 144,655
Transferred from construction in progress	1,707	-	1,707
Additions	330	-	330
Amortization charges	(232)	-	(232)
Effects due to changes in consolidated entities	(4,856)	-	(4,856)
Net exchange differences	(371)	(2,806)	(3,177)
At September 30	<u>\$ 14,403</u>	<u>\$ 124,024</u>	<u>\$ 138,427</u>
<u>At September 30, 2021</u>			
Cost	\$ 75,862	\$ 161,811	\$ 237,673
Accumulated amortization and impairment	(61,459)	(37,787)	(99,246)
	<u>\$ 14,403</u>	<u>\$ 124,024</u>	<u>\$ 138,427</u>
	<u>Computer Software</u>	<u>Goodwill</u>	<u>Total</u>
<u>At January 1, 2020</u>			
Cost	\$ 78,068	\$ 174,186	\$ 252,254
Accumulated amortization and impairment	(55,222)	-	(55,222)
	<u>\$ 22,846</u>	<u>\$ 174,186</u>	<u>\$ 197,032</u>
<u>2020</u>			
At January 1	\$ 22,846	\$ 174,186	\$ 197,032
Additions	799	-	799
Amortization charges	(4,951)	-	(4,951)
Net exchange differences	(571)	(5,112)	(5,683)
At September 30	<u>\$ 18,123</u>	<u>\$ 169,074</u>	<u>\$ 187,197</u>
<u>At September 30, 2020</u>			
Cost	\$ 76,585	\$ 169,074	\$ 245,659
Accumulated amortization and impairment	(58,462)	-	(58,462)
	<u>\$ 18,123</u>	<u>\$ 169,074</u>	<u>\$ 187,197</u>

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

	Three-month periods ended September 30,	
	2021	2020
Cost of operating revenue	\$ 1,622	\$ 1,596
General and administrative expenses	2	44
	<u>\$ 1,624</u>	<u>\$ 1,640</u>
	Nine-month periods ended September 30,	
	2021	2020
Cost of operating revenue	\$ 4,842	\$ 4,811
General and administrative expenses	14	140
	<u>\$ 4,856</u>	<u>\$ 4,951</u>

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

(8) Impairment of non-financial assets

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

As of September 30, 2021, 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, 2020.

(9) Non-current assets

Item	September 30, 2021	December 31, 2020	September 30, 2020
Prepayments for equipment	\$ 34,006	\$ -	\$ 1,687
Refundable deposits (Note 1)	2,184	2,229	2,273
Reserve account-demand deposits (Note 2)	1,754	1,824	1,944
Time deposits (Note 2)	-	317	317
	<u>\$ 37,944</u>	<u>\$ 4,370</u>	<u>\$ 6,221</u>

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

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

(10) Short-term borrowings

Type of borrowings	September 30, 2021	December 31, 2020	September 30, 2020	Collateral
Bank borrowings				
Secured borrowings	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 20,000</u>	Time deposit (Note)
Interest rate range	<u>1.53%</u>	<u>1.66%</u>	<u>1.70%</u>	

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

(11) Other payables

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Accrued salaries and bonuses	\$ 51,715	\$ 57,085	\$ 68,857
Accrued unused compensated absences	26,664	29,370	27,926
Payables for equipment	3,605	389	4,759
Accrued outsourcing manufacturing services charges	4,066	2,027	3,576
Accrued professional service fees	3,527	448	876
Accrued utilities	3,416	2,270	3,188
Dividends payable	-	-	45,623
Accrued employees' compensation and directors' remuneration	-	-	3,518
Other accrued expenses	17,972	19,454	14,208
	<u>\$ 110,965</u>	<u>\$ 111,043</u>	<u>\$ 172,531</u>

(12) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate</u>	<u>Collateral</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Subsidiary- Global Communication Semiconductor, LLC					
Secured borrowings (Note 1)	(Note 3)	3.50% ~4.00%	Land and buildings (Note 8)	\$ 196,178	\$ 33,146
Non-secured borrowings	(Note 5)	1.00%		-	82,524
Subsidiary- D-Tech Optoelectronics (Taiwan) Corporation					
Secured borrowings (Note 1)	(Note 4)	2.57%	(Note 2)	5,817	7,287
Subsidiary- D-Tech Optoelectronics, Inc.					
Non-secured borrowings	(Note 6)	1.00%		-	6,864
Non-secured borrowings	(Note 7)	1.00%		5,242	-
				<u>207,237</u>	<u>129,821</u>
Less: Current portion				(<u>12,190</u>)	(<u>22,828</u>)
				<u>\$ 195,047</u>	<u>\$ 106,993</u>

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	September 30, 2020
Subsidiary- Global Communication Semiconductor, LLC Secured borrowings (Note 1)	(Note 3)	4.00%	Land and buildings (Note 8)	\$ 39,075
Non-secured borrowings	(Note 5)	1.00%		84,320
Subsidiary- D-Tech Optoelectronics (Taiwan) Corporation Secured borrowings (Note 1)	(Note 4)	2.57% ~2.67%	(Note 2)	7,771
Subsidiary- D-Tech Optoelectronics, Inc. Secured borrowings	(Note 6)	1.00%		7,014
				<u>138,180</u>
Less: Current portion				(<u>23,066</u>)
				<u>\$ 115,114</u>

Note 1: According to the secured loan contract, the Group was required to comply with certain financial covenants by maintaining certain financial ratios, such as debt coverage ratio, on an annual basis. As of September 30, 2021, December 31, 2020 and September 30, 2020, the Group had not violated any of the required financial covenants.

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

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

Note 4: Borrowing period is from August 2, 2019 to July 4, 2024; interest and principal are repayable monthly.

Note 5: It refers to Paycheck Protection Program (“PPP”) applied from banks with the loan period from April 20, 2020 to April 20, 2022. The PPP loan must be used for operating expenses, such as salary, rent and other expenses as specified in the loan agreement in order to apply for loan forgiveness. The Company’s subsidiary, Global Communication Semiconductor, LLC had received the approval of the loan forgiveness from Small Business Administration (“SBA”) on June 9, 2021 and \$81,336 was recognized as income from PPP (recognized as “Other income”).

Note 6: It refers to Paycheck Protection Program (“PPP”) applied from banks with the loan period from April 29, 2020 to April 29, 2022. The PPP loan must be used for operating expenses, such as salary, rent and other expenses as specified in the loan agreement in order to apply for loan forgiveness. The Company’s subsidiary, D-Tech Optoelectronics, Inc. had received the approval of the loan forgiveness from SBA on January 6, 2021 and \$6,765 was recognized as income from PPP (recognized as “Other income”).

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

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

(13) Pension plan

- A. The Group’s US subsidiary has established a 401(K) pension plan (the “Plan”) covering substantially all employees. The Plan provides voluntary salary reduction contributions by eligible participants in accordance with Section 401(K) of the Internal Revenue Code (IRC), as well as discretionary matching contributions below 15% of employees’ salaries from the Company’s subsidiary to its employees’ individual pension accounts.
- B. The Group’s Taiwan subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company’s Taiwan subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- C. The pension costs under the above pension plans of the Group for the three-month and nine-month periods ended September 30, 2021 and 2020 amounted to \$3,949, \$4,381, \$12,769 and \$14,524, respectively.

(14) Share-based payment-employee compensation plan

A. Through September 30, 2021, December 31, 2020 and September 30, 2020, the Group's share-based payment transactions are set forth below:

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

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

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

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

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

	Nine-month period ended September 30, 2021		
	No. of options	Currency	Weighted average exercise price (in dollars)
Options outstanding at beginning of the period	2,546,183	NTD	\$ 57.47
Options granted	840,000	NTD	49.82
Options exercised	(313)	NTD	17.30
Options forfeited	(103,000)	NTD	51.84
Options outstanding at end of the period	<u>3,282,870</u>	NTD	55.70
Options exercisable at end of the period	<u>2,021,703</u>	NTD	58.34
	Nine-month period ended September 30, 2020		
	No. of options	Currency	Weighted average exercise price (in dollars)
Options outstanding at beginning of the period	2,523,079	NTD	\$ 58.45
Options granted	253,000	NTD	45.31
Options exercised	(83,750)		63.03
Options forfeited	(54,146)	NTD	44.61
Options outstanding at end of the period	<u>2,638,183</u>	NTD	57.29
Options exercisable at end of the period	<u>1,592,225</u>	NTD	56.47

C. The weighted-average stock price of stock options at exercise dates for the nine-month periods ended September 30, 2021 and 2020 was \$50.01 (in dollars) and \$50.79 (in dollars), respectively.

D. As of September 30, 2021, December 31, 2020 and September 30, 2020, the range of exercise prices of stock options outstanding are as follows:

		September 30, 2021		
Grant date	Expiry date	No. of Shares	Currency	Stock options exercise price (in dollars)
April 2013	April 2023	140,834	NTD	\$ 11.10
October 2013	October 2023	7,917	NTD	17.30
November 2014	November 2024	52,000	NTD	31.90
February 2015	February 2025	230,119	NTD	40.20
March 2016	March 2026	5,000	NTD	69.20
August 2016	August 2026	689,000	NTD	64.10
November 2016	November 2026	26,000	NTD	62.70
February 2017	February 2027	15,000	NTD	55.70
August 2017	August 2027	200,000	NTD	64.80
January 2018	January 2028	8,000	NTD	84.50
February 2018	February 2028	315,000	NTD	81.40
August 2018	August 2028	14,000	NTD	62.30
March 2019	March 2029	548,000	NTD	59.50
August 2019	August 2029	25,000	NTD	58.00
March 2020	March 2030	220,000	NTD	44.80
August 2020	August 2030	3,000	NTD	53.60
November 2020	November 2030	6,000	NTD	48.00
March 2021	March 2031	778,000	NTD	49.80
		<u>3,282,870</u>		

		December 31, 2020		
Grant date	Expiry date	No. of Shares	Currency	Stock options exercise price (in dollars)
April 2013	April 2023	146,834	NTD	\$ 11.10
October 2013	October 2023	8,230	NTD	17.30
November 2014	November 2024	52,000	NTD	31.90
February 2015	February 2025	230,119	NTD	40.20
March 2016	March 2026	5,000	NTD	69.20
August 2016	August 2026	689,000	NTD	64.10
November 2016	November 2026	26,000	NTD	62.70
February 2017	February 2027	15,000	NTD	55.70
August 2017	August 2027	205,000	NTD	64.80
January 2018	January 2028	13,000	NTD	84.50
February 2018	February 2028	315,000	NTD	81.40
August 2018	August 2028	19,000	NTD	62.30
November 2018	November 2028	5,000	NTD	48.20
March 2019	March 2029	548,000	NTD	59.50
August 2019	August 2029	40,000	NTD	58.00
March 2020	March 2030	220,000	NTD	44.80
August 2020	August 2030	3,000	NTD	53.60
November 2020	November 2030	6,000	NTD	48.00
		<u>2,546,183</u>		

		September 30, 2020		
Grant date	Expiry date	No. of Shares	Currency	Stock options exercise price (in dollars)
April 2013	April 2023	146,834	NTD	\$ 11.10
October 2013	October 2023	8,230	NTD	17.30
November 2014	November 2024	52,000	NTD	31.90
February 2015	February 2025	250,119	NTD	40.20
March 2016	March 2026	5,000	NTD	69.20
August 2016	August 2026	707,000	NTD	64.10
November 2016	November 2026	26,000	NTD	62.70
February 2017	February 2027	15,000	NTD	55.70
August 2017	August 2027	205,000	NTD	64.80
January 2018	January 2028	13,000	NTD	84.50
February 2018	February 2028	315,000	NTD	81.40
August 2018	August 2028	19,000	NTD	62.30
November 2018	November 28	5,000	NTD	48.20
March 2019	March 2029	578,000	NTD	59.50
August 2019	August 2029	40,000	NTD	58.00
March 2020	March 2030	250,000	NTD	44.80
Aug-20	August 2030	3,000	NTD	53.60
		<u>2,638,183</u>		

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

Employee restricted stocks	Nine-month periods ended September 30,	
	2021	2020
	No. of shares	No. of shares
Outstanding at beginning of the period	768,000	768,000
Granted (Notes 1 and 2)	427,000	518,000
Vested	(518,000)	(484,500)
Retired (cancelled)	(5,500)	-
Retired (uncancelled)	(55,500)	(29,500)
Outstanding at end of the period	<u>616,000</u>	<u>772,000</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 March 2021 and 2020 was \$49.80 (in dollars) and \$45.20 (in dollars), respectively.

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

Type of arrangement	Grant date	Currency	Fair value (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option period (years)	Expected dividend yield rate	Risk-free interest rate	Weighted average fair value (in dollars)
Employee stock options	March 2020	NTD	\$ 63.11	\$ 45.20	50.77%	6.26	1.00%	0.48%	\$ 42.83
Employee stock options	August 2020	NTD	53.79	54.10	31.18%	6.26	1.00%	0.40%	24.71
Employee stock options	November 2020	NTD	48.02	48.00	15.76%	6.26	1.00%	0.32%	19.10
Employee stock options	March 2021	NTD	50.18	49.80	13.98%	6.26	1.00%	0.45%	19.91
Employee stock options	April 2021	NTD	51.27	50.60	23.28%	6.26	1.00%	0.42%	21.84

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

	Three-month periods ended September 30,	
	2021	2020
Equity-settled	<u>\$ 8,075</u>	<u>\$ 11,328</u>
	Nine-month periods ended September 30,	
	2021	2020
Equity-settled	<u>\$ 23,985</u>	<u>\$ 31,476</u>

(15) Common stock

A. As of September 30, 2021, the Company's paid-in capital was \$916,966, consisting of 91,696,567 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

	<u>2021</u>	<u>2020</u>
Outstanding ordinary shares at January 1	90,024,754	89,456,504
Exercise of employee stock options	313	83,750
Issuance of restricted stocks to employees	427,000	518,000
Retirement of restricted stocks to employees	(5,500)	-
Restricted stocks retrieved from employees and to be cancelled	(55,500)	(29,500)
Outstanding ordinary shares at September 30	90,391,067	90,028,754
Treasury stocks	1,250,000	1,377,000
Restricted stocks retrieved from employees and to be cancelled	55,500	29,500
Issued ordinary shares at September 30	<u>91,696,567</u>	<u>91,435,254</u>

B. On May 15, 2018, the shareholders adopted a resolution to reserve 1,000,000 shares for the purpose of granting employee restricted stocks with par value of \$10 (in dollars) per shares, with the effective date filed with the regulator. The subscription price is \$0 (in dollar) per share. The employee restricted stocks issued are subject to certain transfer restrictions before their vesting conditions are met. Other than these restrictions, the rights and obligations of these shares issued are the same as other issued ordinary shares. On September 3, 2018 and March 15, 2019, the Board of Directors resolved to grant 28,000 and 570,000 employee restricted stocks, respectively. As of September 30, 2021, the Company had retrieved 23,000 employee restricted stocks in total due to the employees' resignation, and the retrieved shares have been retired.

C. On June 5, 2019, the shareholders adopted a resolution to reserve 1,000,000 shares for the purpose of granting employee restricted stocks with par value of \$10 (in dollars) per shares, with the effective date filed with the regulator. The subscription price is \$0 (in dollar) per share. The employee restricted stocks issued are subject to certain transfer restrictions before their vesting conditions are met. Other than these restrictions, the rights and obligations of these shares issued are the same as other issued ordinary shares. On March 16, 2020, the Board of Directors resolved to grant 518,000 employee restricted stocks. As of September 30, 2021, the Company had retrieved 29,000 employee restricted stocks in total due to the employees' resignation, and the retrieved shares have been retired. Additionally, on September 30, 2021, the Company had retrieved 55,500 employee restricted stocks in total due to employees' resignation, and the retrieved shares have not been retired.

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

E. On April 2, 2018, the Board of Directors resolved to increase cash capital by issuing ordinary shares for participating in issuance of Global Depositary Receipts (“GDRs”) in order to fund the purchase of plant, machinery and equipment, and overseas purchases of raw materials. On July 31, 2018, the Company received the official letter No. 1070326367 from the FSC of approval of the issuance of ordinary shares for participating in issuance of GDRs, while on October 31, 2018, the Company received another official letter No.1070118798 for the extension of three months to complete the aforementioned issuance. On December 19, 2018, the Board of Directors resolved to adjust the number of shares to be issued from the range of 15,000,000 to 25,000,000 ordinary shares to 8,000,000 to 25,000,000 ordinary shares. The aforementioned adjustment was approved by the FSC with the receipt of the official letter No.1070121974. The Company’s GDRs began trading on the Luxembourg Stock Exchange on January 21, 2019.

The actual number of units of GDRs for this offering was 1,600,000 and each GDR represents five of the Company’s ordinary shares, which in the aggregate representing 8,000,000 ordinary shares. The offering price per GDR was US\$8.20 (in dollars). The actual cash received was US\$12,989 thousand (approximately \$400,717) after deducting issuance costs. The fundraising had been fully collected by the Company as of January 22, 2019, and the change registration of this capital increase had been completed. As of September 30, 2021, the number of outstanding GDRs was 1,200 thousand units, or 6,000 thousand shares of common stock, representing 6.54% of the Company’s total common stocks.

The terms of GDR are as follows:

(a) Voting rights

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

(b) Dividends, stocks warrant and other rights

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

F. Treasury stocks

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

		September 30, 2021	
Name of company holding the shares	Reason for repurchase	Number of shares	Carrying amount
The Company	To be reissued to employees	1,250,000	\$ 82,009

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

		September 30, 2020	
Name of company holding the shares	Reason for repurchase	Number of shares	Carrying amount
The Company	To be reissued to employees	1,377,000	\$ 90,870

- (b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares repurchased as treasury shares should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus.
- (c) Pursuant to the R.O.C. Securities and Exchange Act, treasury stocks should not be pledged as collateral and is not entitled to dividends before it is reissued.
- (d) Pursuant to the R.O.C. Securities and Exchange Act, treasury stocks should be reissued to the employees within five years from the date of repurchase, and shares not reissued within the five-year period are to be retired. Treasury stocks to enhance the Company's credit rating and the shareholders' equity should be retired within six months of repurchase.

(16) Capital surplus

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

	2021					
	Share premium	Employee stock options	Employee restricted stocks	Recognized changes in equity of associates	Others	Total
At January 1	\$ 1,345,647	\$ 69,544	\$ 33,795	\$ 220,066	\$ 34,468	\$ 1,703,520
Compensation costs of share-based payment	-	7,707	-	-	-	7,707
Issuance of restricted stocks to employees	-	-	16,768	-	-	16,768
Restricted stocks to employees vested	19,985	-	(19,985)	-	-	-
Retirement of restricted stocks to employees	-	-	(387)	-	-	(387)
Exercise of employee stock options	11	(9)	-	-	-	2
Options forfeited	-	(1,287)	-	-	1,287	-
Recognized adjustments arising from changes in percentage of ownership in associates	-	-	-	(15,936)	-	(15,936)
Treasury stock retired	(1,739)	-	-	-	-	(1,739)
At September 30	<u>\$ 1,363,904</u>	<u>\$ 75,955</u>	<u>\$ 30,191</u>	<u>\$ 204,130</u>	<u>\$ 35,755</u>	<u>\$ 1,709,935</u>

	2020					
	Share premium	Employee stock options	Employee restricted stocks	Recognized changes in equity of associates	Others	Total
At January 1	\$ 1,306,536	\$ 64,747	\$ 45,119	\$ -	\$ 31,552	\$ 1,447,954
Compensation costs of share-based payment	-	18,204	-	-	-	18,204
Issuance of restricted stocks to employees	-	-	18,022	-	-	18,022
Restricted stocks to employees vested	28,300	-	(28,300)	-	-	-
Exercise of employee stock options	11,168	(6,681)	-	-	-	4,487
Option forfeited	-	(1,258)	-	-	1,258	-
Recognized changes in equity of associates	-	-	-	212,426	-	212,426
Recognized adjustments arising from changes in percentage of ownership in associates	-	-	-	9,651	-	9,651
At September 30	<u>\$ 1,346,004</u>	<u>\$ 75,012</u>	<u>\$ 34,841</u>	<u>\$ 222,077</u>	<u>\$ 32,810</u>	<u>\$ 1,710,744</u>

(17) Retained earnings

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

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

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

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

(18) Other equity interest

	2021			
	Currency translation differences	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, financial statements translation differences of foreign operations	Unearned employee compensation	Total
At January 1	(\$ 223,767)	\$ 83,099	(\$ 10,762)	(\$ 151,430)
Currency translation differences				
-Group	(76,423)	2,817	-	(73,606)
-Associates	-	11,827	-	11,827
-Group- transfer to net loss from disposal of a subsidiary	-	252	-	252
-Associates- transfer to net income from disposal of investments	-	(7,751)	-	(7,751)
Compensation costs of share-based payment	-	-	16,278	16,278
Issuance of restricted stocks to employees	-	-	(21,038)	(21,038)
Retirement of restricted stocks to employees	-	-	482	482
At September 30	(\$ 300,190)	\$ 90,244	(\$ 15,040)	(\$ 224,986)

2020

	Currency translation differences	Share of other comprehensive loss of subsidiaries, associates and joint ventures accounted for using equity method, financial statements translation differences of foreign operations	Unearned employee compensation	Total
At January 1	(\$ 42,043)	\$ -	(\$ 13,841)	(\$ 55,884)
Currency translation differences				
-Group	(107,646)	3,776	-	(103,870)
-Associates	-	42,721	-	42,721
-Associates- transfer to net income from disposal of investments	-	(1,967)	-	(1,967)
Compensation costs of share-based payment	-	-	13,272	13,272
Issuance of restricted stocks to employees	-	-	(23,202)	(23,202)
At September 30	<u>(\$ 149,689)</u>	<u>\$ 44,530</u>	<u>(\$ 23,771)</u>	<u>(\$ 128,930)</u>

(19) Operating revenue

	<u>Three-month periods ended September 30,</u>	
	2021	2020
Revenue from contracts with customers	<u>\$ 318,374</u>	<u>\$ 358,437</u>
	<u>Nine-month periods ended September 30,</u>	
	2021	2020
Revenue from contracts with customers	<u>\$ 927,238</u>	<u>\$ 1,137,802</u>

A. Disaggregation of revenue from contracts with customers

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

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

	Three-month period ended September 30, 2020		
	Sales revenue	Royalty revenue	Total
China	\$ 190,086	\$ 1,318	\$ 191,404
United States	92,149	-	92,149
Taiwan	33,856	2,573	36,429
Others	38,455	-	38,455
	<u>\$ 354,546</u>	<u>\$ 3,891</u>	<u>\$ 358,437</u>
	Nine-month period ended September 30, 2021		
	Sales revenue	Royalty revenue	Total
China	\$ 405,245	\$ 2,243	\$ 407,488
United States	377,889	-	377,889
Taiwan	23,837	3,657	27,494
Others	114,367	-	114,367
	<u>\$ 921,338</u>	<u>\$ 5,900</u>	<u>\$ 927,238</u>
	Nine-month period ended September 30, 2020		
	Sales revenue	Royalty revenue	Total
China	\$ 605,097	\$ 2,675	\$ 607,772
United States	306,567	-	306,567
Taiwan	92,326	6,983	99,309
Others	124,154	-	124,154
	<u>\$ 1,128,144</u>	<u>\$ 9,658</u>	<u>\$ 1,137,802</u>

B. Contract liabilities

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

	September 30, 2021	December 31, 2020	September 30, 2020	January 1, 2020
Contract liabilities				
– advance sales receipts	<u>\$ 26,490</u>	<u>\$ 14,815</u>	<u>\$ 16,617</u>	<u>\$ 11,875</u>

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

	Three-month periods ended September 30,	
	2021	2020
Contract liabilities – advance sales receipts	<u>\$ 6,691</u>	<u>\$ -</u>
	Nine-month periods ended September 30,	
	2021	2020
Contract liabilities – advance sales receipts	<u>\$ 12,562</u>	<u>\$ 11,736</u>

(20) Other gains and losses

	<u>Three-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Gain (loss) on disposal of property, plant and equipment	\$ 12,163	(\$ 2)
Gain on disposal of investments	7,751	2,155
Gain on disposal of a subsidiary	12,890	-
Loss on liquidation of a subsidiary	-	(188)
Net currency exchange losses	(524)	(2,519)
Impairment loss of non-financial assets	(1,070)	-
Other losses	(553)	(778)
	<u>\$ 30,657</u>	<u>(\$ 1,332)</u>

	<u>Nine-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Gain on disposal of property, plant and equipment	\$ 11,133	\$ 211
Gain on disposal of investments	7,751	1,967
Gain on disposal of a subsidiary	12,890	-
Loss on liquidation of a subsidiary	-	(188)
Net currency exchange losses	(1,758)	(2,708)
Impairment loss of non-financial assets	(1,070)	-
Other losses	(1,710)	(2,738)
	<u>\$ 27,236</u>	<u>(\$ 3,456)</u>

(21) Finance costs

	<u>Three-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Interest expense	\$ 1,746	\$ 579
Leased liabilities - Interest expense	97	199
	<u>\$ 1,843</u>	<u>\$ 778</u>

	<u>Nine-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Interest expense	\$ 2,554	\$ 1,904
Leased liabilities - Interest expense	364	723
	<u>\$ 2,918</u>	<u>\$ 2,627</u>

(22) Expenses by nature

	Three-month periods ended September 30,	
	2021	2020
Employee benefit expense	\$ 147,040	\$ 162,382
Depreciation charges on property, plant and equipment and right-of-use assets	\$ 27,964	\$ 29,260
Amortization charges on intangible assets (recognized as cost of operating revenue and operating expenses)	\$ 1,624	\$ 1,640
	Nine-month periods ended September 30,	
	2021	2020
Employee benefit expense	\$ 450,370	\$ 485,038
Depreciation charges on property, plant and equipment and right-of-use assets	\$ 85,679	\$ 89,482
Amortization charges on intangible assets (recognized as cost of operating revenue and operating expenses)	\$ 4,856	\$ 4,951

(23) Employee benefit expense

	Three-month periods ended September 30,	
	2021	2020
Wages and salaries	\$ 122,100	\$ 133,505
Compensation costs of share-based payment	8,075	11,328
Insurance expenses	12,495	12,990
Pension costs	3,949	4,381
Other personnel expenses	421	178
	\$ 147,040	\$ 162,382
	Nine-month periods ended September 30,	
	2021	2020
Wages and salaries	\$ 375,132	\$ 398,876
Compensation costs of share-based payment	23,985	31,476
Insurance expenses	37,723	39,510
Pension costs	12,769	14,524
Other personnel expenses	761	652
	\$ 450,370	\$ 485,038

- A. According to the Articles of Incorporation of the Company, when distributing earnings, an amount equal to the ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be higher than 15% and lower than 5% for employees' compensation and shall not be higher than 2% for directors' remuneration.
- B. For the three-month and nine-month periods ended September 30, 2020, employees' compensation was (reversed) accrued at (\$1,373) and \$783; directors' remuneration was (reversed) accrued at (\$549) and \$313, respectively. The aforementioned amounts were

recognized in wages and salaries. The employees' compensation and directors' remuneration were estimated and accrued based on 5% and 2% of distributable profit of current period from January 1 to September 30, 2020. For the three-month and nine-month periods ended September 30, 2021, the Company did not accrue employees' compensation and directors' remuneration, due to net loss before tax.

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

(24) Income tax

A. Income tax (benefit) expense

Components of income tax (benefit) expense:

	<u>Three-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Current tax:		
Current tax on profit for the period	(\$ 754)	\$ 9,456
Tax on undistributed surplus earnings	(19,174)	-
Total current tax	<u>(19,928)</u>	<u>9,456</u>
Deferred tax:		
Origination and reversal of temporary differences	18,578	(623)
Total deferred tax	<u>18,578</u>	<u>(623)</u>
Income tax (benefit) expense	<u>(\$ 1,350)</u>	<u>\$ 8,833</u>
	<u>Nine-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Current tax:		
Current tax on profit for the period	(\$ 742)	\$ 28,898
Tax on undistributed surplus earnings	(19,193)	-
Total current tax	<u>(19,935)</u>	<u>28,898</u>
Deferred tax:		
Origination and reversal of temporary differences	12,729	11,535
Total deferred tax	<u>12,729</u>	<u>11,535</u>
Income tax (benefit) expense	<u>(\$ 7,206)</u>	<u>\$ 40,433</u>

- B. Through September 30, 2021, the assessment of income tax returns of the Taiwan subsidiaries are as follows:

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

(25) Losses per share

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

	<u>Three-month period ended September 30, 2021</u>		
	<u>Amount</u>	<u>Weighted average</u>	<u>Losses</u>
	<u>after tax</u>	<u>outstanding stocks</u>	<u>per share</u>
		<u>(in thousand of shares)</u>	<u>(in dollars)</u>
<u>Basic losses per share</u>			
Losses attributable to ordinary shareholders of the parent (Note)	<u>(\$ 85,866)</u>	<u>90,191</u>	<u>(\$ 0.95)</u>
	<u>Three-month period ended September 30, 2020</u>		
	<u>Amount</u>	<u>Weighted average</u>	<u>Earnings</u>
	<u>after tax</u>	<u>outstanding stocks</u>	<u>per share</u>
		<u>(in thousand of shares)</u>	<u>(in dollars)</u>
<u>Basic losses per share</u>			
Losses attributable to ordinary shareholders of the parent(Note)	<u>(\$ 34,375)</u>	<u>89,183</u>	<u>(\$ 0.39)</u>
	<u>Nine-month period ended September 30, 2021</u>		
	<u>Amount</u>	<u>Weighted average</u>	<u>Losses</u>
	<u>after tax</u>	<u>outstanding stocks</u>	<u>per share</u>
		<u>(in thousand of shares)</u>	<u>(in dollars)</u>
<u>Basic losses per share</u>			
Losses attributable to ordinary shareholders of the parent (Note)	<u>(\$ 219,253)</u>	<u>89,629</u>	<u>(\$ 2.45)</u>
	<u>Nine-month period ended September 30, 2020</u>		
	<u>Amount</u>	<u>Weighted average</u>	<u>Earnings</u>
	<u>after tax</u>	<u>outstanding stocks</u>	<u>per share</u>
		<u>(in thousand of shares)</u>	<u>(in dollars)</u>
<u>Basic losses per share</u>			
Losses attributable to ordinary shareholders of the parent(Note)	<u>(\$ 25,948)</u>	<u>89,052</u>	<u>(\$ 0.29)</u>

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

(26) Supplemental cash flow information

A. Investing activities with partial cash payments:

	<u>Nine-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Acquisition of property, plant and equipment	\$ 66,458	\$ 59,538
Add: Ending balance of prepayments for equipment (Note)	34,006	1,687
Less: Beginning balance of prepayments for equipment (Note)	- (	7,723)
Less: Ending balance of payables for equipment	(3,605)	(4,759)
Add: Beginning balance of payables for equipment	389	12,691
Cash paid	<u>\$ 97,248</u>	<u>\$ 61,434</u>

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

B. Investing activities with partial cash receivable:

	<u>Nine-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Proceeds from disposal of property, plant and equipment	\$ 24,175	\$ 253
Less: Ending balance of receivable on equipment (Note)	(24,434)	-
Cash received	<u>\$ 281</u>	<u>\$ 253</u>

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

C. Financing activities with no cash flow effect:

Cash dividends	\$ -	\$ 45,623
Less: Other payables	- (	45,623)
Dividends paid	<u>\$ -</u>	<u>\$ -</u>

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

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

Note: As of September 30, 2021, proceeds from disposal of a subsidiary have not yet been collected. Please refer to Note 7(2) for details.

(27) Changes in liabilities from financing activities

	Short-term borrowings	Lease liabilities	Long-term borrowings (including current portion)	Liabilities from financing activities
At January 1, 2021	\$ 20,000	\$ 9,536	\$ 129,821	\$ 159,357
Changes in cash flow				
from financing activities	-	(4,410)	168,872	164,462
Interest expense	-	364	-	364
Interest paid	-	(364)	-	(364)
Forgiveness of Paycheck Protection Plan	-	-	(88,101)	(88,101)
Net exchange differences	-	(176)	(3,355)	(3,531)
At September 30, 2021	<u>\$ 20,000</u>	<u>\$ 4,950</u>	<u>\$ 207,237</u>	<u>\$ 232,187</u>

	Short-term borrowings	Lease liabilities	Long-term borrowings (including current portion)	Dividends payable	Liabilities from financing activities
At January 1, 2020	\$ 20,000	\$ 27,981	\$ 65,245	\$ -	\$ 113,226
Changes in cash flow					
from financing activities	- (	5,386)	76,462	-	71,076
Interest expense	-	724	-	-	724
Interest paid	- (	724)	-	- (	724)
Lease modifications	- (	11,019)	-	- (	11,019)
Declaration of cash dividends	-	-	-	45,623	45,623
Net exchange differences	- (	365)	(3,527)	-	(3,892)
At September 30, 2020	<u>\$ 20,000</u>	<u>\$ 11,211</u>	<u>\$ 138,180</u>	<u>\$ 45,623</u>	<u>\$ 215,014</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

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

(2) Significant related party transactions and balances

A. Receivables from related parties:

	<u>September 30, 2021</u>
Accounts receivable:	
Changzhou Galasemi	\$ 4,133
Other receivables – Sale of the machineries:	
Changzhou Galasemi	24,434
Other receivables – Sale of a subsidiary:	
Shanghai Galasemi	54,237
	<u>\$ 82,804</u>

As of December 31, 2020 and September 30, the Group had no receivables from related parties. Accounts receivable arise mainly from sale transactions. Other receivables arise mainly from sales of machinery and equipment and subsidiaries. The accounts receivable and other receivables are unsecured in nature and bear no interest.

B. Property transactions:

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

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

As of December 31, 2020 and September 30, 2020: None.

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

<u>Trading partner</u>	<u>Accounts</u>	<u>Nine-month period ended September 30, 2021</u>	
		<u>Proceeds</u>	<u>Gain/(loss)</u>
Shanghai Galasemi	Investments accounted for using equity method	\$ <u>54,314</u>	\$ <u>12,890</u>

According to the abovementioned transaction, the Group lost its control over Changzhou Galasemi Co., Ltd. Therefore, parts of gains on disposal of machinery and equipment by the Group to Changzhou Galasemi Co., Ltd. in prior years have been transferred to realized gains on disposal of property, plant and equipment. As of September 30, 2021, unrealized gain on disposal of property, plant and equipment amounted to \$10,697 and was recognized in deduction of investments accounted for using the equity method.

As of December 31, 2020 and September 30, 2020: None.

(3) Key management compensation

	<u>Three-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Salaries and other short-term employee benefits	\$ 23,105	\$ 28,210
Post-employment benefits	555	679
Compensation costs of share-based payment	1,724	4,991
	\$ <u>25,384</u>	\$ <u>33,880</u>

	<u>Nine-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Salaries and other short-term employee benefits	\$ 62,051	\$ 83,610
Post-employment benefits	1,863	2,244
Compensation costs of share-based payment	6,733	13,260
	\$ <u>70,647</u>	\$ <u>99,114</u>

8. PLEDGED ASSETS

As of September 30, 2021, December 31, 2020 and September 30, 2020, the Group's assets pledged as collateral were as follows:

Assets	September 30, 2021	December 31, 2020	September 30, 2020	Purpose
Land	\$ 128,249	\$ 131,150	\$ 134,006	Long-term borrowings
Buildings	70,436	73,903	76,149	Long-term borrowings
Time deposits (Shown as "Other current assets")	29,945	30,163	30,819	Short-term borrowings
Reserve account-demand deposits (Shown as "Other non-current assets")	1,754	1,824	1,944	Long-term borrowings
Time deposits (Shown as "Other non-current assets")	-	317	317	Custom guarantee for imported goods
Refundable deposits (Shown as "Other current asset" and "Other non-current assets")	2,384	2,429	2,473	Deposits for office rental and waste water treatment

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

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

	September 30, 2021	December 31, 2020	September 30, 2020
Property, plant and equipment	<u>\$ 19,443</u>	<u>\$ 7,338</u>	<u>\$ 6,058</u>

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

- A. On October 22, 2021, the Board of Directors resolved to increase cash capital by issuing ordinary shares through private placement. The abovementioned proposal is still pending to be resolved during the first extraordinary shareholders' meeting in 2021.
- B. On October 22, 2021 the Board of Directors resolved to purchase shares of Changzhou Chemsemi Co., Ltd. transferred by other investors. The total transaction amount is expected to be RMB 43,356 thousand. In addition, the Board of Directors of the Company originally resolved to invest in Changzhou Chemsemi Co., Ltd. amounting to RMB 200 million on August 6, 2021. However, as the Company intends to purchase shares transferred by other shareholders, the investment amount to Changzhou Chemsemi Co., Ltd. was resolved to be adjusted to RMB 156 million at this Board of Directors' 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>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
<u>Financial assets</u>			
Financial assets at amortized cost			
Cash and cash equivalents	\$ 909,407	\$ 1,106,476	\$ 1,146,721
Accounts receivable (including related parties)	188,147	197,537	190,908
Other receivables (including related parties)	90,531	9,698	25,225
Refundable deposits	2,384	2,429	2,473
Reserve account- demand deposits (Shown as "Other non-current assets")	1,754	1,824	1,944
Time deposits (over three-month period) (Shown as "Other current assets" and "Other-current assets")	29,945	172,880	176,636
	<u>\$ 1,222,168</u>	<u>\$ 1,490,844</u>	<u>\$ 1,543,907</u>
<u>Financial liabilities</u>			
Financial liabilities at amortized cost			
Short-term borrowings	\$ 20,000	\$ 20,000	\$ 20,000
Accounts payable	21,342	22,249	9,390
Other payables	110,965	111,043	172,531
Long-term borrowings (including current portion)	207,237	129,821	138,180
	<u>\$ 359,544</u>	<u>\$ 283,113</u>	<u>\$ 340,101</u>
Lease liabilities	<u>\$ 4,950</u>	<u>\$ 9,536</u>	<u>\$ 11,211</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, price risk and interest rate risk), credit risk and liquidity risk.
- b) Risk management is carried out by the Group's finance team under policies approved by the Board of Directors. The Group's finance team identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units.

C. Significant financial risks and degrees of financial risks

a) Market risk

Foreign exchange risk

- i. The Group's businesses are mainly conducted in its functional currency. Therefore, the foreign exchange risk is deemed minimal.
- ii. The Group holds some investment of foreign operations. Their net assets were exposed to the foreign exchange risk. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

September 30, 2021			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Non-monetary items</u>			
NTD:USD	\$ 317,952	0.036	\$ 317,952
RMB:USD	192,203	0.155	827,333

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

September 30, 2020			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Non-monetary items</u>			
NTD:USD	\$ 393,319	0.034	\$ 393,319
RMB:USD	162,584	0.147	694,740

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

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

<u>Nine-month period ended September 30, 2020</u>			
<u>Sensitivity analysis</u>			
<u>Degree of variation</u>	<u>Effect on profit or loss</u>	<u>Effect on other comprehensive income</u>	
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Non-monetary items</u>			
NTD:USD	1%	\$ -	\$ 3,933
RMB:USD	1%	-	6,947

Cash flow and fair value interest rate risk

- i. The Group's interest rate risk arises from short-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During the nine-month periods ended September 30, 2021 and 2020, the Group's borrowings at variable rate were denominated in the NTD.
- ii. Based on the simulations performed, the impact on post-tax profit of a 1% shift, with all other variables held constant, would be a maximum increase or decrease of \$155 and \$167 for the nine-month periods ended September 30, 2021 and 2020, respectively, as a result of the decrease or increase in interest expense which is affected by variable rates.

b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the credit risk of financial assets at amortized cost.
- ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a minimum rating of "BBB+" are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based

on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored.

- iii. The Group does not hold any collateral as security for accounts receivable. As of September 30, 2021, December 31, 2020 and September 30, 2020, with no collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the Group's accounts receivable was \$188,147, \$197,537 and \$190,908, respectively.
- iv. The Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.
- v. The Group adopts the assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
If the contract payment were past due over 30 days, based on the terms, there would be a significant increase in credit risk on that instrument since initial recognition.
- vi. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - a. It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - b. The disappearance of an active market for that financial asset because of financial difficulties.
- vii. The Group wrote off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.
- viii. Estimation of expected credit loss for notes receivable and accounts receivable:
 - a) The Group classifies customers' notes receivable and accounts receivable in accordance with credit risk on trade. The Group applies the simplified approach using loss rate methodology to estimate expected credit loss.
 - b) The Group used the forecastability of external research report to adjust historical and timely information for a specific period to assess the default possibility of notes receivable and accounts receivable. As of September 30, 2021, December 31, 2020 and September 30, 2020, the loss rate methodology is as follows:

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

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

<u>Accounts receivable</u> <u>At September 30,</u> <u>2020</u>	Not past due	Less than 90 days past due	Less than 180 days and more than 90 days past due	More than 180 days past due	Total
Expected loss rate	0%-1%	1%-15%	16%-31%	31%-100%	
Total book value	\$ 177,012	\$ 13,387	\$ -	\$ 1,217	\$ 191,616
Loss allowance	\$ 17	\$ 138	\$ -	\$ 553	\$ 708

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

	2021	
	<u>Accounts receivable</u>	
At January 1	\$	1,681
Provision for impairment loss		877
Write-offs due to uncollectible accounts receivable	(	1,311)
Effect of foreign exchange	(	82)
At September 30	\$	<u>1,165</u>
	2020	
	<u>Accounts receivable</u>	
At January 1	\$	5,063
Reversal of impairment loss	(	3,235)
Write-offs due to uncollectible accounts receivable	(	1,093)
Effect of foreign exchange	(	27)
At September 30	\$	<u>708</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. As of September 30, 2021, December 31, 2020 and September 30, 2020, the loss rate methodology is as follows:

	<u>Not past due</u>
<u>At September 30, 2021</u>	
Expected loss rate	0%-100%
Total book value	\$ 90,531
Loss allowance	\$ -
	<u>Not past due</u>
<u>At December 31, 2020</u>	
Expected loss rate	0%-100%
Total book value	\$ 9,698
Loss allowance	\$ -
	<u>Not past due</u>
<u>At September 30, 2020</u>	
Expected loss rate	0%-100%
Total book value	\$ 25,225
Loss allowance	\$ -

c) Liquidity risk

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Floating rate:			
Expiring within			
one year	\$ 6,000	\$ 6,000	\$ 18,229

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

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

	<u>Less than 1 year</u>	<u>Over 1 year</u>
<u>Non-derivative financial liabilities:</u>		
September 30, 2021		
Short-term borrowings	\$ 20,306	\$ -
Accounts payable	21,342	-
Other payables	110,965	-
Lease liabilities	5,092	-
Long-term borrowings (including current portion)	19,837	247,609
	<u>Less than 1 year</u>	<u>Over 1 year</u>
<u>Non-derivative financial liabilities:</u>		
December 31, 2020		
Short-term borrowings	\$ 20,276	\$ -
Accounts payable	22,249	-
Other payables	111,043	-
Lease liabilities	6,476	4,111
Long-term borrowings (including current portion)	24,019	110,043
	<u>Less than 1 year</u>	<u>Over 1 year</u>
<u>Non-derivative financial liabilities:</u>		
September 30, 2020		
Short-term borrowings	\$ 20,083	\$ -
Accounts payable	9,390	-
Other payables	172,531	-
Lease liabilities	6,578	5,880
Long-term borrowings (including current portion)	24,496	118,443

(3) Fair value information

A. Financial instruments not measured at fair value

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

- B. The related information of financial and non-financial instruments measured at fair value on September 30, 2021, December 31, 2020 and September 30, 2020: None.
- C. The following table is the movement of Level 3 financial instruments for the nine-month periods ended September 30, 2021 and 2020:

	Financial assets measured at fair value through other comprehensive income	
	2021	2020
At January 1	\$ -	\$ 159,531
Transfer to investments accounted for using the equity method during the period (Note)	-	(164,000)
Net exchange differences	-	4,469
At September 30	<u>\$ -</u>	<u>\$ -</u>

Note: Please refer to Note 6(4).

(4) Others

The Company's significant subsidiary, Global Communication Semiconductors, LLC ("GCS LLC"), is located in Torrance, California, USA. In March 2020, the Safer at Home order was issued by the State Government of California in response to the outbreak of COVID-19 and the restrictions in the order were relaxed subsequently. However, a new order was issued in July 2020. GCS LLC is allowed to continue its operation as it is deemed an essential business as defined by the State Government of California. Although the number of working days has been slightly reduced to meet the relevant government requirements, the effect on performance of GCS LLC was immaterial. As of June 15, 2021, the Governor of California had terminated the Safer at Home order based on the Company's assessment, the pandemic had no significant impact on the Company's operating activities.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- (a) Loans to others: Please refer to table 1.
- (b) Provision of endorsements and guarantees to others: Please refer to table 2.
- (c) Holding of marketable securities at the end of the year (not including subsidiaries, associates and joint ventures): None.
- (d) Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 4.
- (e) Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- (f) Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- (g) Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.

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

(i) Derivative financial instruments: None.

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

(2) Information on investees

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

(3) Information on investments in mainland China

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

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

(4) Major shareholders information

Major shareholders information: Please refer to table 12.

14. SEGMENT INFORMATION

(1) General information

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

(2) Segment information

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

	Nine-month periods ended September 30,	
	2021	2020
Revenue from external customers	\$ 927,238	\$ 1,137,802
Inter-segment revenue	-	-
Total segment revenue	\$ 927,238	\$ 1,137,802
Segment (loss) income (Note)	(\$ 226,459)	\$ 14,563
Segment assets	\$ 3,699,991	\$ 4,084,299
Segment liabilities	\$ 453,372	\$ 438,791

Note: Exclusive of income tax.

(3) Reconciliation for segment income (loss)

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

GCS HOLDINGS, INC. AND SUBSIDIARIES

Loans to others

Nine-month period ended September 30, 2021

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the nine-month period ended	Balance at September 30, 2021	Actual amount drawn down	Interest rate	Nature of loan (Note 2)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 3)	Ceiling on total loans granted (Note 3)	Footnote
					September 30, 2021								Item	Value			
1	Global Communication Semiconductors, LLC	D-Tech Optoelectronics (Taiwan) Corporation	Other receivable - related parties	Yes	\$ 20,000	\$ 20,000	\$ -	Settled by contract	2	\$ -	Operation	\$ -	None	\$ -	\$ 633,967	\$ 633,967	-
1	Global Communication Semiconductors, LLC	D-Tech Optoelectronics, Inc.	Other receivable - related parties	Yes	57,080	55,700	-	Settled by contract	2	-	Operation	-	None	-	633,967	633,967	-

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

(1)The Company is '0'.

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

Note 2: The column of 'Nature of loan' shall fill in 'Business transaction or 'Short-term financing'.

(1)The business transaction is '1'.

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

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

GCS HOLDINGS, INC. AND SUBSIDIARIES
Provision of endorsements and guarantees to others
Nine-month period ended September 30, 2021

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed Company name	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee	Outstanding endorsement/ guarantee	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in mainland China	Footnote
					amount for the nine-month period ended September 30, 2021	amount at September 30, 2021			amount to net asset value of the endorser/ guarantor company					
0	GCS Holdings, Inc.	GCS Device Technologies, Co., Ltd.	2	\$ 1,298,648	\$ 28,540	\$ 27,850	\$ 20,000	\$ 27,850	0.86%	\$ 1,298,648	Y	N	N	-

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

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

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

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

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

GCS HOLDINGS, INC. AND SUBSIDIARIES

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital

Nine-month period ended September 30, 2021

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2021		Addition (Note 3)		Disposal (Note 3)			Gain (loss) on disposal	Balance as at September 30, 2021	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value		Number of shares	Amount
GCS Holdings, Inc.	Unikom Semiconductor Corporation	Investment accounted for using equity method	Unikom Semiconductor Corporation	Related party	56,400,000	\$ 564,000	40,000,000	\$ 400,000	-	\$ -	\$ -	-	96,400,000	\$ 317,952

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

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

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

Note 4: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

GCS HOLDINGS, INC. AND SUBSIDIARIES
Significant inter-company transactions during the reporting period
Nine-month period ended September 30, 2021

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		
2	D-Tech Optoelectronics (Taiwan) Corporation	Global Communication Semiconductors, LLC	3	Service revenue	\$ 22,573	Conducted in the ordinary course of business with terms similar to those with third parties	2.43%
2	D-Tech Optoelectronics (Taiwan) Corporation	Global Communication Semiconductors, LLC	3	Accounts receivable - related party	2,423	Conducted in the ordinary course of business with terms similar to those with third parties	0.07%
2	D-Tech Optoelectronics Corporation	Global Communication Semiconductors, LLC	3	Sales revenue	5,979	Conducted in the ordinary course of business with terms similar to those with third parties	0.64%
2	GCS Device Technologies, Co., Ltd.	Global Communication Semiconductors, LLC	3	Accounts receivable - related party	2,958	Conducted in the ordinary course of business with terms similar to those with third parties	0.08%
2	GCS Device Technologies, Co., Ltd.	Global Communication Semiconductors, LLC	3	Service revenue	7,524	Conducted in the ordinary course of business with terms similar to those with third parties	0.81%

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

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

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

- (1)Parent company to subsidiary.
- (2)Subsidiary to parent company.
- (3)Subsidiary to subsidiary.

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

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

GCS HOLDINGS, INC. AND SUBSIDIARIES
Information on investees (not including investees in mainland China)
Nine-month period ended September 30, 2021

Table 10

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee (Note 1 & 2)	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2021			Net profit (loss)	Investment income (loss)	Footnote
				Balance	Balance	Number of shares	Ownership (%)	Book value	of the investee for the nine-	recognized by the Company	
				as at September 30, 2021	as at December 31, 2020				month period ended September 30, 2021 (Note 2(2))	for the nine-month period ended September 30, 2021 (Note 2(3))	
GCS Holdings, Inc.	Global Communication Semiconductors, LLC	Los Angeles, USA	1. Manufacturing of compound semiconductor wafers and foundry related services as well as granting royalty rights for intellectual property 2. Manufacturing and selling of advanced optoelectronics technology products	\$ 403,975	\$ 403,975	-	100%	\$ 1,584,917	\$ 70,793	\$ 70,793	Subsidiary
GCS Holdings, Inc.	GCS Device Technologies, Co., Ltd.	Taiwan	Product design and research development services	12,000	12,000	-	100%	25,627	(533)	(533)	Subsidiary
GCS Holdings, Inc.	GCOM Semiconductor Co., Ltd.	Taiwan	Wholesaling and retailing of electronic components, product design, and outsourcing management services	50,000	50,000	5,000,000	100%	49,616	(56)	(56)	Subsidiary
GCS Holdings, Inc.	Unikorn Semiconductor Corporation	Taiwan	Specialized OEM of III-V compound semiconductors	964,000	564,000	96,400,000	45.39%	317,952	(581,814)	(211,075)	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%	303,266	(32,842)	(32,842)	Subsidiary
D-Tech Optoelectronics, Inc.	D-Tech Optoelectronics (Taiwan) Corporation	Taiwan	Manufacturing, retailing and wholesaling of telecommunications devices, and manufacturing and wholesaling of electronic components	89,840	89,840	5,800,000	100%	57,369	(22,456)	(22,456)	Subsidiary

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

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

- (1)The columns of 'Investee', 'Location', 'Main business activities', 'Initial investment amount' and 'Shares held as at September 30, 2021' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.
- (2)The 'Net profit (loss) of the investee for the nine-month period September 30, 2021' column should fill in amount of net profit (loss) of the investee for this period.
- (3)The 'Investment income (loss) recognized by the Company for the nine-month period September 30, 2021' column should fill in the Company (public company) recognized investment income (loss) of its direct subsidiary and recognized investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognized investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognized by regulations.

GCS HOLDINGS, INC.AND SUBSIDIARIES
Information on investments in mainland China
Nine-month period ended September 30, 2021

Table 11

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to mainland China as of September 30, 2021	Amount remitted from Taiwan to mainland China/ Amount remitted back to Taiwan for the nine-month period ended September 30, 2021		Accumulated amount of remittance from Taiwan to mainland China as of September 30, 2021	Net income of investee for the nine-month period ended September 30, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the nine-month period ended September 30, 2021	Book value of investments in mainland China as of September 30, 2021	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2021	Footnote
					Remitted to mainland China	Remitted back to Taiwan							
Changzhou Chemsemi Co., Ltd. (Formerly named Changzhou Neo-Episky Co., Ltd.)	Manufacturing and selling of semiconductor discrete devices, integrated circuit chips and related products; Designing and services of integrated circuit chips; Manufacturing and selling of optoelectronic devices.	2,955,198	2	\$ -	\$ -	\$ -	\$ -	(\$ 314,049)	28.94%	(\$ 102,712)	\$ 763,676	\$ -	Note 2(2)C、 Note 4
Changzhou Galasemi Co., Ltd.	Manufacturing and selling of semiconductor discrete devices, and technical services, technical development and advisory services	57,310	2	-	-	-	(12,347)	(12,347)	-	-	-	-	Note 2(2)B、 Note 5
Shanghai Galasemi Co., Ltd	Technical services and development services in the field of optoelectronic technology, and selling of semiconductor discrete devices	177,875	2	-	-	-	(21,733)	48%	(10,433)	63,567	-	-	Note 2(2)C、 Note 6

Company name	Accumulated amount of remittance from Taiwan to mainland China as of September 30, 2021	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in mainland China imposed by the Investment Commission of MOEA
Changzhou Chemsemi Co., Ltd. (Formerly named Changzhou Neo-Episky Co., Ltd.)	\$ -	\$ -	\$ -
Changzhou Galasemi Co., Ltd.	-	-	-
Shanghai Galasemi Co., Ltd	-	-	-

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

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

Note 2: In the 'Investment income (loss) recognized by the Company for the nine-month period September 30, 2021' column:

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

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

Note 4: The Company was incorporated in Cayman Islands and investment amount of RMB 110 million (approximately \$464,693) was transferred from the Company's U.S. bank account to Changzhou Neo-Episky Co., Ltd. on May 11, 2020.

Additionally, Changzhou Neo-Episky Co., Ltd was renamed as Changzhou Chemsemi Co., Ltd. in August 2020.

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

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

GCS HOLDINGS, INC. AND SUBSIDIARIES

Major shareholders information

September 30, 2021

Table 12

Name of major shareholders	Shares	
	Number of shares	Ownership (%)
ENNOSTAR INC.	9,028,000	9.84%
The Bank of New York Mellon signed a depositary contract for the participation of GCS Holdings, Inc. in the issuance of overseas depositary receipts, registered as the joint representative of the depositary receipt holders and the depositary institution	6,000,000	6.54%

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 $91,696,567 = 91,696,567$ (common shares) + 0 (preferred shares).