

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON D.C. 20549

FORM 6-K  
REPORT OF FOREIGN PRIVATE ISSUER  
PURSUANT TO RULE 13a-16 OR 15D-16 UNDER  
THE SECURITIES EXCHANGE ACT OF 1934

For the month of May, 2022  
Commission File Number: 000-30540

GIGAMEDIA LIMITED  
8F, No.22, Lane 407, Section 2, Tiding Boulevard  
Neihu District  
Taipei, Taiwan (R.O.C.)

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

Form 20-F [  ]      Form 40-F [  ]

(Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

Yes [  ]      No [  ]

(If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b) :82- .)

GIGAMEDIA LIMITED is submitting under cover of Form 6-K:

1. [GigaMedia Notice of Annual General Meeting of Shareholders and Proxy Statement](#) (attached hereto as Exhibit 99.1)
2. [GigaMedia Annual General Meeting of Shareholders Proxy Card](#) (attached hereto as Exhibit 99.2)
3. [GigaMedia 2021 Financial Statements Prepared in Accordance with U.S. GAAP](#) (attached hereto as Exhibit 99.3)
4. [GigaMedia 2021 Financial Statements Prepared in Accordance with Singapore GAAP](#) (attached hereto as Exhibit 99.4)

## Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GigaMedia Limited

\_\_\_\_\_  
(Registrant)

Date: May 20, 2022

By: /s/ HUANG, CHENG-MING

(Signature)

Name: HUANG, CHENG-MING

Title: Chief Executive Officer

**NOTICE OF THE TWENTY-THIRD ANNUAL GENERAL MEETING OF SHAREHOLDERS**

**GigaMedia Limited**

Incorporated in the Republic of Singapore  
Registration No.: 199905474H

**REGISTERED OFFICE**  
**80 Robinson Road, #02-00**  
**Singapore 068898**

**NOTICE IS HEREBY GIVEN** that the 23rd annual general meeting of the shareholders of GigaMedia Limited (the "Company") will be held on **June 23, 2022 at 11 a.m. local time at 8F, No.22, Lane 407, Sec.2, Tiding Blvd., Neihu District, Taipei, Taiwan, R.O.C**, for the following purposes:

**AS ORDINARY AND SPECIAL BUSINESS**

**ORDINARY RESOLUTIONS:**

To consider and, if thought fit, to pass, with or without modification, the following resolutions which will be proposed as Ordinary Resolutions:

1. Adoption of audited financial statements

RESOLVED that the Statement by the Directors, Auditor's Report and Audited Financial Statements of the Company for the financial year ended December 31, 2021 are received and adopted.

(Resolution 1)

2. Approval of appointment of auditors

RESOLVED that Deloitte & Touche and Deloitte & Touche LLP be and are hereby appointed as the independent external auditors of the Company until the next Annual General Meeting and that the Directors be and are hereby authorized to fix their remuneration for the financial year ended December 31, 2022.

(Resolution 2)

3. Approval of Directors' remuneration

RESOLVED that the remuneration of all of the Directors is hereby approved in an aggregate amount not exceeding US\$350,000 in respect of their professional services to the Company until the conclusion of the next Annual General Meeting of the Company.

(Resolution 3)

4. Approval for authority to allot and issue shares

RESOLVED that pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore ("**Companies Act**"), authority be and is hereby given to the Directors of the Company to:

- (1) (a) issue ordinary shares in the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or
- (b) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and
- (2) notwithstanding that the authority conferred by this Resolution may have ceased to be in force, issue Shares pursuant to any Instrument made or granted by the Directors while this Resolution was in force; and
- (3) unless varied or revoked by the Company in general meeting, such authority conferred on the Directors of the Company shall continue in force:
  - (i) until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held whichever is earlier; or

- (ii) in the case of Shares to be issued pursuant to the Instruments that are made or granted pursuant to this Resolution, until the issuance of such Shares in accordance with the terms of the Instruments.

(Resolution 4)

5. Approval for share purchase mandate

RESOLVED that:

- (1) for the purposes of Sections 76C and 76E of the Companies Act, the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued Shares not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), by way of market purchase(s) on The Nasdaq Stock Market ("**Nasdaq**") or off-market purchase(s) on one or more equal access schemes as may be determined by the Directors as they see fit, which scheme(s) shall satisfy all the conditions of the Companies Act, and otherwise be in accordance with all other laws and regulations and rules of Nasdaq as may be applicable, be and is hereby authorized and approved generally and unconditionally (the "**Share Purchase Mandate**");
- (2) unless varied or revoked by the Company in a general meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:
  - (a) the date on which the next Annual General Meeting of the Company is held; and
  - (b) the date by which the next Annual General Meeting of the Company is required by law to be held;
- (3) in this Resolution:
  - "**Average Closing Price**" means the average of the closing prices of a Share for the five consecutive trading days on which the Shares are traded on Nasdaq immediately preceding the date of market purchase by the Company or the date of making the offer pursuant to an equal access scheme, which price shall be adjusted in accordance with the listing rules of Nasdaq for any corporate action that occurs after the relevant five day period;
  - "**Maximum Limit**" means that number of issued Shares representing 10% of the total number of issued Shares as at the date of the passing of this Resolution (excluding any Shares that are held as treasury shares as at that date); and
  - "**Maximum Price**" means the purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) that shall not exceed 105% of the Average Closing Price; and
- (4) the Directors of the Company and/or any of them be and are hereby authorized to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorized by this Resolution.

(Resolution 5)

6. To transact any other business as may properly be transacted at an Annual General Meeting of the Company.

NOTES:

1. Shareholders are cordially invited to attend the Twenty-Third Annual General Meeting in person. Whether or not you plan to be at the Twenty- Third Annual General Meeting, you are urged to return your proxy. A shareholder entitled to attend and vote is entitled to appoint one or more proxies to attend and to vote instead of him.
2. Shareholders wishing to vote by proxy should complete the attached form.
3. The proxy form of an individual shareholder shall be signed either by the shareholder personally or by his attorney. The proxy form of a corporate shareholder shall be given either under its common seal or signed on its behalf by an attorney or a duly authorized officer of the corporate shareholder.
4. A proxy need not be a shareholder of the Company.
5. The proxy form (and if relevant, the original power of attorney, or other authority under which it is signed or a notarially certified copy of such power or authority) must be deposited at Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717, or the office of the Company, 8F, No. 22, Lane 407, Section 2, Tiding Boulevard, Taipei 114, Taiwan R.O.C., not less than 48 hours before the time for holding the Twenty-Third Annual General Meeting, that is by no later than 11 p.m. June 20, 2022 (New York time), or 11 a.m. June 21, 2022 (Taipei time), failing which the proxy shall not be treated as valid.
6. Electronic Delivery of Future Proxy Materials. Shareholders can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the internet. To sign up for electronic delivery, please follow the instructions below relating to “Electronic Delivery of Future Proxy Materials” and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.
7. Only shareholders of record at the close of business on April 22, 2022 are entitled to notice of and to vote at the Twenty- Third Annual General Meeting, or any adjournment or postponement of the Twenty- Third Annual General Meeting. If you have sold or transferred the Shares you hold in the Company to another person (the “Purchaser” or “Transferee”) after April 22, 2022 and prior to the Twenty- Third Annual General Meeting, you should immediately forward this Notice and the attached proxy statement and proxy card to the Purchaser or Transferee of such Shares, or to the bank, broker, or agent through whom the sale of such Shares was effected, for onward transmission to the Purchaser or Transferee.
8. The Company intends to use internal sources of funds or external borrowings or a combination of both to finance the Company’s purchase or acquisition of Shares pursuant to the Share Purchase Mandate. The Directors do not propose to exercise the Share Purchase Mandate to such extent that it would materially and adversely affect the financial position of the Company and its subsidiaries. The amount of financing required for the Company to purchase or acquire its Shares, and the impact on the Company’s financial position, cannot be ascertained as at the date of this Notice as this will depend on the number of Shares purchased or acquired, the price at which such Shares were purchased or acquired and whether the Shares purchased or acquired would be held in treasury or cancelled.

BY ORDER OF THE BOARD

/s/ Cheng-Ming Huang

.....  
Cheng-Ming Huang (aka James Huang)  
Chairman of the Board and Chief Executive Officer

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Proxy Solicitation

**GigaMedia Limited**  
Incorporated in the Republic of Singapore  
Registration No.: 199905474H

**REGISTERED OFFICE**  
**80 Robinson Road, #02-00**  
**Singapore 068898**

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**PROXY STATEMENT**

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**QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND VOTING**

**Why Did I Receive This Proxy Statement?**

We sent you this proxy statement and the enclosed proxy card because the Company's Board of Directors is soliciting your proxy to be used at the Company's annual meeting of shareholders on **June 23, 2022 at 8F, No.22, Lane 407, Sec.2, Tiding Blvd., Neihu District, Taipei, Taiwan, R.O.C.**, or at any adjournment or postponement of the meeting.

**Who Can Vote?**

You are entitled to vote if you owned the Shares on the record date ("**Record Date**"), which is the close of business on April 22, 2022. Each Share that you own entitles you to one vote.

**How Many Shares of Voting Stock Are Outstanding?**

On the Record Date, there were 11,052,235 Shares outstanding. The Shares are our only class of voting stock.

**What May I Vote On?**

1. Adoption of Audited Financial Statements
2. Approval of Appointment of Auditors
3. Approval of Directors' Remuneration
4. Approval for Authority to Allot and Issue Shares
5. Approval for Share Purchase Mandate

Other Business

**How Do I Vote?**

To vote by proxy, you should complete, sign and date the enclosed proxy card and return it promptly in the prepaid envelope provided.

**How Do I Request Electronic Delivery of Future Proxy Materials?**

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the internet. To sign up for electronic delivery, please go to [www.proxyvote.com](http://www.proxyvote.com) to indicate that you agree to receive or access proxy materials electronically in future years.

**May I Revoke My Proxy?**

Your proxy may be revoked prior to its exercise by appropriate notice to us.

**If I Plan To Attend The Meeting, Should I Still Vote By Proxy?**

Whether you plan to attend the meeting or not, we urge you to vote by proxy. Returning the proxy card will not affect your right to attend the meeting, and your proxy will not be used if you are personally present at the meeting and inform the Secretary in writing prior to the voting that you wish to vote your Shares in person.

**How Will My Proxy Get Voted?**

If you properly fill in your proxy card and send it to us, your proxy holder (the individual named on your proxy card) will vote your Shares as you have directed. If you sign the proxy card but do not make specific choices, the proxy holder will vote your Shares as recommended by the Board of Directors and our management.

**How Will Voting On Any Other Business Be Conducted?**

Although we do not know of any business to be considered at the meeting other than the proposals described in this proxy statement, if any other business is presented at the meeting, your returned proxy gives authority to the proxy holder to vote on these matters in his discretion.



**Proposal 1. ADOPTION OF AUDITED FINANCIAL STATEMENTS**

The Company seeks shareholders' adoption of the audited financial statements of the Company (the "Audited Financial Statements"), which have been prepared under Financial Reporting Standards in Singapore ("FRSs"), in respect of the financial year ended December 31, 2021. Along with the Audited Financial Statements, the Company seeks Shareholders' adoption of the Statement by the Directors and Auditor's Report of the Company in respect of the same financial year.

Adoption of this proposal requires the affirmative vote of a majority of the votes cast by shareholders entitled to vote at the Twenty- Third Annual General Meeting of the Company (the "AGM").

**The Board of Directors of the Company (the "Board of Directors") recommends a vote FOR this proposal.**

**Proposal 2. APPROVAL OF APPOINTMENT OF AUDITORS**

The Company seeks Shareholders' approval for the appointment of Deloitte & Touche and Deloitte & Touche LLP as the independent external auditors of the Company to hold such office until the conclusion of the next Annual General Meeting of the Company. The Board of Directors also seeks shareholders' approval to authorize the Board of Directors to fix the remuneration for Deloitte & Touche and Deloitte & Touche LLP in respect of their services to the Company for the financial year ended December 31, 2022.

Adoption of this proposal requires the affirmative vote of a majority of the votes cast by shareholders entitled to vote at the AGM.

**The Board of Directors recommends a vote FOR this proposal.**

**Proposal 3. APPROVAL OF DIRECTORS' REMUNERATION**

The Company seeks shareholders' approval on the remuneration of all of the Directors in an aggregate amount not exceeding US\$350,000 in respect of their professional services to the Company until the conclusion of the next Annual General Meeting of the Company.

Adoption of this proposal requires the affirmative vote of a majority of the votes cast by shareholders entitled to vote at the AGM.

**The Company's management recommends a vote FOR this proposal.**

**Proposal 4. APPROVAL FOR AUTHORITY TO ALLOT AND ISSUE SHARES**

The Company is incorporated in Singapore. Under the Companies Act, Chapter 50 of Singapore (the "Companies Act"), the Directors may exercise any power of the Company to issue new Shares only with the prior approval of the shareholders of the Company at a general meeting. Such approval, if granted, is effective from the date of the general meeting at which the approval was given until the date on which the next Annual General Meeting of the Company is held or is required by law to be held, whichever is earlier.

Shareholders' approval is sought to give Directors authority to allot and issue new Shares and other instruments convertible into Shares during the period from the Twenty-Third Annual General Meeting to the earlier of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held.

Adoption of this proposal requires the affirmative vote of a majority of the votes cast by shareholders entitled to vote at the AGM.

**The Board of Directors recommends a vote FOR this proposal.**

**Proposal 5. APPROVAL FOR SHARE PURCHASE MANDATE**

The approval of the Share Purchase Mandate authorizing the Company to purchase or acquire its Shares would give the Company the flexibility to undertake Share purchases or acquisitions at any time, subject to market conditions, during the period when the Share Purchase Mandate is in force.

In managing the business of the Company and its subsidiaries (collectively, the "Group"), the Company's management strives to increase shareholders' value by improving, *inter alia*, the return on equity of the Group. A Share purchase by the Company is one of the ways through which the return on equity of the Group may be enhanced.

A Share purchase is also an available option for the Company to return surplus cash that is in excess of the financial and possible investment needs of the Group to its shareholders. In addition, the Share Purchase Mandate will allow the Company to have greater flexibility over, *inter alia*, the Company's share capital structure and its dividend policy.

The Company intends to use internal sources of funds or external borrowings or a combination of both to finance the Company's purchase or acquisition of the Shares pursuant to the Share Purchase Mandate. The Directors do not propose to exercise the Share Purchase Mandate to such extent that it would materially and adversely affect the financial position of the Group.

Share repurchase programmes may also help buffer short-term Share price volatility and off-set the effects of short-term speculators and investors and, in turn, bolster shareholder confidence and employee morale.

Adoption of this proposal requires the affirmative vote of a majority of the votes cast by shareholders entitled to vote at the AGM.

**The Board of Directors recommends a vote FOR this proposal.**

**OTHER MATTERS**

As of the date of this Proxy Statement, the Company does not intend to present and has not been informed that any other person intends to present any business not specified in this Proxy Statement for action at the Twenty-Third Annual General Meeting.

Shareholders are urged to sign the enclosed proxy form and to return it promptly in the enclosed envelope. Proxies will be voted in accordance with shareholders' directions. Signing the proxy form does not affect a shareholder's right to vote at the Twenty- Third Annual General Meeting, and the proxy may be revoked prior to its exercise by appropriate notice to the undersigned.

**PROXY SOLICITATION**

The Company will pay the cost of preparing and mailing this proxy statement and form of proxy to its shareholders. The Company has retained Mackenzie Partners, Inc. to request banks and brokers to forward copies of these materials to persons for whom they hold Shares and to request authority for execution of the proxies.

GIGAMEDIA LIMITED

/s/ Cheng-Ming Huang

.....  
Cheng-Ming Huang (aka James Huang)

Chairman of the Board and Chief Executive Officer



**GIGAMEDIA LIMITED**  
 8F, NO. 22, LANE 407  
 SECTION 2 TIDING BLVD.  
 NEIHU DISTRICT, TAIPEI 114  
 TAIWAN R.O.C



**SCAN TO**  
 VIEW MATERIALS & VOTE



**VOTE BY INTERNET** - [www.proxyvote.com](http://www.proxyvote.com) or scan the QR Barcode above Use the Internet to transmit your voting instructions and for electronic delivery of information. Vote by 11:00 P.M. ET on 06/20/2022. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

**ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS**

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

KEEP THIS PORTION FOR YOUR RECORDS

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

DETACH AND RETURN THIS PORTION ONLY

The Board of Directors recommends you vote FOR proposals 1 through 5.

- 1. Adoption of 2021 Audited Financial Statements.
- 2. Approval of Appointment of Auditors - Deloitte & Touche and Deloitte & Touche LLP.
- 3. Approval of Directors' Remuneration.
- 4. Approval for Authority to Allot and Issue Shares.
- 5. Approval for Share Purchase Mandate.

For	Against	Abstain
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**NOTE:** To transact any other business as may properly be transacted at the Annual General Meeting.

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name by authorized officer.

Signature [PLEASE SIGN WITHIN BOX]	Date

Signature (Joint Owners)	Date

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**Important Notice Regarding the Availability of Proxy Materials for the Annual General Meeting:**  
The Notice & Proxy Statement, US Annual Report and Singapore Annual Report are available at [www.proxyvote.com](http://www.proxyvote.com)

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**GIGAMEDIA LIMITED**  
**Annual General Meeting of Shareholders**  
**June 23, 2022 11:00 AM**  
**This proxy is solicited by the Board of Directors**

I/We, being a shareholder/shareholders of the above named Company, hereby appoint Cheng-Ming Huang (aka James Huang) of 8F, No. 22, Lane 407, Section 2, Tiding Blvd., Neihu District, Taipei, Taiwan, R.O.C., failing whom the Chairman of the Meeting, as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 8F, No. 22, Lane 407, Section 2, Tiding Blvd., Neihu District, Taipei, Taiwan, R.O.C. on Thursday, June 23, 2022, at 11:00 AM local time, and at any adjournment or postponement thereof.

This proxy, when properly executed, and returned in a timely manner, will be voted at the Annual General Meeting and any adjournments thereof in the manner described herein. If no contrary indication is made, the proxy will be voted as recommended by the Board of Directors and the Company's management.

1. The proxy form must be signed by the shareholder or by the shareholders' attorney duly authorized in writing or, if the appointer is a corporation, either, under seal or in some other manner approved by the directors of the Company.
2. To be effective, the proxy form (and power of attorney or other authority under which it is signed or a notarially certified copy of such power of authority, if relevant) must be returned to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717, no less than 48 hours before the meeting.

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**Continued and to be signed on reverse side**

**GIGAMEDIA LIMITED**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2021**  
**FOR THE YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021**  
**(With Report of Independent Registered Public Accounting Firm Thereon)**

**GIGAMEDIA LIMITED AND SUBSIDIARIES**  
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## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Stockholders

GigaMedia Limited

### **Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of GigaMedia Limited and subsidiaries (the “Company”) as of December 31, 2021 and 2020, the related consolidated statements of operations and comprehensive income (loss), shareholders’ equity, and cash flows for each of the three years in the period ended December 31, 2021, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the result of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

### **Critical Audit Matter**

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

**Fair Value — Level 3 Assets — Refer to Note 4 to the consolidated financial statements**

*Critical Audit Matter Description*

The Company holds marketable securities amounted to \$10,322 thousand issued by a private company. The fair value of the investments is based on complex valuation methods with unobservable inputs, therefore, classified as Level 3.

Unlike the valuation of assets with readily observable market prices, therefore, more easily independently corroborated, the valuation of financial instruments classified as Level 3 is inherently subjective, and often involves the use of complex proprietary methods and unobservable inputs.

We identified the valuation of the Level 3 assets as a critical audit matter because of the complex valuation methods and unobservable inputs, including the discount of lack of marketability and volatility management uses to estimate the fair value. This requires a high degree of auditor's professional judgment and an increased extent of effort, including the involvement of our fair value specialists, when evaluating the methods and related inputs.

*How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures included the following, among others:

- We obtained an understanding and evaluated the design and implementation of controls over management's valuation of the Level 3 assets, including controls over the Company's valuation methods and significant unobservable inputs.
- With the assistance of our fair value specialists, (1) we evaluated the appropriateness of the valuation methodologies and techniques used in determining the fair value of the Level 3 asset;(2)we tested the underlying data used in the methods calculations and the mathematical accuracy of the calculation; (3)we evaluated the appropriateness of the judgements and estimates of the key inputs used in determining the fair value of the Level 3 assets including but not limited to the discount of lack of marketability and volatility.

/s/ Deloitte & Touche

Taipei, Taiwan

Republic of China

April 27, 2022

We have served as the Company's auditor since 2017.



GIGAMEDIA LIMITED AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2020 AND 2021  
(in thousands of US dollars)

	December 31	
	2020	2021
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (Note 5)	\$ 45,702	\$ 41,455
Accounts receivable - net (Note 6)	275	265
Prepaid expenses	88	401
Restricted cash (Note 5)	300	306
Other current assets (Note 7)	160	155
Total Current Assets	46,525	42,582
Marketable securities - noncurrent (Note 8)	10,000	10,322
<b>PROPERTY, PLANT AND EQUIPMENT, NET</b>	22	88
<b>INTANGIBLE ASSETS - NET</b>	4	12
<b>OTHER ASSETS</b>		
Refundable deposits	208	211
Prepaid licensing and royalty fees (Note 3)	130	35
Right-of-use assets (Note 9)	—	1,971
Other (Note 12)	134	297
<b>TOTAL ASSETS</b>	<b>\$ 57,023</b>	<b>\$ 55,518</b>

GIGAMEDIA LIMITED AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS - (Continued)  
DECEMBER 31, 2020 AND 2021  
(in thousands of US dollars, except share data)

	December 31	
	2020	2021
<b><u>LIABILITIES &amp; SHAREHOLDERS' EQUITY</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 70	\$ 118
Accrued expenses (Note 10)	1,516	1,435
Deferred revenue (Note 11)	950	880
Other current liabilities (Notes 9 and 17)	387	783
Total Current Liabilities	2,923	3,216
<b>NONCURRENT LIABILITIES</b>		
Lease liabilities (Note 9)	3	1,450
Total Liabilities	2,926	4,666
<b>COMMITMENTS AND CONTINGENCIES (Note 17)</b>		
	—	—
<b>SHAREHOLDERS' EQUITY (Note 13)</b>		
Common shares, no par value, and additional paid-in capital; issued and outstanding 11,052 thousand shares in 2020 and 2021	308,752	308,752
Accumulated deficit	(232,254)	(235,679)
Accumulated other comprehensive loss	(22,401)	(22,221)
Total GigaMedia Shareholders' Equity	54,097	50,852
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 57,023</b>	<b>\$ 55,518</b>

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

**GIGAMEDIA LIMITED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021**  
(in thousands of US dollars, except for earnings per share amounts)

	2019	2020	2021
<b>OPERATING REVENUES</b>			
Digital entertainment service revenues (Note 18)	\$ 6,645	\$ 6,875	\$ 5,492
<b>COSTS OF REVENUES</b>			
Cost of digital entertainment service revenues	(3,064)	(2,956)	(2,584)
<b>GROSS PROFIT</b>	<u>3,581</u>	<u>3,919</u>	<u>2,908</u>
<b>OPERATING EXPENSES</b>			
Product development and engineering expenses	(1,186)	(1,327)	(1,449)
Selling and marketing expenses	(1,995)	(1,618)	(1,729)
General and administrative expenses	(3,182)	(3,121)	(3,697)
Impairment loss on property, plant and equipment (Note 4)	(109)	—	—
Impairment loss on intangible assets (Note 4)	(15)	—	—
Impairment loss on prepaid licensing and royalty fees (Notes 3 and 4)	(85)	—	—
Bad debt expense (Note 6)	(24)	(5)	(7)
	<u>(6,596)</u>	<u>(6,071)</u>	<u>(6,882)</u>
<b>LOSS FROM OPERATIONS</b>	<u>(3,015)</u>	<u>(2,152)</u>	<u>(3,974)</u>
<b>NON-OPERATING INCOME (EXPENSES)</b>			
Interest income	1,483	613	252
Gain on disposal of marketable securities (Note 8)	—	—	125
Foreign exchange gain (loss), net	(68)	199	122
Other	(59)	47	50
	<u>1,356</u>	<u>859</u>	<u>549</u>
<b>LOSS BEFORE INCOME TAXES</b>	<u>(1,659)</u>	<u>(1,293)</u>	<u>(3,425)</u>
<b>INCOME TAX EXPENSE (Note 16)</b>	<u>—</u>	<u>—</u>	<u>—</u>
<b>NET LOSS ATTRIBUTABLE TO SHAREHOLDERS OF GIGAMEDIA</b>	<u>\$ (1,659)</u>	<u>\$ (1,293)</u>	<u>\$ (3,425)</u>
<b>LOSS PER SHARE ATTRIBUTABLE TO GIGAMEDIA</b>			
Basic and Diluted:	<u>\$ (0.15)</u>	<u>\$ (0.12)</u>	<u>\$ (0.31)</u>
<b>WEIGHTED AVERAGE SHARES USED TO COMPUTE LOSS PER SHARE ATTRIBUTABLE TO GIGAMEDIA SHAREHOLDERS (Note 2)</b>			
Basic	<u>11,052</u>	<u>11,052</u>	<u>11,052</u>
Diluted	<u>11,052</u>	<u>11,052</u>	<u>11,052</u>

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

GIGAMEDIA LIMITED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)  
FOR THE YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021  
(in thousands of US dollars)

	2019	2020	2021
NET LOSS	\$ (1,659)	\$ (1,293)	\$ (3,425)
OTHER COMPREHENSIVE INCOME (LOSS) - NET OF TAX:			
Defined benefit pension plan adjustment	20	(28)	14
Foreign currency translation adjustment	66	224	203
Unrealized holding loss on marketable securities	—	(351)	(124)
Reclassification adjustment for loss included in net income	—	—	97
Other	—	—	(10)
	86	(155)	180
COMPREHENSIVE LOSS ATTRIBUTABLE TO GIGAMEDIA SHAREHOLDERS	<u>\$ (1,573)</u>	<u>\$ (1,448)</u>	<u>\$ (3,245)</u>

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

GIGAMEDIA LIMITED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021  
(in thousands of US dollars and shares)

	<b>GIGAMEDIA SHAREHOLDERS</b>				
	<b>Common shares and additional paid-in capital</b>		<b>Accumulated deficit</b>	<b>Accumulated other comprehensive loss</b>	<b>Total</b>
	<b>Shares</b>	<b>Amount</b>	<b>(Note 13)</b>	<b>(Note 14)</b>	
Balance as of January 1, 2019	11,052	\$ 308,750	\$ (228,246)	\$ (22,332)	
Cumulative effect of initially applying new accounting standards	—	—	(1,056)	—	(1,056)
Stock-based compensation	—	1	—	—	1
Net loss	—	—	(1,659)	—	(1,659)
Other comprehensive income	—	—	—	86	86
Balance as of December 31, 2019	11,052	308,751	(230,961)	(22,246)	55,544
Stock-based compensation	—	1	—	—	1
Net loss	—	—	(1,293)	—	(1,293)
Other comprehensive loss	—	—	—	(155)	(155)
Balance as of December 31, 2020	11,052	\$ 308,752	\$ (232,254)	\$ (22,401)	\$ 54,097
Net loss	—	—	(3,425)	—	(3,425)
Other comprehensive income	—	—	—	180	180
Balance as of December 31, 2021	11,052	\$ 308,752	\$ (235,679)	\$ (22,221)	\$ 50,852

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

GIGAMEDIA LIMITED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021  
(in thousands of US dollars)

	2019	2020	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net loss	\$ (1,659)	\$ (1,293)	\$ (3,425)
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Depreciation	61	3	11
Amortization	47	5	9
Stock-based compensation	1	1	—
Impairment loss on property, plant and equipment	109	—	—
Impairment loss on intangible assets	15	—	—
Impairment losses on prepaid licensing and royalty fees	85	—	—
Bad debt expense	24	5	7
Gain on disposal of marketable securities and investments	—	—	(125)
Loss of lawsuit contingent liabilities	96	—	—
Net changes in:			
Accounts receivable	130	89	3
Prepaid expenses	10	25	(313)
Prepaid licensing and royalty fees	306	(87)	96
Prepaid pension assets	(29)	19	(16)
Other assets	(15)	(90)	(151)
Accounts payable	(40)	5	47
Accrued expenses	(153)	236	(80)
Other liabilities	(555)	(993)	(198)
Net cash used in operating activities	(1,567)	(2,075)	(4,135)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of marketable securities	—	(10,000)	—
Purchases of property, plant and equipment	(48)	(24)	(76)
Increase in intangible assets	(14)	(8)	(17)
Proceeds from disposal of marketable securities	—	—	80
Decrease (increase) in refundable deposits	(2)	(9)	(4)
Other	(9)	—	—
Net cash used in investing activities	(73)	(10,041)	(17)

GIGAMEDIA LIMITED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS - (Continued)  
FOR THE YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021  
(in thousands of US dollars)

	2019	2020	2021
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Net cash used in financing activities	—	—	—
Net foreign currency exchange differences on cash, cash equivalents and restricted cash	88	(156)	(89)
<b>NET DECREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>	<b>(1,552)</b>	<b>(12,272)</b>	<b>(4,241)</b>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR</b>	<b>59,826</b>	<b>58,274</b>	<b>46,002</b>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR</b>	<b>\$ 58,274</b>	<b>\$ 46,002</b>	<b>\$ 41,761</b>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>			
Interest paid during the year	\$ —	\$ —	\$ —
Income tax refund during the year	\$ (6)	\$ —	\$ (2)

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

GIGAMEDIA LIMITED AND SUBSIDIARIES  
Notes To Consolidated Financial Statements  
December 31, 2019, 2020 and 2021

**NOTE 1. Principal Activities, Basis of Presentation, and Summary of Significant Accounting Policies**

***(a) Principal Activities***

GigaMedia Limited (referred to hereinafter as GigaMedia, our Company, we, us, or our) is a diversified provider of digital entertainment services, with a headquarters in Taipei, Taiwan.

Our digital entertainment service business operates a suite of play-for-fun digital entertainment services, mainly targeting online and mobile-device users across Asia.

***(b) Basis of Presentation***

The accompanying consolidated financial statements of our Company have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

***(c) Summary of significant accounting policies***

***Principles of Consolidation***

The consolidated financial statements include the accounts of GigaMedia and its subsidiaries after elimination of all inter-company accounts and transactions.

***Foreign Currency Transactions***

The functional currency of each individual consolidated entity is determined based on the primary economic environment in which the entity operates. Foreign currency transactions denominated in currencies other than the functional currencies are translated into the functional currency using the exchange rate prevailing on the transactions dates. At year-end, the balances of foreign currency monetary assets and liabilities are recorded based on prevailing exchange rates and any resulting gains or losses are included in other income and expenses. For the Investments in debt securities that are classified as either trading or available for sale that is denominated in a foreign currency, see Note 1(c), Summary of significant accounting policies - Marketable Securities, for additional information.

***Translation of Foreign Currency Financial Statements***

The reporting currency of our Company is the U.S. dollars. The functional currency of some of our Company’s subsidiaries is the local currency of the respective entity. Accordingly, the financial statements of the foreign subsidiaries were translated into U.S. dollars at the following exchange rates: assets and liabilities — current rate on the balance sheet date; shareholders’ equity — historical rates; income and expenses — average rate during the period. Cumulative translation adjustments resulting from this process are charged or credited to other comprehensive income.

***Use of Estimates***

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Management bases its estimates on historical experience and on assumptions that it believes are reasonable. Management assesses these estimates on a regular basis; however, actual results could differ from those estimates. Items subject to such estimates and assumptions include but not limit to the deferral and breakage of revenues; the fair value of unquoted marketable securities, the useful lives of property, plant and equipment and right-of-use assets; allowances for doubtful accounts; the valuation of deferred tax assets, long-lived assets, investments and share-based compensation; and accrued pension liabilities (prepaid pension assets), income tax uncertainties and other contingencies. We believe the critical accounting policies listed below affect management’s judgments and estimates used in the preparation of the consolidated financial statements.



## ***Revenue Recognition and Deferral***

### ***General***

Our recognition of revenue from contracts with customers is in accordance with the five-step revenue recognition model: (1) identify the contract with a customer; (2) identify the performance obligation in the contract; (3) determine the transaction price; (4) allocate the transaction price to each performance obligation; and (5) recognize revenue when or as we satisfy a performance obligation.

Sales taxes assessed by governmental authorities on our revenue transactions are presented on a net basis of digital entertainment service revenues in our consolidated financial statements.

In addition to the aforementioned general policies, the following are the specific revenue recognition policies for revenue from contracts with customers.

### ***Digital Entertainment Product and Service Revenues***

Digital entertainment product and service revenues are mainly generated through sale of virtual points and in-game items, and those virtual goods purchased in our games can only be consumed in our games. Therefore, we regard the sale of a virtual good as a service, where the related performance obligation is satisfied over time, and revenues are recognized by measuring progress toward satisfying the performance obligation in a manner that best depicts the transfer of goods or services to the customer. Accordingly, we recognize revenues from the sale of virtual goods over the period of time using the output method, which is generally the estimated service period.

Digital entertainment product and service revenues are generated through the sale of virtual points, prepaid cards and game packs via various third-party storefronts, distributors and payment channels, including but not limited to the “Google Play Store,” the “Apple App Store,” convenience stores, telecom service providers and other payment service providers. Proceeds from sales of prepaid cards and game packs, net of sales discounts, and virtual points are deferred when received, and revenue is recognized upon the actual usage of the playing time or in-game virtual items by the end-users, or over the estimated useful life of virtual items, when the game is terminated and the period of refund claim for any sold virtual items is ended in accordance with our published policy, or when the likelihood of the customer exercising the remaining rights becomes remote. (Please see “Deferred Revenues and Breakage” below for more discussion of accounting treatments of the unexercised rights.)

### ***Estimated Service Period***

The virtual goods for our games may have different service periods. We use the weighted average number of days of a player’s payment interval as the estimate for the service period of each game. We evaluate the appropriateness of such estimates quarterly to see if they are in line with our observations in the operations. We believe this provides a reasonable depiction of the transfer of services to our customers, as it is the best representation of the time period during which our customers play our games. Determining the estimated service period is subjective and requires management’s judgment. Future usage patterns may differ from historical ones and therefore, the estimated service period may change in the future. The estimated service periods for players of our current games are generally less than 6 months.

### ***Principal Agent Considerations***

For the revenues generated from our digital entertainment offerings which are licensed to us for using, marketing, distributing, selling and publishing, and for the sales of our products and services via third-party storefronts and other channels, we evaluate to determine whether our revenues should be reported on a gross or net basis. Key indicators that we evaluate in determining whether we are the principal in the sale (gross reporting) or an agent (net reporting) include, but are not limited to:

- which party is primarily responsible for fulfilling the promise to provide the specified good or service; and
- which party has discretion in establishing the price for the specified good or service.

Based on our evaluation of various indicators, we report revenues on a gross basis for games that we publish and operate, as we are, and we present ourselves as, responsible for fulfilling the promise of delivering the virtual goods in the game and maintaining the game environment for customers’ consumption of such virtual goods. We have the discretion in establishing the price for those virtual goods, including the power to decide the range and extent of price discount or quantity discount, while the licensors or the third-party channels charge a fixed percentage of fees for such sales. And any loss on the receivables has to be absorbed by us and not the third-party channels.

### Deferred Revenues and Breakage

Deferred revenues representing contract liabilities consist mainly of the advanced income related to our digital entertainment business. Deferred revenue represents proceeds received relating to the sale of virtual points and in-game items that are activated or charged to the respective user account by users, but which have not been consumed by the users or expired. Deferred revenue is credited to profit or loss when the virtual points and in-game items are consumed or have expired. Pursuant to relevant requirements in Taiwan, as of December 31, 2020 and 2021, cash totaling \$300 thousand and \$306 thousand, respectively, had been deposited in escrow accounts in banks mainly as a performance bond for the users' prepayments and virtual points, and is included within restricted cash in the consolidated balance sheets.

For deferred revenues, some users may not exercise all of their contractual rights, and those unexercised rights are referred to as breakage. We estimate and recognize the breakage amount as revenue when the likelihood of the customer exercising the remaining rights becomes remote. We consider a variety of data points when determining the estimated breakage amount, including the time when we ceased selling prepaid products for certain services and when such prepaid products were last used in charging users' accounts.

### ***Prepaid Licensing and Royalty Fees***

Our Company, through our subsidiaries, routinely enters into agreements with licensors to acquire licenses for using, marketing, distributing, selling and publishing digital entertainment offerings.

Prepaid licensing fees paid to licensors are amortized on a straight-line basis over the shorter of the estimated useful economic life of the relevant product and service or license period, which is usually within one to two years.

Prepaid royalty fees and related costs are initially deferred when paid to licensors and amortized as operating costs based on certain percentages of revenues generated by the licensee from operating the related digital entertainment product and service in the specific country or region over the contract period.

### ***Fair Value Measurements***

Our Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. We determine fair value based on assumptions that market participants would use in pricing an asset or a liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.
- Level 2 Inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

Our Company generally determines or calculates the fair value of financial instruments using quoted market prices in active markets when such information is available; otherwise we apply appropriate present value or other valuation techniques, such as discounted cash flow analyses, incorporating adjusted available market discount rate information and our Company's estimates for non-performance and liquidity risk, or the backsolve method, where we derive the implied value of financial instruments for the target company from a recent transaction involving the target company's own securities. These techniques rely extensively on the use of a number of assumptions, including the discount rate, credit spreads, and estimates of future cash flows. (Please see Note 4, "Fair Value Measurements", for additional information.)

### ***Cash Equivalents, Restricted Cash and Presentation of Statements of Cash Flows***

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and so near to their maturity that they present relatively insignificant risk from changes in interest rates. Commercial paper, negotiable certificates of deposit, time deposits and bank acceptances with original maturities of three months or less are considered to be cash equivalents.

Our consolidated statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents are included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the consolidated statement of cash flows.

### ***Marketable Securities***

#### **Debt securities**

Debt securities for which we have the positive intent and ability to hold to maturity are classified as held-to-maturity and are carried at amortized cost. Debt securities held primarily for the purpose of selling in the near term are classified as trading securities and are reported at fair value, with unrealized gains and losses included in income.

Debt securities not classified as held-to-maturity or trading are classified as available-for-sale and are reported at fair value with unrealized gains and losses, net of income taxes, as a separate component of other comprehensive income. When a trading or available-for-sale security is denominated in a foreign currency, changes in the exchange rate between the foreign currency and an entity's functional currency affect the security's fair value. Therefore, under ASC 320, Investments—Debt Securities, the trading or available-for-sale security must be remeasured from the foreign currency to the functional currency as of each reporting date by using the current exchange rate to determine the fair value of the security. The entire change in the security's fair value (including the portion related to a change in the exchange rates) is classified in accordance with ASC 320.

Losses on debt security transactions and declines in value that are determined to be the result of credit losses, if any, are reported in the consolidated statements of operations. In measuring credit losses, management adopts a current expected credit loss model, where the expected losses are measured on the basis of relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectibility of reported amount. Unrealized gains on credit-related recoveries are reported in the consolidated statements of operations.

#### **Equity securities**

Equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) are to be measured at fair value with changes in fair value recognized in net income.

### ***Receivables***

Accounts receivable are recorded at the invoiced amount and do not bear interest. Amounts collected on accounts receivable are included in net cash provided by operating activities in the consolidated statements of cash flows. Our Company maintains an allowance for doubtful accounts for estimated losses inherent in its accounts receivable portfolio. In establishing the required allowance, management adopts a current expected credit loss model based on expected losses. The measurement of expected losses is based on relevant information about past events, including historical losses adjusted to take into account the amount of receivables in dispute, and the current receivables aging and current payment patterns, as well as reasonable and supportable forecasts that affect the collectibility of reported amounts. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

### ***Property, Plant and Equipment***

Property, plant and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation is recorded on a straight-line basis over useful lives that correspond to categories as follows:

<b><u>Categories</u></b>	<b><u>Years</u></b>
Information and communication equipment	2 to 5
Office furniture and equipment	3 to 6
Leasehold improvements	Shorter of 5 or lease term

Leasehold improvements are amortized over the shorter of the term of the lease or the economic useful life of the assets. Improvements and replacements are capitalized and depreciated over their estimated useful lives, while ordinary repairs and maintenance are expensed as incurred.

### ***Software Cost***

We capitalize certain costs incurred to purchase computer software. These capitalized costs are amortized on a straight-line basis over the shorter of the useful economic life of the software or its contractual license period, which is typically one to three years.

### ***Impairment of Long-Lived Assets***

Long-lived assets other than goodwill not being amortized are reviewed for impairment at least annually or whenever events or changes in circumstances indicate that the carrying value of an asset might not be recoverable from its related future undiscounted cash flows. If such assets are considered to be impaired, the impairment to be recognized is measured by the extent to which the carrying amount of the assets exceeds the estimated fair value of the assets. Fair value is determined through various valuation techniques, including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary. When impairment is identified, the carrying amount of the asset is reduced to its estimated fair value, and is recognized as a loss from operations. (Please see Note 4, "Fair Value Measurements", for additional information.)

### ***Product Development and Engineering***

Product development and engineering expenses primarily consist of research compensation, depreciation and amortization, and are expensed as incurred.

### ***Advertising***

Costs of broadcast advertising are recorded as expenses as advertising airtime is used. Other advertising expenditures are expensed as incurred.

Advertising expenses incurred in 2019, 2020 and 2021 totaled \$0.4 million, \$0.3 million and \$0.2 million, respectively and were included in selling and marketing expenses.

### ***Leases***

#### **General**

We determine if an arrangement is or contains a lease at contract inception. In certain situations, judgment may be required in determining if a contract contains a lease. For these arrangements, there is judgment in evaluating if the arrangement provides us with an asset that is physically distinct, or that represents substantially all of the capacity of the asset, and if we have the right to direct the use of the asset. Lease assets and liabilities are recognized based on the present value of future lease payments over the lease term at the commencement date. Included in the lease liability are future lease payments that are fixed, in-substance fixed, or are payments based on an index or rate known at the commencement date of the lease. Variable lease payments are recognized as lease expenses as incurred, and generally relate to variable payments made based on the level of services provided by the lessor of our leases. The operating lease right-of-use ("ROU") asset also includes any lease payments made prior to commencement, initial direct costs incurred, and lease incentives received. As most of our leases do not provide an implicit rate, we generally use our incremental borrowing rate in determining the present value of future payments. The incremental borrowing rate represents the rate required to borrow funds over a similar term to purchase the leased asset, and is based on the information available at the commencement date of the lease. For leased assets with similar lease terms and asset type we applied a portfolio approach in determining a single incremental borrowing rate to apply to the leased assets.

In determining our lease liability, the lease term includes options to extend or terminate the lease when it is reasonably certain that we will exercise such option. Leases with an initial term of 12 months or less are not recorded on the balance sheet, and we recognize lease expense for these leases on a straight-line basis over the lease term.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in future lease payments resulting from a change in an index or a rate used to determine those payments, or a change in the assessment of an option to purchase an underlying asset, our Company remeasures the lease liabilities with a corresponding adjustment to the ROU assets.

Operating lease ROU assets are presented in “Other assets” and operating lease liabilities are presented in “Other current liabilities” and “Lease liabilities” on our consolidated balance sheets.

### ***Share-Based Compensation***

Share-based compensation represents the cost related to share-based awards granted to employees. We measure share-based compensation cost at the grant date, based on the estimated fair value of the award. Share-based compensation is recognized for the portion of the award that is ultimately expected to vest, and the cost is amortized on a straight-line basis (net of estimated forfeitures) over the vesting period. Our Company estimates the fair value of stock options using the Black-Scholes valuation model. The cost is recorded in costs of revenues and operating expenses in the consolidated statements of operations on the date of grant based on the employees’ respective function.

For shares and stock options granted to non-employees, we measure the fair value of the equity instruments granted at the earlier of the performance commitment date or when the performance is completed.

### ***Retirement Plan and Net Periodic Pension Cost***

Under our defined benefit pension plan, net periodic pension cost, which includes service cost, interest cost, expected return on plan assets, amortization of unrecognized net transition obligation and gains or losses on plan assets, is recognized based on an actuarial valuation report. We recognize the funded status of pension plans and non-pension post-retirement benefit plans (retirement-related benefit plans) as an asset or a liability in the consolidated balance sheets.

Under our defined contribution pension plans, net periodic pension cost is recognized as incurred.

### ***Income Taxes***

The asset and liability method is used in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on the differences between financial reporting and tax bases of assets and liabilities. Deferred tax assets and liabilities, which are classified as noncurrent on the consolidated balance sheets, are measured using the enacted tax rate and laws that will be in effect when the related temporary differences are expected to reverse. A valuation allowance is established when necessary to reduce deferred tax assets to the amount that more-likely-than-not will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences and loss carryforwards become deductible.

In addition, we recognize the financial statement impact of a tax position when it is more-likely-than-not that the position will be sustained upon examination. If the tax position meets the more-likely-than-not recognition threshold, the tax effect is measured at the largest amount that is greater than a 50% likelihood of being realized upon settlement. Interest and penalties on an underpayment of income taxes are reflected as income tax expense in the consolidated financial statements.

### ***Earnings (Loss) Per Share***

Basic earnings (loss) per share is computed by dividing the net income (loss) attributable to common shareholders for the period by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is computed by dividing the net earnings (loss) for the period by the weighted average number of common shares and potential common shares outstanding during the period. Potential common shares, composed of incremental common shares issuable upon the exercise of options in all periods, are included in the computation of diluted earnings (loss) per share to the extent such shares are dilutive. Diluted earnings (loss) per share also takes into consideration the effect of dilutive securities issued by subsidiaries. In a period in which a loss is incurred, only the weighted average number of common shares issued and outstanding is used to compute the diluted loss per share, as the inclusion of potential common shares would be anti-dilutive. Therefore, for the years ended December 31, 2019, 2020 and 2021, basic and diluted loss per share were \$0.15, \$0.12 and \$0.31, respectively.

### ***Segment Reporting***

Our segment reporting is mainly based on lines of business. We use the management approach in determining reportable operating segments. The management approach considers the internal organization and reporting used by our Company’s chief operating decision maker for making operating decisions, allocating resources and assessing performance as the source for determining our operating segments. Our Company’s chief operating decision maker (“CODM”) has been identified as the Chief Executive Officer.

Segment profit and loss is determined on a basis that is consistent with how our Company reports operating loss in its consolidated statements of operations. Our Company does not report segment asset information to the CODM. Consequently, no asset information by segment is presented. Because we operate only one segment, there are no intersegment transactions.

**(d) Recently Adopted Accounting Pronouncements**

**Income Taxes**

On January 1, 2021, our Company adopted ASU No. 2019-12 *Income Taxes* (Topic 740), which is an amendment that (i) eliminated certain exceptions for recognizing deferred taxes liability associated with ownership changes in foreign equity method investments, performing intraperiod allocation, and calculating income taxes in interim periods for year-to-date losses that exceed anticipated losses, (ii) simplified income tax accounting for franchise taxes that are partially based on income, transactions with a government that results in a step-up in the tax basis of goodwill, separate financial statements of legal entities that are not subject to tax, and (iii) enacted changes in tax laws in interim periods. The adoption of this amendment did not have any material impact on our Company’s consolidated financial position, results of operations, cash flows and consolidated financial statement disclosures.

**(e) Recent Accounting Pronouncements Not Yet Adopted**

In November 2021, the FASB issued AUS No. 2021-10, *Government Assistance* (Topic 832), which is an accounting update to increase transparency in financial reporting by requiring business entities to disclose, in notes to their financial statements, information about certain types of government assistance they receive. This amendment is effective for our Company’s consolidated financial statements issued for 2022. The adoption of this amendment is not expected to have a material impact on our Company’s financial position, results of operations, cash flows or financial statement disclosures.

**NOTE 2. EARNINGS (LOSS) PER SHARE**

The following table provides a reconciliation of the denominators of the basic and diluted per share computations:

(in thousand shares)	2019	2020	2021
<b>Weighted average number of outstanding shares</b>			
Basic	11,052	11,052	11,052
Effect of dilutive securities			
Employee share-based compensation	—	—	—
Diluted	<u>11,052</u>	<u>11,052</u>	<u>11,052</u>

Certain outstanding options were excluded from the computation of diluted EPS since their effect would have been anti-dilutive. The antidilutive stock options excluded and their associated exercise prices per share were 225 thousand shares at the range of \$2.90 to \$12.35 as of December 31, 2019, 49 thousand shares at \$2.90 to \$7.15 as of December 31, 2020, and 37 thousand shares at \$2.90 to \$7.15 as of December 31, 2021. There were no antidilutive Restricted Stock Units (“RSUs”) as of December 31, 2019, 2020, and 2021.

**NOTE 3. PREPAID LICENSING AND ROYALTY FEES**

The following table summarizes changes to our Company’s prepaid licensing and royalty fees:

(in US\$ thousands)	2019	2020	2021
Balance at beginning of year	\$ 435	\$ 44	\$ 130
Addition	205	340	98
Amortization and usage	(511)	(254)	(193)
Impairment charges	(85)	—	—
Balance at end of year	<u>\$ 44</u>	<u>\$ 130</u>	<u>\$ 35</u>

At the end of 2019, 2020 and 2021, we recognized impairment losses of \$85 thousand, \$0 thousand and \$0, respectively, for the prepaid licensing and royalty fees related to certain licensed games that we stopped operating or for which the carrying amounts of the related assets were determined not to be recoverable from their expected future undiscounted cash flows.

#### NOTE 4. FAIR VALUE MEASUREMENTS

The following table presents the carrying amounts and estimated fair values of our Company's financial instruments at December 31, 2020 and 2021.

(in US\$ thousands)	2020		2021	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Cash and cash equivalents	\$ 45,702	\$ 45,702	\$ 41,455	\$ 41,455
Accounts receivable	275	275	265	265
Restricted cash	300	300	306	306
Refundable deposits	208	208	211	211
Marketable securities - noncurrent	10,000	10,000	10,322	10,322
<b>Financial liabilities</b>				
Accounts payable	70	70	118	118
Accrued expenses	1,516	1,516	1,435	1,435
Lease liabilities - current and noncurrent	98	98	1,987	1,987

The carrying amounts shown in the table are included in the consolidated balance sheets under the indicated captions.

The fair values of the financial instruments shown in the above table as of December 31, 2020 and 2021 represent the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an arm's length transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. In situations where there is little market activity for the asset or liability at the measurement date, the fair value measurement reflects our Company's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by us based on the best information available in the circumstances, including expected cash flows and appropriately risk-adjusted discount rates, available observable and unobservable inputs.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

- Cash and cash equivalents, accounts receivable, restricted cash, accounts payable, accrued expenses: The carrying amounts, at face value or cost plus accrued interest, approximate fair value because of the short maturity of these instruments.
- Refundable deposits: Measurement of refundable deposits with no fixed maturities is based on carrying amounts.
- Marketable securities – noncurrent: Valuation techniques are applied for measurement of marketable securities.
- Lease liabilities: Measured at discounted amounts of lease payments.

#### **Assets and Liabilities that are Measured at Fair Value on a Recurring Basis**

Our Company has segregated all financial assets and liabilities that are measured at fair value on a recurring basis (at least annually) into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date in the table below.

Assets and liabilities measured at fair value on a recurring basis are summarized as below:

(in US\$ thousands)	Fair Value Measurement Using			At December 31, 2021
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Restricted cash - time deposits	\$ —	\$ 306	\$ —	\$ 306
Marketable securities - noncurrent	—	—	10,322	10,322
	<u>\$ —</u>	<u>\$ 306</u>	<u>\$ 10,322</u>	<u>\$ 10,628</u>

(in US\$ thousands)

	Fair Value Measurement Using			At December 31, 2020
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Cash equivalents - time deposits	\$ —	\$ 6	\$ —	\$ 6
Restricted cash - time deposits	—	300	—	300
Marketable securities - noncurrent	—	—	10,000	10,000
	<u>\$ —</u>	<u>\$ 306</u>	<u>\$ 10,000</u>	<u>\$ 10,306</u>

Our Company's accounting policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no transfers into or out of Level 3 for the years ended December 31, 2020 and 2021.

Level 2 measurements:

Cash equivalents – time deposits and restricted cash – time deposits are interest-earning deposits in banks, and the cash flows are estimated based on the terms of the contracts and discounted using the market interest rates applicable to the maturity of the contracts, which are adjusted to reflect credit risks on counterparties. As the inputs into the valuation techniques are readily observable, these deposits are classified in Level 2 of the fair value hierarchy.

Level 3 measurements:

We did not hold assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during 2019. For assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during 2020 and 2021, a reconciliation of the beginning and ending balances are presented as follows:

(in US\$ thousands)	Marketable Securities - Debt Securities	Marketable Securities - Debt and Equity Securities
	2020	2021
Balance at beginning of year	\$ —	\$ 10,000
Purchase	10,000	2,190
Disposal	—	(2,033)
Total gains or (losses) (realized/unrealized)		
included in earnings	—	—
included in other comprehensive income - unrealized gain (loss) on security	(351)	(124)
included in other comprehensive income - foreign currency items	351	289
Balance at end of year	<u>\$ 10,000</u>	<u>\$ 10,322</u>
The amount of total gains or (losses) for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at the reporting date.	<u>\$ —</u>	<u>\$ —</u>



The significant unobservable inputs used in the fair value measurements categorized within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as of December 31, 2020 and 2021 are shown below:

Marketable securities-Level 3 financial assets

Calculation Date	Valuation Technique	Significant Unobservable Inputs	Rate for debt investment	Rate for equity investment	Sensitivity of the Input to Fair Value
December 31, 2021	The backsolve method to estimate the enterprise value, and then the option pricing method to allocate equity value among various classes of stakeholders.	Discount for lack of marketability ("DLOM")	From 9.0% to 18.0% for different scenarios	From 11.0% to 18.0% for different scenarios	1% increase or decrease in DLOM would result in a variation in the debt investment's fair value by approximately \$93 thousand and in the equity investment's fair value by approximately \$26 thousand.
		Volatility	36.0%	36.0%	1% increase or decrease in volatility would result in a variation in the debt investment's fair value by approximately \$9 thousand and in the equity investment's fair value by approximately \$13 thousand.
December 31, 2020	The backsolve method to estimate the enterprise value, and then the option pricing method to allocate equity value among various classes of stakeholders	Discount for lack of marketability ("DLOM")	From 13.50% to 26.00% for different scenarios	-	1% increase or decrease in DLOM would result in a variation in the debt investment's fair value by approximately \$120 thousand.
		Volatility	41.0%	-	1% increase or decrease in volatility would result in a variation in the debt investment's fair value by less than \$30 thousand.

When estimating the value of the early stage enterprise, the backsolve method was used for inferring the enterprise value implied by a recent financing transaction involves selecting the future outcomes available to the enterprise and then calibrating the future exit values, the probabilities for each scenario and the discount rates for the various equity securities framework and making assumptions for the expected time to liquidity, volatility and risk-free rate and then solving for the value of equity. Market and the issuer's company operating conditions are then considered between the initial transaction date and subsequent measurement dates.

**Assets and Liabilities that are Measured at Fair Value on a Nonrecurring Basis**

Assets and liabilities measured at fair value on a nonrecurring basis include measuring impairment when required for long-lived assets. For GigaMedia, long-lived assets measured at fair value on a nonrecurring basis include property, plant, and equipment, intangible assets, operating lease ROU assets, and prepaid licensing and royalty fees.

No assets and liabilities measured at fair value on a nonrecurring basis were determined to be impaired as of December 31, 2020 and 2021.

**NOTE 5. CASH, CASH EQUIVALENTS AND RESTRICTED CASH**

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the consolidated statements of cash flows as of December 31, 2020 and 2021.

(in US\$ thousands)	December 31	
	2020	2021
Cash and savings accounts	\$ 45,696	\$ 41,455
Time deposits	6	—
Cash and cash equivalents reported on the consolidated balance sheets	45,702	41,455
Cash restricted as performance bond	300	306
Total cash, cash equivalents and restricted cash reported on the consolidated statements of cash flows	\$ 46,002	\$ 41,761

As of December 31, 2020 and 2021, cash amounting to \$300 thousand and \$306 thousand, respectively, has been deposited in escrow accounts in banks mainly as a performance bond for our players' game points. These deposits are restricted and are included in restricted cash in the consolidated balance sheets.

We maintain cash and cash equivalents, as well as restricted cash, in bank accounts with major financial institutions with high credit ratings located in the following jurisdictions:

(in US\$ thousands)	December 31	
	2020	2021
Taiwan	\$ 42,040	\$ 41,182
Hong Kong	3,946	564
China	16	15
	\$ 46,002	\$ 41,761

**NOTE 6. ACCOUNTS RECEIVABLE – NET**

Accounts receivable consist of the following:

(in US\$ thousands)	December 31	
	2020	2021
Accounts receivable	\$ 276	\$ 267
Less: Allowance for doubtful accounts	(1)	(2)
	\$ 275	\$ 265

The following is a summary of the changes in our Company's allowance for doubtful accounts during the years ended December 31, 2019, 2020 and 2021:

(in US\$ thousands)	2019	2020	2021
Balance at beginning of year	\$ 5	\$ 3	\$ 1
Additions: Bad debt expense	24	5	7
Less: Write-off	(26)	(7)	(6)
Translation adjustment	—	—	—
Balance at end of year	\$ 3	\$ 1	\$ 2

**NOTE 7. OTHER CURRENT ASSETS**

Other current assets consist of the following:

(in US\$ thousands)	December 31	
	2020	2021
Loans receivable - current	\$ 32	\$ 33
Less: Allowance for loans receivable - current	(32)	(33)
Other receivable	3	—
Other	157	155
	<u>\$ 160</u>	<u>\$ 155</u>

The following is a reconciliation of changes in our Company's allowance for loans receivable - current during the years ended December 31, 2019, 2020 and 2021:

(in US\$ thousands)	2019	2020	2021
Balance at beginning of year	\$ 29	\$ 30	\$ 32
Reversal for collection of bad debt	—	—	—
Translation adjustment	1	2	1
Balance at end of year	<u>\$ 30</u>	<u>\$ 32</u>	<u>\$ 33</u>

**NOTE 8. MARKETABLE SECURITIES – NONCURRENT**

Marketable securities – noncurrent consist of the following:

(in US\$ thousands)	December 31	
	2020	2021
Debt securities, classified as available-for-sale	\$ 10,000	\$ 8,132
Equity securities	—	2,190
	<u>\$ 10,000</u>	<u>\$ 10,322</u>

Our Company's marketable securities - noncurrent are invested in convertible promissory notes and preferred shares. During 2021, we recognized gains of \$125 thousand on disposal of marketable securities, consisting of a gain of \$79 thousand on the disposal of a marketable security that have been fully impaired years ago, and a gain of \$46 thousand on the deemed disposal arising from the partial conversion of the aforementioned promissory note into the preferred shares. (Please see Note 17, "Commitments and Contingencies, (c) Investment Agreements", for additional information.) Certain of our marketable securities, though denominated in US dollars, are held by an entity of ours whose functional currency is not US dollars, resulting to unrealized exchange gain or loss accounted for as other comprehensive income or loss, and corresponding translation adjustment accordingly.

The promissory notes are convertible into common shares at a price of US\$3.00 per share, subject to certain adjustments, and shall be automatically converted upon certain conditions outlined in the agreements. The promissory notes are also convertible into certain preferred shares in accordance with the terms of the agreements. The convertible promissory notes are redeemable based upon certain agreed-upon conditions.

We assessed the estimated fair values of these investments as of December 31, 2021. See Note 4 "Fair Value Measurements" for additional information.

## NOTE 9. LEASE ARRANGEMENTS

We rent certain office premises and automobile for operation use under lease agreements that expire at various dates through 2026.

### a. Right-of-use assets

Right-of-use assets consist of the following:

(in US\$ thousands)	December 31, 2020	December 31, 2021
Carrying amount:		
Office premise	\$ —	\$ 1,971

The carrying amount of our right-of-use assets was nil during 2020. The following tables summarize changes to our Company's right-of-use assets during 2021:

(in US\$ thousands)	Cost
Balance at January 1, 2021	\$ —
Additions	2,364
Exchange differences	26
Balance at December 31, 2021	\$ 2,390
	Accumulated depreciation
Balance at January 1, 2021	\$ —
Depreciation in 2021	415
Exchange differences	4
Balance at December 31, 2021	\$ 419
	Carrying amounts
Balance at December 31, 2020	\$ —
Balance at December 31, 2021	\$ 1,971

### b. Lease liabilities

(in US\$ thousands)	December 31	
	2020	2021
Carrying amount:		
Current portion (classified under other current liabilities)	\$ 95	\$ 537
Noncurrent portion	3	1,450
	\$ 98	\$ 1,987

Discount rates for the existing lease liabilities ranged from 1.7% to 2.8% as of December 31, 2020, and from 1.44% to 2.88% as of December 31, 2021.

### c. Material terms of right-of-use assets

We lease office premises and automobile for operational use with lease terms of 2 to 5 years. We do not have purchase options to acquire the leasehold office premises at the end of the lease terms.

d. Supplemental information

Supplemental disclosures of cash flow and noncash information consist of the following:

(in US\$ thousands)	For the Year ended December 31	
	2020	2021
Cash paid for operating leases	\$ 533	\$ 531
Lease liabilities arising from obtaining right-of-use assets	\$ —	\$ 2,364

  

	As of December 31	
	2020	2021
Weighted-average remaining lease term	0.34 years	4.00 years
Weighted-average discount rate	1.94%	1.54%

Operating lease expenses were \$6 thousand and \$456 thousand during the years ended December 31, 2020 and 2021, respectively.

The table below reconciles the undiscounted cash flows for each of the first five years and total of the remaining years to the operating lease liabilities recorded on the consolidated balance sheet as of December 31, 2021:

(in US\$ thousands)	Operating Leases
<b>Year</b>	
2022	\$ 537
2023	504
2024	473
2025	457
2026	76
Total minimum lease payments	2,047
Less: amount of lease payments representing interest	(60)
Present value of future minimum lease payments	1,987
Less: current obligation under leases	(537)
Non-current lease obligations	\$ 1,450

**NOTE 10. ACCRUED EXPENSES**

Accrued expenses consist of the following:

(in US\$ thousands)	December 31	
	2020	2021
Accrued professional fees	\$ 457	\$ 437
Accrued compensation	474	266
Accrued royalties	164	155
Accrued advertising expenses	25	99
Accrued director compensation and liability insurance	102	107
Other	294	371
	\$ 1,516	\$ 1,435

**NOTE 11. DEFERRED REVENUE**

Deferred revenue consists of the following:

(in US\$ thousands)	December 31	
	2020	2021
Unused virtual points	\$ 724	\$ 702
Unamortized virtual items	226	168
Advances for pre-order items	—	10
	<u>\$ 950</u>	<u>\$ 880</u>

The breakage amounts recognized as revenue during the years ended December 2020 and 2021 were \$51 and \$62 thousand, respectively.

## NOTE 12. PENSION BENEFITS

Our Company and our subsidiaries have defined benefit and defined contribution pension plans that cover substantially all of our employees.

### Defined Benefit Pension Plan

We have a defined benefit pension plan in accordance with the Labor Standards Law of the Republic of China (R.O.C.) for our employees located in Taiwan, covering substantially all full-time employees for services provided prior to July 1, 2005, and employees who have elected to remain in the defined benefit pension plan subsequent to the enactment of the Labor Pension Act on July 1, 2005. Under the defined benefit pension plan, employees are entitled to a lump sum retirement benefit upon retirement equivalent to the aggregate of 2 months' pensionable salary for each of the first 15 years of service and 1 month's pensionable salary for each year of service thereafter subject to a maximum of 45 months' pensionable salary. The pensionable salary is the monthly average salary or wage of the final six months prior to approved retirement.

We use December 31 as the measurement date for our defined benefit pension plan. As of December 31, 2020 and 2021, the accumulated benefit obligation amounted to \$287 thousand and \$294 thousand, respectively, and the funded status of prepaid pension assets amounted to \$67 thousand and \$83 thousand, respectively. The fair value of plan assets amounted to \$452 thousand and \$473 thousand as of December 31, 2020 and 2021, respectively. The accumulated other comprehensive loss amounted to (\$94) thousand and (\$80) thousand as of December 31, 2020 and 2021, respectively. The net periodic benefit cost for 2019, 2020 and 2021 amounted to \$2 thousand, \$1 thousand and \$3 thousand, respectively.

The following table sets forth the plan's benefit obligations, fair value of plan assets, and funded status at December 31, 2020 and 2021:

(in US\$ thousands)	December 31	
	2020	2021
Benefit Obligation	\$ 385	\$ 390
Fair value of plan assets	452	473
	<u>\$ (67)</u>	<u>\$ (83)</u>
Amounts recognized in the balance sheet consist of:		
Noncurrent liabilities (assets)	\$ (67)	\$ (83)
Accumulated other comprehensive income	—	—
Net amount recognized	<u>\$ (67)</u>	<u>\$ (83)</u>
Amounts recognized in accumulated comprehensive income (loss) consist of:		
Unrecognized net gain (loss)	\$ (94)	\$ (80)

For the years ended December 31, 2019, 2020 and 2021, the net period pension cost consisted of the following:

(in US\$ thousands)	December 31		
	2019	2020	2021
Service cost	\$ —	\$ —	\$ —
Interest cost	4	4	3
Expected return on plan assets	(5)	(5)	(3)
Amortization of net loss	3	2	3
Curtailement gain	—	—	—
	<u>\$ 2</u>	<u>\$ 1</u>	<u>\$ 3</u>

Weighted average assumptions used to determine benefit obligations for 2020 and 2021 were as follows:

	December 31	
	2020	2021
Discount rate	0.750%	0.750%
Rate of compensation increase	2.00%	2.00%

Weighted average assumptions used to determine net periodic benefit cost for end of fiscal year were as follows:

	2020	2021
	Discount rate	1.125%
Rate of return on plan assets	1.125%	0.750%
Rate of compensation increase	2.00%	2.00%

Management determines the discount rate and rate of return on plan assets based on the yields of fifteen year ROC central government bonds which is in line with the respective employees remaining service period and the historical rate of return on the above mentioned Fund mandated by the ROC Labor Standard Law.

We have contributed an amount equal to 2% of the salaries and wages paid to all qualified employees located in Taiwan to a pension fund (the “Fund”). The Fund is administered by a pension fund monitoring committee (the “Committee”) and deposited in the Committee’s name in the Bank of Taiwan. Our Company makes pension payments from our account in the Fund unless the Fund is insufficient, in which case we make payments from internal funds as payments become due. We seek to maintain a normal, highly liquid working capital balance to ensure payments are made timely.

We expect to make a contribution of \$0 thousand to the Fund in 2022. We expect to make future benefit payments of \$1 thousand to employees from 2022 to 2026 and \$32 thousand from 2027 to 2031.

#### ***Defined Contribution Pension Plans***

We have provided defined contribution plans for employees located in Taiwan and Hong Kong. Contributions to the plans are expensed as incurred.

#### **Taiwan**

Pursuant to the new “Labor Pension Act” enacted on July 1, 2005, our Company has a defined contribution pension plan for our employees located in Taiwan. For eligible employees who elect to participate in the defined contribution pension plan, we contribute no less than 6% of an employee’s monthly salary and wage and up to the maximum amount of NT\$9 thousand (approximately \$325), to each of the eligible employees’ individual pension accounts at the Bureau of Labor Insurance each month. Pension payments to employees are made either by monthly installments or in a lump sum from the accumulated contributions and earnings in employees’ individual accounts.

#### **Hong Kong**

According to the relevant Hong Kong regulations, we provide a contribution plan for the eligible employees in Hong Kong. We must contribute at least 5% of the employees’ total salaries. For this purpose, the monthly relevant contribution to their individual contribution accounts is subject to a cap of HK\$1.5 thousand (approximately \$193). After the termination of employment, the benefits still belong to the employees in any circumstances.

The total amount of defined contribution pension expenses pursuant to our defined contribution plans for the years ended December 31, 2019, 2020 and 2021 were \$187 thousand, \$187 thousand, and \$193 thousand, respectively, which are included in operating expenses.

#### **NOTE 13. SHAREHOLDERS’ EQUITY**

In accordance with Singapore law, the holders of ordinary shares that do not have par value, are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the general meeting of our company. All shares rank equally with regard to our company’s residual assets. In addition, we are not required to have a number of authorized common shares to be issued.

**NOTE 14. ACCUMULATED OTHER COMPREHENSIVE LOSS**

The accumulated balances for each component of other comprehensive income (loss) are as follows:

(in US\$ thousands)	Foreign currency items	Unrealized gain on securities	Pension and post retirement benefit plans	Accumulated other comprehensive loss
Balance at January 1, 2019	\$ (22,246)	\$ —	\$ (86)	\$ (22,332)
Foreign currency translation adjustment	66	—	—	66
Pension and post retirement benefit adjustment	—	—	20	20
Balance at December 31, 2019	(22,180)	—	(66)	(22,246)
Foreign currency translation adjustment	224	—	—	224
Pension and post retirement benefit adjustment	—	—	(28)	(28)
Unrealized holding loss arising during period	—	(351)	—	(351)
Balance at December 31, 2020	(21,956)	(351)	(94)	(22,401)
Foreign currency translation adjustment	203	—	—	203
Pension and post retirement benefit adjustment	—	—	14	14
Unrealized holding loss arising during period	—	(124)	—	(124)
Reclassification adjustment for loss included in net income	—	97	—	97
Other	—	(10)	—	(10)
Balance at December 31, 2021	<u>\$ (21,753)</u>	<u>\$ (388)</u>	<u>\$ (80)</u>	<u>\$ (22,221)</u>

There were no significant tax effects allocated to each component of other comprehensive income for the years ended December 31, 2019, 2020 and 2021.

**NOTE 15. SHARE-BASED COMPENSATION**

During 2019, 2020 and 2021, all the stock-based compensation expenses were recognized in the general and administrative expenses in our consolidated statements of operations. The stock-based compensation expense recognized in the general and administrative expenses in our consolidated statements of operations were \$1 thousand, \$1 thousand and \$0, respectively.

There were no significant capitalized stock-based compensation costs at December 31, 2020 and 2021. There was no recognized stock-based compensation tax benefit for the years ended December 31, 2019, 2020 and 2021, as our Company recognized a full valuation allowance on net deferred tax assets as of December 31, 2020 and 2021.

**(a) Overview of Stock-Based Compensation Plans**

Summarized below are the stock-based compensation plans pursuant to which awards have been granted as of December 31, 2021.

**2004 Employee Share Option Plan**

At the June 2004 annual general meeting of shareholders, the shareholders of our Company approved the GigaMedia Limited 2004 Employee Share Option Plan (the “2004 Plan”) under which up to 1.4 million common shares of our Company have been reserved for issuance. All employees, officers, directors, supervisors, advisors, and consultants of our Company are eligible to participate in the 2004 Plan. The 2004 Plan is administered by a committee designated by the board of directors. The committee as plan administrator has complete discretion to determine the exercise price for the option grants, the eligible individuals who are to receive option grants, the time or times when options grants are to be made, the number of shares subject to grant and the vesting schedule. The maximum contractual term for the options under the 2004 Plan is 10 years.

**2006 Equity Incentive Plan**

At the June 2006 annual general meeting of shareholders, the shareholders of our Company approved the GigaMedia Limited 2006 Equity Incentive Plan (the “2006 Plan”) under which up to 200 thousand common shares of our Company have been reserved for issuance. The 2006 Plan is administered by a committee designated by the board of directors. The committee as plan administrator has complete discretion to determine the grant of awards under the 2006 Plan. The maximum contractual term for the options under the 2006 Plan is 10 years.



## 2007 Equity Incentive Plan

At the June 2007 annual general meeting of shareholders, the shareholders of our Company approved the GigaMedia Limited 2007 Equity Incentive Plan (the “2007 Plan”) under which up to 400 thousand common shares of our Company have been reserved for issuance. The 2007 Plan is administered by a committee designated by the board of directors. The committee as plan administrator has complete discretion to determine the grant of awards under the 2007 Plan. The maximum contractual term for the options under the 2007 Plan is 10 years.

Summarized below are the general terms of our stock-based compensation plans, for which awards have been granted as of December 31, 2021.

Stock-Based compensation plan	Granted awards	Vesting schedule	Options’ exercise price	RSUs’ grant date fair value
2004 plan	1,575,037 <sup>(1)</sup>	immediately upon granting to four years	\$3.95~\$12.75	—
2006 Plan	256,716 <sup>(2)</sup>	immediately upon granting to four years	\$3.85~\$83	\$14.55~\$80.05
2007 Plan	675,057 <sup>(3)</sup>	immediately upon granting to four years	\$2.90~\$90.85	\$12.35~\$76.75

(1) The granted awards, net of forfeited or canceled options, were within reserved shares of 1,400 thousand common shares.

(2) The granted awards, net of forfeited or canceled options or shares, were within reserved shares of 200 thousand common shares.

(3) The granted awards, net of forfeited or canceled options or shares, were within reserved shares of 400 thousand common shares.

Options and RSUs generally vest over the schedule described above. Certain RSUs provide for accelerated vesting if there is a change in control. All options and RSUs are expected to be settled by issuing new shares.

### (b) Options

In 2019, 2020 and 2021, no options were exercised for each year.

Our Company uses the Black-Scholes option-pricing model to estimate the fair value of stock options granted to employees on the grant date. No options were granted to employees during 2019, 2020 and 2021.

Option term. The expected term of the options granted represents the period of time that they are expected to be outstanding. Our Company estimates the expected term of options granted based on historical experience with grants and option exercises.

Expected volatility rate. An analysis of historical volatility was used to develop the estimate of expected volatility.

Risk-free interest rate. The risk-free interest rate is based on yields of U.S. Treasury bonds for the expected term of the options.

Expected dividend yield. The dividend yield is based on our Company’s current dividend yield.

Option transactions during the last three years are summarized as follows:

	2019		2020		2021		Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value (in thousands)
	Weighted Avg. Exercise Price	No. of Shares (in thousands)	Weighted Avg. Exercise Price	No. of Shares (in thousands)	Weighted Avg. Exercise Price	No. of Shares (in thousands)		
Balance at January 1	\$ 10.88	229	\$ 11.00	225	\$ 6.16	49		
Options granted	—	—	—	—	—	—		
Options exercised	—	—	—	—	—	—		
Options Forfeited / canceled / expired	3.85	(4)	12.35	(176)	6.25	(12)		
Balance at December 31	\$ 11.00	225	\$ 6.16	49	\$ 6.13	37	2.29	\$ —
Exercisable at December 31	\$ 11.05	224	\$ 6.16	49	\$ 6.13	37	2.29	\$ —
Vested and expected to vest at December 31	\$ 11.00	225	\$ 6.16	49	\$ 6.13	37	2.29	\$ —

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between GigaMedia's closing stock price on the last trading day of 2021 and the exercise price of an option, multiplied by the number of in-the-money options) that would have been received by the option holders had they exercised their options on December 31, 2021. This amount changes based on the fair market value of GigaMedia's stock.

As of December 31, 2021, there was no unrecognized compensation cost related to non-vested options.

The following table sets forth information about stock options outstanding at December 31, 2021:

Options outstanding			Option currently exercisable	
Exercise price	No. of Shares (in thousands)	Weighted average remaining contractual life	Exercise price	No. of Shares (in thousands)
Under \$5	8	2.68 years	Under \$5	8
\$5~\$50	29	2.18 years	\$5~\$50	29
\$50~\$100	—		\$50~\$100	—
	<u>37</u>			<u>37</u>

**(c) RSUs**

The fair value of RSUs is determined and fixed on the grant date based on our stock price. No RSUs were granted during the years ended December 31, 2019, 2020 and 2021.

As of December 31 2020 and 2021, there was no unrecognized compensation cost related to non-vested RSUs. Our Company received no cash from employees as a result of employee stock award vesting and the forfeiture of RSUs during 2019, 2020 and 2021.

**NOTE 16. INCOME TAXES**

Income (loss) before income taxes by geographic location is as follows:

(in US\$ thousands)	2019	2020	2021
Taiwan operations	\$ (2,191)	\$ (1,129)	\$ (1,989)
Non-Taiwan operations	532	(164)	(1,436)
	<u>\$ (1,659)</u>	<u>\$ (1,293)</u>	<u>\$ (3,425)</u>

The components of income tax benefit (expense) by taxing jurisdiction are as follows:

(in US\$ thousands)	2019	2020	2021
Taiwan:			
Current	\$ —	\$ —	\$ —
Deferred	—	—	—
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Non-Taiwan:			
Current	\$ —	\$ —	\$ —
Deferred	—	—	—
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Total current income tax benefit (expense)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Total deferred income tax benefit	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Total income tax benefit	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

Our ultimate parent company is based in Singapore.

A reconciliation of our effective tax rate related to the statutory tax rate in Taiwan, where our major operations are based, is as follows:

	2019	2020	2021
Taiwan statutory rate, including taxes on income and retained earnings	24.00%	24.00%	24.00%
Foreign tax differential	10.14%	(0.47)%	(5.75)%
Expiration of net operating loss carryforwards	—	(31.92)%	(6.47)%
Other non-deductible expenses	(7.01)%	(3.99)%	(1.65)%
Cumulative effect of initially applying new accounting standards	13.13%	—	—
Change in deferred tax assets and valuation allowance	(43.38)%	10.52%	(10.32)%
Other	3.12%	1.86%	0.19%
Effective rate	<u>—</u>	<u>—</u>	<u>—</u>

The significant components of our deferred tax assets consist of the following:

(in US\$ thousands)	December 31	
	2020	2021
Net operating loss carryforwards	\$ 12,519	\$ 13,079
Share-based compensation	315	324
Investments	141	145
Lease right-of-use assets	19	4
Intangible assets and goodwill	2	1
Other	50	54
	<u>13,046</u>	<u>13,607</u>
Less: valuation allowance	(13,046)	(13,607)
Deferred tax assets - net	<u>\$ —</u>	<u>\$ —</u>

A reconciliation of the beginning and ending amounts of our valuation allowance on deferred tax assets for the years ended December 31, 2019, 2020 and 2021 are as follows:

(in US\$ thousands)	2019	2020	2021
Balance at beginning of year	\$ 11,765	\$ 12,732	\$ 13,046
Subsequent reversal and utilization of valuation allowance	(17)	(87)	(81)
Changes to valuation allowance	723	1,585	575
Expirations	—	(1,720)	(221)
Exchange differences	261	536	288
Balance at end of year	<u>\$ 12,732</u>	<u>\$ 13,046</u>	<u>\$ 13,607</u>

Under ROC Income Tax Act, the tax loss carryforward in the preceding ten years would be deducted from income tax for Taiwan operations.

As of December 31, 2021, we had net operating loss carryforwards available to offset future taxable income, shown below by major jurisdictions:

<u>Jurisdiction</u>	<u>Amount</u>	<u>Expiring year</u>
Hong Kong	\$ 16,198	indefinite
Taiwan	43,359	2022~2031
	<u>\$ 59,557</u>	

### Unrecognized Tax Benefits

As of December 31, 2019, 2020 and 2021, there were no unrecognized tax benefits that if recognized would affect the effective tax rate.

There were no interest and penalties related to income tax liabilities recognized for the years ended December 31, 2019, 2020 and 2021.

Our major tax paying components are all located in Taiwan. As of December 31, 2021, the income tax filings in Taiwan have been examined for the years through 2019.

## **NOTE 17. COMMITMENTS AND CONTINGENCIES**

### **Commitments**

#### ***(a) Operating Leases***

We rent certain office premises and automobile for operation use under lease agreements that expire at various dates through 2026. Please refer to Note 9 for more information of our lease arrangements.

#### ***(b) License Agreements***

We have contractual obligations under various license agreements to pay the licensors license fees and minimum guarantees against future royalties. There were no committed license fees and minimum guarantees against future royalties set forth in our significant license agreements as of December 31, 2021.

For a specific licensed game, we are committed to paying an incentive fee of \$30 thousand to the licensor for every \$500 thousand additional revenues generated from the game during the agreement period from January 2020 to January 2022. In January 2022, we entered an extension and amendment agreement to extend the term and modified certain provisions. The extension term commenced on January 27, 2022 and expires on January 26, 2024, and the incentive fee is \$20 thousand for every \$600 thousand additional revenues generated during the extension term.

#### ***(c) Investment Agreements***

On August 31, 2020, we entered into a convertible note purchase agreement to purchase a US\$10,000,000 principal amount convertible promissory note (the "Note") issued by Aeolus Robotics Corporation ("Aeolus"), a global company primarily engaged in designing, manufacturing, processing and sales of intellectual robotics. The Note, which bears interest at a rate of 2% per annum, shall be due on August 30, 2022 but is extendable to August 30, 2023 at Aeolus's option, and all or a portion of the principal amount under the Note may be convertible at GigaMedia's option upon maturity, upon prepayment, or when certain events occur, into ordinary shares or preferred shares of Aeolus at a price of US\$3.00 per share, or into preferred shares in Aeolus's nearest next round equity financing where Aeolus issues further preferred shares. GigaMedia may elect to convert all or any part of the principal amount of the Note into the preferred shares to be issued at the Qualified Financing, among which (1) 20% of such outstanding principal amount shall be converted at a conversion price equal to 90% of the purchase price offered to the investors in such qualified financing, and (2) 80% of such outstanding principal amount shall converted at a conversion price equal to 100% of the purchase price offered to the investors in such qualified financing. In the event that any portion of the principal amount is converted into the ordinary or preferred shares, all the interest accrued but unpaid on such portion of principal amount shall be waived. Assuming full conversion of the Note into ordinary shares and the exercise or conversion of all other Aeolus rights, options and convertible securities outstanding as of August 31, 2020, we would beneficially own 3,333,333 shares representing approximately 4.62% of the total ordinary shares of Aeolus as of August 31, 2020.

In November 2021, Aeolus notified GigaMedia that it intended to issue series B preferred shares, par value of US\$0.0001 per share (the "Series B Preferred Shares"), to certain new series B preferred shareholders for a subscription price of US\$3.02 per share (the "Next Round Financing"). The Next Round Financing constituted a Qualified Financing as defined in the said Note. GigaMedia exercised its conversion right in accordance with the Note with respect to US\$2,000,000 of principal amount at the conversion price of US\$2.718 per share, effective December 30, 2021. GigaMedia received 735,835 Series B Preferred Shares.

After the conversion, the outstanding principal amount under the note is US\$8,000,000, and GigaMedia's right to elect to convert the remaining amount upon maturity, upon prepayment, or when certain events occur, into ordinary shares of Aeolus at a price of US\$3.00 per share, is not affected.

If assuming full conversion of the remaining principal amount of the Note into ordinary shares, we would beneficially own 2,666,666 ordinary shares. Along with the above 735,835 preferred shares, that would represent, assuming the exercise or conversion of all other rights, options and convertible securities, approximately 3.56% of the total voting shares of Aeolus as of December 31, 2021.

### **Contingencies**

We are subject to legal proceedings and claims that arise in the normal course of business.

On January 15, 2018, Ennoconn Corporation (“Ennoconn”) filed a complaint against one of our subsidiaries, GigaMedia Cloud Services Co., Ltd. (“GigaMedia Cloud”) in the Taiwan Taipei District Court. The complaint alleged that GigaMedia Cloud is obligated to pay Ennoconn NTD 79,477,648 (approximately \$2,697,471) in connection with a transaction to purchase taximeters in 2015. GigaMedia Cloud filed an answer to the complaint denying Ennoconn’s allegations in the lack of factual and legal basis on March 1, 2018. On November 15, 2018, the Taiwan Taipei District Court determined that all of Ennoconn’s claims were without merit and made a judgment denying the complaint. On January 3, 2019, Ennoconn filed an appeal demanding the judgment which was entered in the District Court, to be reversed and amended. The civil court of the second instance, the Taiwan High Court, has conducted the session of the preparatory proceedings for several times during 2019. As a result, the Taiwan High Court ruled on January 8, 2020, that the decision of the Taiwan Taipei District Court should be partially modified and Ennoconn is entitled to NTD 27,084,180 (approximately \$892,763). GigaMedia Cloud has filed another appeal with the Taiwan Supreme Court on February 4, 2020. The Taiwan Supreme Court revoked the previous ruling of the Taiwan High Court, and sent the case back to the Taiwan High Court for a retrial. Under such a sentence ruled by the Taiwan Supreme Court dated May 17, 2021, apart from setting aside the previous judgments of the High Court against GigaMedia Cloud, the appeal made by Ennoconn should be reviewed by the Taiwan High Court by following the instructions of the Taiwan Supreme Court. As of the issue date of these consolidated financial statements, the Taiwan High Court has yet to issue its ruling. GigaMedia Cloud accrued its best estimate for the ultimate resolution of this claim. On the other hand, pursuant to Taiwan’s Company Act, the shareholder of GigaMedia Cloud is limitedly liable for GigaMedia Cloud in an amount equal to the total value of shares subscribed. Therefore, we believe that the immediate parent company, the intermediate parent companies, as well as GigaMedia, the ultimate parent company, individually or collectively do not have obligations to absorb GigaMedia Cloud’s loss exceeding GigaMedia Cloud’s net worth and accordingly, it will not have a material adverse impact on our financial condition, results of operations or cash flows.

### **NOTE 18. SEGMENT, PRODUCT, GEOGRAPHIC AND OTHER INFORMATION**

We have only one segment, the digital entertainment business segment, which operates a portfolio of digital entertainment products, primarily targeting digital entertainment service users across Asia.

Our Company uses the income from operations as the measurement for the basis of performance assessment. The basis for such measurement is the same as that for the preparation of consolidated financial statements. Please refer to the consolidated statements of operations and comprehensive income (loss) for the related segment revenue and operating results.

#### ***Major Product Lines***

Revenues from our Company’s major product lines are summarized as follow:

(in US\$ thousands)	2019	2020	2021
MahJong and casino casual games	\$ 1,778	\$ 1,833	\$ 1,493
PC-based massive multiplayer online games	1,204	2,730	2,376
Mobile role playing games	3,538	2,270	1,522
Other games and game related revenues	125	42	101
	<u>\$ 6,645</u>	<u>\$ 6,875</u>	<u>\$ 5,492</u>

#### ***Major Customers***

No single customer represented 10% or more of GigaMedia’s consolidated total net revenues in any period presented.

### **Geographic Information**

Revenues by geographic area are attributed by country of the operating entity location. Revenue from by geographic region is as follows:

<b>(in US\$ thousands)</b>			
<b>Geographic region / country</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Taiwan	\$ 3,074	\$ 3,743	\$ 3,050
Hong Kong	3,571	3,132	2,442
	<u>\$ 6,645</u>	<u>\$ 6,875</u>	<u>\$ 5,492</u>

Geographic information for property, plant and equipment, intangible assets and operating lease right-of-use assets are as follows:

<b>(in US\$ thousands)</b>	<b>December 31, 2021</b>			<b>December 31, 2020</b>		
	<b>Property, plant and equipment, net</b>	<b>Intangible assets, net</b>	<b>Operating lease right-of-use assets, net</b>	<b>Property, plant and equipment, net</b>	<b>Intangible assets, net</b>	<b>Operating lease right-of-use assets, net</b>
<b>Geographic region / country</b>						
Taiwan	\$ 88	\$ 12	\$ 1,897	\$ 22	\$ 4	\$ —
Hong Kong	—	—	74	—	—	—
	<u>\$ 88</u>	<u>\$ 12</u>	<u>\$ 1,971</u>	<u>\$ 22</u>	<u>\$ 4</u>	<u>\$ —</u>

### **NOTE 19. SUBSEQUENT EVENT**

There have been no events that have occurred subsequent to December 31, 2021, and through the date that the consolidated financial statements are issued that would require adjustment to or disclosure except as already disclosed in the consolidated financial statements.



**GIGAMEDIA LIMITED AND ITS SUBSIDIARIES**  
**(Registration Number: 199905474H)**

**ANNUAL REPORT**

**YEAR ENDED 31 DECEMBER 2021**

## GIGAMEDIA LIMITED AND ITS SUBSIDIARIES

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## Directors' statement

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2021.

In our opinion:

- (a) the financial statements set out on pages 10 to 60 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

## Directors

The directors in office at the date of this statement are as follows:

Huang, James Cheng-Ming  
Hong, Chin Fock (Damian)  
Huang, John Ping Chang  
Huang, Billy Bing-Yuan  
Liu, Nick Chia-En  
Tung, Casey Kuo Chong

## Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Act, particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

<b>Name of director and corporation in which interests are held</b>	<b>Holdings at beginning of the financial year</b>	<b>Holdings at end of the financial year</b>
<b><u>The Company</u></b>		
<b>Huang, James Cheng-Ming</b>		
- ordinary shares	1,073,566	1,073,566
- options to subscribe for ordinary shares	4,000	4,000
<b>Huang, John Ping Chang</b>		
- options to subscribe for ordinary shares	4,000	-

<b>Name of director and corporation in which interests are held</b>	<b>Holdings at beginning of the financial year</b>	<b>Holdings at end of the financial year</b>
<b>Huang, Billy Bing-Yuan</b> - options to subscribe for ordinary shares	4,000	4,000
<b>Liu, Nick Chia-En</b> - options to subscribe for ordinary shares	4,000	-
<b>Tung, Casey Kuo Chong</b> - options to subscribe for ordinary shares	4,000	4,000
<b>Hong, Chin Fock (Damian)</b> - options to subscribe for ordinary shares	4,000	4,000

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company or of related corporations either at the beginning of the financial year or at the end of the financial year.

Except as disclosed under the "Share options" section of this statement, neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## **Share options**

### **2004 Employee Share Option Plan**

At the June 2004 annual general meeting of shareholders, the shareholders of our Company approved the GigaMedia Limited 2004 Employee Share Option Plan (the "2004 Plan") under which up to 1.4 million common shares of our Company have been reserved for issuance. All employees, officers, directors, supervisors, advisors, and consultants of our Company are eligible to participate in the 2004 Plan. The 2004 Plan is administered by a committee designated by the board of directors. The committee as plan administrator has complete discretion to determine the exercise price for the option grants, the eligible individuals who are to receive option grants, the time or times when options grants are to be made, the number of shares subject to grant and the vesting schedule. The maximum contractual term for the options under the 2004 Plan is 10 years. The 2004 Plan has lapsed in June 2014.

### **2006 Equity Incentive Plan**

At the June 2006 annual general meeting of shareholders, the shareholders of our Company approved the GigaMedia Limited 2006 Equity Incentive Plan (the "2006 Plan") under which up to 200 thousand common shares of our Company have been reserved for issuance. The 2006 Plan is administered by a committee designated by the board of directors. The committee as plan administrator has complete discretion to determine the grant of awards under the 2006 Plan. The maximum contractual term for the options under the 2006 Plan is 10 years. The 2006 Plan has lapsed in June 2016.

**2007 Equity Incentive Plan**

At the June 2007 annual general meeting of shareholders, the shareholders of the Company approved the GigaMedia Limited 2007 Equity Incentive Plan (the "2007 Plan") under which up to 400 thousand ordinary shares of the Company have been reserved for issuance. The 2007 Plan is administered by a committee designated by the board of directors. The committee as plan administrator has complete discretion to determine the grant of awards under the 2007 Plan. The maximum contractual term for the options under the 2007 Plan is 10 years. There were 4,000 shares granted in May 2017. The 2007 Plan has lapsed in June 2017.

Summarised below are the general terms of its share-based compensation plans as of 31 December 2021.

Date granted	Balance at beginning of year '000	Granted during the year '000	Expired/ forfeited during the year '000	Balance at end of year '000	Options' exercise price US\$	Exercise period
20.05.2011	12	-	(12)	-	\$6.25	20.05.2011 - 20.05.2021
05.01.2012	4	-	-	4	\$4.05	05.01.2012 - 05.01.2022
28.10.2013	4	-	-	4	\$5.05	28.10.2013 - 28.10.2023
28.03.2014	25	-	-	25	\$7.15	28.03.2014 - 28.03.2024
05.05.2017	4	-	-	4	\$2.90	05.05.2017 - 05.05.2027
	<u>49</u>	<u>-</u>	<u>(12)</u>	<u>37</u>		

All options are expected to be settled by issuing new shares.

**Auditors**

The auditors, Deloitte & Touche LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

/s/ **HUANG, JAMES CHENG-MING**

**HUANG, JAMES CHENG-MING**  
*Director*

/s/ **HUANG, JOHN PING CHANG**

**HUANG, JOHN PING CHANG**  
*Director*

27 April 2022

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
GIGAMEDIA LIMITED**

**Report on the audit of the financial statements**

**Opinion**

We have audited the financial statements of GigaMedia Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies, as set out on pages 10 to 60.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act 1967 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2021, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

**Basis for opinion**

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
GIGAMEDIA LIMITED**

**Fair valuation of financial assets at FVTPL**

The Company holds financial assets at FVTPL amounted to \$10,322,000. The fair value of the investments is based on complex valuation methods with unobservable inputs, therefore, classified as Level 3.

Unlike the valuation of assets with readily observable market prices, therefore, more easily independently corroborated, the valuation of the financial assets at FVTPL classified as Level 3 is inherently subjective, and often involves the use of complex proprietary methods and unobservable inputs.

We identified the valuation of the financial assets at FVTPL as a key audit matter because of the complex valuation methods and unobservable inputs such as the discount rate of lack of marketability and volatility management uses to estimate the fair value. This requires a high degree of auditor's professional judgment and an increased extent of effort, including the involvement of our fair value specialists, when evaluating the methods and related inputs.

The financial assets at FVTPL is disclosed in Note 8 to the financial statements.

**Our audit performed and responses thereon**

Our audit procedures focussed on evaluating and challenging the key assumptions used in the valuation of the financial assets at FVTPL.

Our procedures included:

- We obtained an understanding and evaluated the design and implementation of controls over management's valuation of the financial assets at FVTPL, including controls over the Company's valuation methods and significant unobservable inputs.
- With the assistance of our fair value specialists, (1) we evaluated the appropriateness of the valuation methodologies and techniques used in determining the fair value of the financial assets at FVTPL; (2) we tested the underlying data used in the methods calculations and the mathematical accuracy of the calculation; (3) we evaluated the appropriateness of the judgements and estimates of the key inputs used in determining the fair value of the financial assets at FVTPL including but not limited to the discount rate of lack of marketability and volatility.

**Other information**

Management is responsible for the other information. The other information comprises the directors' statement.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GIGAMEDIA LIMITED**

### **Responsibilities of management and directors for the financial statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
GIGAMEDIA LIMITED**

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on other legal and regulatory requirements**

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Lee Boon Teck.

/s/ **Deloitte & Touche LLP**

Public Accountants and  
Chartered Accountants  
Singapore

27 April 2022



**Statements of financial position**  
**As at 31 December 2021**

	Note	Group		Company	
		2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
<b>Assets</b>					
Property, plant and equipment	4	88	22	-	-
Right-of-use assets	5	1,971	-	-	-
Intangible assets	6	12	4	-	-
Subsidiaries	7	-	-	48,274	51,297
Other investment	8	10,322	10,000	10,322	10,000
Other assets (non-current)	9	508	342	213	67
<b>Non-current assets</b>		<b>12,901</b>	<b>10,368</b>	<b>58,809</b>	<b>61,364</b>
Trade and other receivables	10	821	523	1,754	1,674
Other assets (current)	9	35	130	-	-
Cash and cash equivalents	11	41,761	46,002	785	1,353
<b>Current assets</b>		<b>42,617</b>	<b>46,655</b>	<b>2,539</b>	<b>3,027</b>
<b>Total assets</b>		<b>55,518</b>	<b>57,023</b>	<b>61,348</b>	<b>64,391</b>
<b>Equity attributable to owners of the Company</b>					
Share capital	12	213,238	213,238	213,238	213,238
Reserves	13	(6,641)	(6,508)	3,978	2,462
Accumulated losses		(155,983)	(152,871)	(166,602)	(161,841)
<b>Total equity</b>		<b>50,614</b>	<b>53,859</b>	<b>50,614</b>	<b>53,859</b>
<b>Liabilities</b>					
Other payables	16	-	-	-	10,067
Lease liabilities	15	1,450	3	-	-
<b>Non-current liabilities</b>		<b>1,450</b>	<b>3</b>	<b>-</b>	<b>10,067</b>
Trade and other payables	16	1,799	1,878	10,734	465
Contract liabilities	17	1,118	1,188	-	-
Lease liabilities	15	537	95	-	-
<b>Current liabilities</b>		<b>3,454</b>	<b>3,161</b>	<b>10,734</b>	<b>465</b>
<b>Total liabilities</b>		<b>4,904</b>	<b>3,164</b>	<b>10,734</b>	<b>10,532</b>
<b>Total equity and liabilities</b>		<b>55,518</b>	<b>57,023</b>	<b>61,348</b>	<b>64,391</b>

See accompanying notes to financial statements.

**Consolidated statement of profit or loss**  
**Year ended 31 December 2021**

	<b>Note</b>	<b>2021</b> <b>US\$'000</b>	<b>2020</b> <b>US\$'000</b>
Revenue	18	5,492	6,875
Cost of sales		(2,584)	(2,956)
<b>Gross profit</b>		<u>2,908</u>	<u>3,919</u>
Other income		562	55
Product development and engineering expenses		(1,449)	(1,327)
Selling and marketing expenses		(1,729)	(1,619)
General and administrative expenses		(3,671)	(3,120)
Other operating expenses	19	(7)	(154)
<b>Results from operating activities</b>		<u>(3,386)</u>	<u>(2,246)</u>
Finance income		252	613
Finance expenses		(27)	(6)
Net finance income	20	<u>225</u>	<u>607</u>
<b>Loss before tax</b>		<u>(3,161)</u>	<u>(1,639)</u>
Income tax	21	-	-
<b>Loss for the year</b>	22	<u>(3,161)</u>	<u>(1,639)</u>

See accompanying notes to financial statements.

**Consolidated statement of comprehensive income**  
**Year ended 31 December 2021**

	<b>Note</b>	<b>2021</b>	<b>2020</b>
		<b>US\$'000</b>	<b>US\$'000</b>
<b>Loss for the year</b>		(3,161)	(1,639)
<b>Other comprehensive (loss) income:</b>			
<b><i>Item that will not be reclassified to profit or loss:</i></b>			
Defined benefit plan remeasurements		49	(58)
		<u>49</u>	<u>(58)</u>
<b><i>Item that may be reclassified subsequently to profit or loss:</i></b>			
Foreign currency translation differences – foreign operations		(133)	249
		<u>(133)</u>	<u>249</u>
<b>Other comprehensive income for the year, net of tax</b>		84	191
<b>Total comprehensive loss for the year</b>		<u>(3,245)</u>	<u>(1,448)</u>

See accompanying notes to financial statements.

**Consolidated statement of changes in equity**  
**Year ended 31 December 2021**

	Note	Share capital US\$'000	Share option reserve US\$'000	Statutory reserve US\$'000	Accumulated losses US\$'000	Foreign currency translation reserve US\$'000	Total US\$'000
At 1 January 2020		213,238	12,862	1,516	(151,174)	(21,136)	55,306
<b>Total comprehensive loss for the year</b>							
Loss for the year		-	-	-	(1,639)	-	(1,639)
<b>Other comprehensive income</b>							
Foreign currency translation		-	-	-	-	249	249
Defined benefit plan remeasurements		-	-	-	(58)	-	(58)
<b>Total other comprehensive income, net of tax</b>		-	-	-	(58)	249	191
<b>Total comprehensive loss for the year</b>		-	-	-	(1,697)	249	(1,448)
<b>Transactions with owners, recognised directly in equity</b>							
<b>Contributions by and distributions to owners</b>							
Share-based payment transactions	13	-	1	-	-	-	1
<b>Total transactions with owners</b>		-	1	-	-	-	1
<b>At 31 December 2020</b>		<u>213,238</u>	<u>12,863</u>	<u>1,516</u>	<u>(152,871)</u>	<u>(20,887)</u>	<u>53,859</u>

See accompanying notes to financial statements.

**Consolidated statement of changes in equity**  
**Year ended 31 December 2021**

	Attributable to owners of the Company					
	Share capital US\$'000	Share option reserve US\$'000	Statutory reserve US\$'000	Accumulated losses US\$'000	Foreign currency translation reserve US\$'000	Total US\$'000
At 1 January 2021	213,238	12,863	1,516	(152,871)	(20,887)	53,859
<b>Total comprehensive income (loss) for the year</b>						
Loss for the year	-	-	-	(3,161)	-	(3,161)
<b>Other comprehensive income</b>						
Foreign currency translation	-	-	-	-	(133)	(133)
Defined benefit plan remeasurements	-	-	-	49	-	49
<b>Total other comprehensive income, net of tax</b>	-	-	-	49	(133)	(84)
<b>Total comprehensive income (loss) for the year</b>	-	-	-	(3,112)	(133)	(3,245)
<b>At 31 December 2021</b>	<b>213,238</b>	<b>12,863</b>	<b>1,516</b>	<b>(155,983)</b>	<b>(21,020)</b>	<b>50,614</b>

**Consolidated statement of cash flows**  
**Year ended 31 December 2021**

	<b>Note</b>	<b>2021 US\$'000</b>	<b>2020 US\$'000</b>
<b>Cash flows from operating activities</b>			
Loss before tax		(3,161)	(1,639)
Adjustments for:			
Loss allowances for trade receivables		7	5
Amortisation – intangible assets		9	5
Amortisation – lease right-of-use assets		415	-
Depreciation of property, plant and equipment		12	3
Interest expense		27	6
Interest income		(252)	(613)
Share-based compensation		-	1
Unrealised foreign exchange loss		-	149
Fair value gain on financial assets at FVTPL		(261)	-
Gain on disposal of financial asset at FVTPL		(125)	-
<b>Operating loss before working capital changes</b>		<u>(3,329)</u>	<u>(2,083)</u>
Changes in:			
Trade and other receivables		(305)	91
Other assets		86	(153)
Trade and other payables		(32)	158
Contract liabilities		(115)	(415)
Prepaid pension plans		(20)	18
<b>Cash used in operating activities, representing net cash used in operating activities</b>		<u>(3,715)</u>	<u>(2,384)</u>
<b>Cash flows from investing activities</b>			
Interest received		105	613
Purchase of property, plant and equipment		(76)	(24)
Purchase of intangible assets		(17)	(8)
Purchase of financial asset at FVTPL		-	(10,000)
Proceeds from disposal of financial asset at FVTPL		79	-
Refundable deposit		(3)	(9)
<b>Net cash from (used in) investing activities</b>		<u>88</u>	<u>(9,428)</u>
<b>Cash flows from financing activities</b>			
Deposits pledged		(6)	231
Repayment of lease liabilities		(531)	(495)
Interest paid		-	(6)
<b>Net cash used in financing activities</b>		<u>(537)</u>	<u>(270)</u>
<b>Net decrease in cash and cash equivalents</b>		(4,164)	(12,082)
Cash and cash equivalents at 1 January		45,702	57,743
Effect of exchange rate fluctuations on cash held in foreign currencies		(83)	41
<b>Cash and cash equivalents at 31 December</b>	11	<u>41,455</u>	<u>45,702</u>

See accompanying notes to financial statements.

## **GIGAMEDIA LIMITED AND ITS SUBSIDIARIES**

### **NOTES TO FINANCIAL STATEMENTS**

**31 DECEMBER 2021**

#### **1. Corporate information**

GigaMedia Limited (the "Company") is a limited liability company domiciled and incorporated in Singapore. The address of its registered office is at 80 Robinson Road, #02-00, Singapore 068898. Its principal place of business is at 8th Floor, No.22, Ln. 407, Sec. 2, Tiding Blvd., Taipei, Taiwan, 114 Republic of China.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 7 to the financial statements.

The Company is listed on the NASDAQ Stock Market in the United States.

The consolidated financial statements of the Group and statement of financial position of the Company for the year ended 31 December 2021 were authorised for issue by the Board of Directors on 27 April 2022.

#### **2. Summary of significant accounting policies**

##### ***Basis of preparation***

The financial statements have been prepared in accordance with the historical cost basis except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Financial Reporting Standards in Singapore ("FRSs").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102 *Share-based Payment*, leasing transactions that are within the scope of FRS 116 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 *Inventories* or value in use in FRS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 - Unobservable inputs for the asset or liability.

## **GIGAMEDIA LIMITED AND ITS SUBSIDIARIES**

### **NOTES TO FINANCIAL STATEMENTS 31 DECEMBER 2021**

#### **2. Summary of significant accounting policies (cont'd)**

##### ***Adoption of new and revised standards***

In the current financial year, the Group has adopted all the new and revised FRSs and interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2021. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies in current and prior years.

At the date of authorisation of these financial statements, certain new/revised FRSs, INT FRSs and amendments to FRS were issued but not effective. Management is of the view that these are not expected to have an impact to the Group in the periods of their initial adoption.

##### ***Basis of consolidation***

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.



## **GIGAMEDIA LIMITED AND ITS SUBSIDIARIES**

### **NOTES TO FINANCIAL STATEMENTS 31 DECEMBER 2021**

#### **2. Summary of significant accounting policies (cont'd)**

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

#### Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 109, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's financial statements, investments in subsidiaries and associates are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

## **GIGAMEDIA LIMITED AND ITS SUBSIDIARIES**

### **NOTES TO FINANCIAL STATEMENTS 31 DECEMBER 2021**

#### **2. Summary of significant accounting policies (cont'd)**

##### ***Business Combinations***

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;
- Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 *Share-based Payment* at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

## **GIGAMEDIA LIMITED AND ITS SUBSIDIARIES**

### **NOTES TO FINANCIAL STATEMENTS 31 DECEMBER 2021**

#### **2. Summary of significant accounting policies (cont'd)**

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another FRS.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year from acquisition date.

If the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

#### ***Foreign currency***

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The Group's consolidated financial statements are presented in US dollars as the Company is listed on the NASDAQ Stock Market at United States. The Company's functional currency is New Taiwan dollars.

#### **a) Transactions and balances**

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange prevailing at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under translation reserve in equity. The translation reserve is reclassified from equity to the profit or loss of the Group on disposal of the foreign operation.

## **GIGAMEDIA LIMITED AND ITS SUBSIDIARIES**

### **NOTES TO FINANCIAL STATEMENTS 31 DECEMBER 2021**

#### **2. Summary of significant accounting policies (cont'd)**

##### **b) Group companies**

The assets and liabilities of foreign operations are translated into US dollars at the rate of exchange prevailing at the reporting date and income and expenses are translated at the average exchange rates for the year. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

##### ***Property, plant and equipment***

Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is charged so as to write off the cost of items of property, plant, and equipment less their residual values over their estimated useful lives, using the straight-line method, on the following bases:

Leasehold improvements	-	3 to 5 years
Information and communication equipment	-	2 to 5 years
Office furniture and equipment	-	3 to 5 years

The residual values, useful life and depreciation method are reviewed at end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

## **GIGAMEDIA LIMITED AND ITS SUBSIDIARIES**

### **NOTES TO FINANCIAL STATEMENTS 31 DECEMBER 2021**

#### **2. Summary of significant accounting policies (cont'd)**

##### ***Intangible assets***

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The following useful life is used in the calculation of amortisation:

Purchased software development costs	-	1 to 3 years
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##### ***Impairment of non-financial assets***

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

## **GIGAMEDIA LIMITED AND ITS SUBSIDIARIES**

### **NOTES TO FINANCIAL STATEMENTS 31 DECEMBER 2021**

#### **2. Summary of significant accounting policies (cont'd)**

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Reversal is recognised in the profit or loss unless the asset is measured at revalued amount, in which case the reversal in excess of impairment loss previously recognised through the profit or loss is treated as a revaluation increase.

#### ***Financial instruments***

Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

#### **Classification of financial assets**

The company classifies its financial assets in the following measurement categories:

- Amortised cost; and
- Fair value through profit or loss (FVTPL).

#### **Financial assets classified as at amortised cost**

These mainly comprise cash and cash equivalents and trade and other receivables.

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

## **GIGAMEDIA LIMITED AND ITS SUBSIDIARIES**

### **NOTES TO FINANCIAL STATEMENTS 31 DECEMBER 2021**

#### **2. Summary of significant accounting policies (cont'd)**

##### ***Amortised cost and effective interest method***

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. Interest income is recognised in profit or loss.

##### Financial asset at FVTPL

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss.

##### **Impairment of financial assets**

The Group recognises a loss allowance for expected credit loss ("ECL") on financial assets at amortised costs. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group measures the loss allowance based on lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-months ECL ("12m ECL"). The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

##### ***Significant increase in credit risk***

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default (more than 90 days past due) occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate.

## **GIGAMEDIA LIMITED AND ITS SUBSIDIARIES**

### **NOTES TO FINANCIAL STATEMENTS**

**31 DECEMBER 2021**

#### **2. Summary of significant accounting policies (cont'd)**

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

#### ***Derecognition of financial assets***

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

#### ***Financial liabilities***

Financial liabilities include trade and other payables and interest bearing loans and borrowings.

#### **Initial recognition and measurement**

Financial liabilities are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus directly attributable transaction costs.



## **GIGAMEDIA LIMITED AND ITS SUBSIDIARIES**

### **NOTES TO FINANCIAL STATEMENTS 31 DECEMBER 2021**

#### **2. Summary of significant accounting policies (cont'd)**

##### **Subsequent measurement**

After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

##### **Derecognition**

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

##### ***Provisions***

Provisions are recognised when the Group has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made on the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

##### ***Equity instruments***

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

## **GIGAMEDIA LIMITED AND ITS SUBSIDIARIES**

### **NOTES TO FINANCIAL STATEMENTS 31 DECEMBER 2021**

#### **2. Summary of significant accounting policies (cont'd)**

##### ***Employee benefits***

##### **a) Defined contribution plans**

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Company makes contributions to the Central Provident Fund (CPF) scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

##### **b) Employee leave entitlement**

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to reporting date.

##### **c) Defined benefits plan**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset).

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

Remeasurements from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Group recognises them immediately in other comprehensive income and all expenses related to defined benefit plans in employee benefits expense in profit or loss.

## **GIGAMEDIA LIMITED AND ITS SUBSIDIARIES**

### **NOTES TO FINANCIAL STATEMENTS 31 DECEMBER 2021**

#### **2. Summary of significant accounting policies (cont'd)**

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs.

The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs. The gain or loss on settlement is the difference between the present value of the defined benefit obligation being settled as determined on the date of settlement and the settlement price, including any plan assets transferred and any payments made directly by the Group in connection with the settlement.

##### **d) Share-based payment transactions**

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the fair value of the liability are recognised as employee benefits expense in profit or loss.

#### ***Taxes***

##### **a) Current income tax**

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period, in the countries where the Group operates and generates taxable income.

## **GIGAMEDIA LIMITED AND ITS SUBSIDIARIES**

### **NOTES TO FINANCIAL STATEMENTS 31 DECEMBER 2021**

#### **2. Summary of significant accounting policies (cont'd)**

Current income taxes are recognised in the profit or loss except to the extent that the tax relates to items recognised outside the profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

##### **b) Deferred tax**

Deferred income tax is provided using the liability method on temporary differences at the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

## **GIGAMEDIA LIMITED AND ITS SUBSIDIARIES**

### **NOTES TO FINANCIAL STATEMENTS 31 DECEMBER 2021**

#### **2. Summary of significant accounting policies (cont'd)**

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period. Except for investment properties measured using the fair value model, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred income tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

## **GIGAMEDIA LIMITED AND ITS SUBSIDIARIES**

### **NOTES TO FINANCIAL STATEMENTS 31 DECEMBER 2021**

#### **2. Summary of significant accounting policies (cont'd)**

##### ***Leases***

##### **As lessee**

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate specific to the lessee.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate; or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

## **GIGAMEDIA LIMITED AND ITS SUBSIDIARIES**

### **NOTES TO FINANCIAL STATEMENTS 31 DECEMBER 2021**

#### **2. Summary of significant accounting policies (cont'd)**

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under FRS 37. The costs are included in the related right-of-use asset.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Group applies FRS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described above.

As a practical expedient, FRS 116 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

#### ***Revenue recognition***

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

#### **Digital entertainment service revenue**

Digital entertainment product and service revenues are generated through the sale of virtual points, prepaid cards and game packs. Virtual points are sold to distributors or end-users who can make the payments through credit cards, internet banking or telecommunication service operators. Physical prepaid cards and game packs are sold through distributors and convenience stores. Proceeds from sales of prepaid cards and game packs, net of sales discounts, and virtual points are deferred when received, and revenue is recognised over time upon the actual usage of the playing time or in-game virtual items by the end-users based on the estimated service period of virtual items determined with reference to expiry period of the sold points in accordance with the Group's published points expiration policy and the estimated useful life of virtual items.

## **GIGAMEDIA LIMITED AND ITS SUBSIDIARIES**

### **NOTES TO FINANCIAL STATEMENTS 31 DECEMBER 2021**

#### **2. Summary of significant accounting policies (cont'd)**

The Group reports sales of virtual points on a gross basis. In the sales of virtual points, the Group acts as a principal and the Group has latitude in establishing price. Fixed percentage fees retained by convenient stores and service providers for payment processing related to the Group's digital entertainment services are recognised as cost of digital entertainment revenues.

##### ***Segment reporting***

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Board of Directors (the chief operating decision maker) to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets.

#### **3. Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions would be reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.



## **GIGAMEDIA LIMITED AND ITS SUBSIDIARIES**

### **NOTES TO FINANCIAL STATEMENTS 31 DECEMBER 2021**

#### **3. Critical accounting judgements and key sources of estimation uncertainty (cont'd)**

##### **Critical judgements in applying the Group's accounting policies**

Management is of the opinion that any instances of application of judgement are not expected to have a significant effect on the amounts recognised in the financial statements, except for judgements relating to accounting estimates as discussed below.

##### **Key sources of estimation uncertainty**

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

##### **a) Recognition of digital entertainment service revenue**

Digital entertainment service revenue is earned via the sale of virtual points, prepaid cards and game packs. Proceeds from the sale of virtual points are deferred when received and revenue is recorded over time when the virtual points are consumed based on estimated life of virtual points. Management determines the estimated useful life of the virtual points based on the weighted average number of days of a user's payment interval, the average turnover rate of the circulation of virtual point in the Group's online games and the historical period based on the Group's previously released online games.

The carrying amount of the Group's contract liabilities and digital entertainment service revenue are disclosed in Notes 17 and 18 to the financial statements.

##### **b) Impairment of right-of-use assets**

The Group regularly reviews whether there are any indications of impairment and recognises an impairment loss if the carrying amount of the right-of-use assets is lower than its recoverable amount. The determination of recoverable amount is subject to management's estimation based on third party independent appraisal.

The carrying amount of the Group's right-of-use assets is disclosed in Note 5 to the financial statements.

##### **c) Fair value of financial assets at FVTPL**

In estimating the fair value of the financial assets at FVTPL, the Group engages third party qualified valuer to perform the valuation. Management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. Key significant observable inputs include discount for lack of marketability and volatility rate as disclosed in Note 24(c) to the financial statements.

The carrying amount of the Group's financial assets at FVTPL is disclosed in Note 8 to the financial statements.

**GIGAMEDIA LIMITED AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS  
31 DECEMBER 2021**

**4 Property, plant and equipment**

<b>Group Cost</b>	<b>Leasehold improvements US\$'000</b>	<b>Information and communication equipment US\$'000</b>	<b>Office furniture and equipment US\$'000</b>	<b>Total US\$'000</b>
At 1 January 2020	141	139	37	317
Additions	-	9	15	24
Disposals/Write offs	(141)	(139)	(37)	(317)
Effect of movements in exchange rates	-	-	1	1
At 31 December 2020	-	9	16	25
Additions	-	65	11	76
Effect of movements in exchange rates	-	1	1	2
At 31 December 2021	-	75	28	103
<b>Accumulated depreciation</b>				
At 1 January 2020	135	47	23	205
Depreciation charge to profit or loss	-	2	1	3
Disposals/Write offs	(135)	(47)	(23)	(205)
At 31 December 2020	-	2	1	3
Depreciation charge to profit or loss	-	8	4	12
At 31 December 2021	-	10	5	15
<b>Accumulated impairment loss</b>				
At 1 January 2020	6	92	14	112
Charge to profit or loss	(6)	(92)	(14)	(112)
At 31 December 2020 and 2021	-	-	-	-
<b>Carrying amounts</b>				
At 31 December 2020	-	7	15	22
At 31 December 2021	-	65	15	88

**GIGAMEDIA LIMITED AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS  
31 DECEMBER 2021**

**5 Right-out-use assets**

<b>Group Cost</b>	<b>Office space US\$'000</b>	<b>Motor vehicles US\$'000</b>	<b>Office equipment US\$'000</b>	<b>Total US\$'000</b>
At 1 January 2020	879	47	6	932
Additions	124	-	-	124
Effect of movements in exchange rates	22	-	-	22
At 31 December 2020	1,025	47	6	1,078
Removal at the end of the lease	(1025)	(47)	(6)	(1078)
Additions	2,279	85	-	2,364
Effect of movements in exchange rates	25	1	-	25
At 31 December 2021	2,304	86	-	2,390
<b>Accumulated amortisation</b>				
At 1 January 2020	-	-	-	-
Amortisation charge to profit or loss	456	23	1	480
Effect of movements in exchange rates	13	-	-	13
At 31 December 2020	469	23	1	493
Removal at the end of the lease	(469)	(23)	(1)	(493)
Amortisation charge to profit or loss	401	14	-	415
Effect of movements in exchange rates	4	-	-	4
At 31 December 2021	405	14	-	419
<b>Accumulated impairment loss</b>				
At 1 January 2020	-	-	-	-
Charge to profit or loss	547	24	5	576
Effect of movements in exchange rates	9	-	-	9
At 31 December 2020	556	24	5	585
Removal at the end of the lease	(556)	(24)	(5)	(585)
At 31 December 2021	-	-	-	-
<b>Carrying amounts</b>				
At 31 December 2020	-	-	-	-
At 31 December 2021	1,899	72	-	1,971

The Group leases several assets including office space, motor vehicles and IT equipment. The average lease term is between 2 to 5 years and rentals are generally fixed during the lease term.

**GIGAMEDIA LIMITED AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS  
31 DECEMBER 2021**

**6 Intangible assets**

	<b>Purchased software development costs US\$'000</b>
<b>Group</b>	
<b>Cost</b>	
At 1 January 2020	70
Additions	8
Disposals/Write offs	(70)
Effect of movements in exchange rates	1
At 31 December 2020	<u>9</u>
Additions	17
At 31 December 2021	<u>26</u>
<b>Accumulated amortisation</b>	
At 1 January 2020	54
Amortisation for the year	5
Disposals/Write offs	(54)
At 31 December 2020	<u>5</u>
Amortisation for the year	9
At 31 December 2021	<u>14</u>
<b>Accumulated impairment loss</b>	
At 1 January 2020	16
Charge to profit or loss	(16)
At 31 December 2020 and 2021	<u>-</u>
<b>Carrying amounts</b>	
At 31 December 2020	<u>4</u>
At 31 December 2021	<u>12</u>

**GIGAMEDIA LIMITED AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS**

**31 DECEMBER 2021**

**7 Subsidiaries**

	<b>Company</b>	
	<b>2021</b>	<b>2020</b>
	<b>US\$'000</b>	<b>US\$'000</b>
At 1 January	51,297	51,985
Allowance for impairment loss	(4,505)	(3,427)
Effect of movements in exchange rates	1,482	2,739
At 31 December	48,274	51,297

During the year ended 31 December 2021, allowance for impairment loss amounting to US\$4,505,000 (2020: US\$3,427,000) was made in respect of the Company's investments in certain subsidiaries to reduce the carrying value of the investments to recoverable amounts based on the net asset value of respective subsidiaries, which approximate their fair value less costs to sell.

**Details of the subsidiaries are as follows:**

<b>Name of subsidiaries</b>	<b>Principal activities</b>	<b>Country of incorporation</b>	<b>Percentage ownership interest</b>	
			<b>2021</b>	<b>2020</b>
			<b>%</b>	<b>%</b>
<b><i>Held by the Company</i></b>				
z International Holdings Limited	Holding company	British Virgin Islands	100	100
GIGM Corporation	Holding company	Cayman Islands	100*	-
<b><i>Held by GigaMedia International Holdings Limited</i></b>				
Cambridge Entertainment Software Limited	Holding company	British Virgin Islands	100	100
GigaMedia (HK) Limited	Holding company	Hong Kong	100	100
GigaMedia Online Entertainment Corp.	Holding company	Cayman Islands	100	100
GigaMedia (Cayman) Limited.	Holding company	Cayman Islands	100	100
<b><i>Held by FunTown World Limited</i></b>				
FunTown Hong Kong Limited	Online games	Hong Kong	100	100

**GIGAMEDIA LIMITED AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS  
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Name of subsidiaries	Principal activities	Country of incorporation	Percentage ownership interest	
			2021 %	2020 %
<b><i>Held by GigaMedia Online Entertainment Corp.</i></b>				
FunTown World Limited	Holding company	British Virgin Islands	100	100
GigaMedia Freestyle Holdings Limited	Holding company	British Virgin Islands	100	100
Megabiz Limited	Holding company	British Virgin Islands	100	100
<b><i>Held by GigaMedia (Cayman) Limited.</i></b>				
Hoshin GigaMedia Center Inc.	Online games	Taiwan	100	100
Giga Development Corporation	Holding company	Taiwan	100	100
GigaMedia Cloud Services Co., Ltd.	Cloud computing services	Taiwan	100	100
<b><i>Held by Giga Development Corporation</i></b>				
Wen He Investment Ltd.	Holding company	Taiwan	100	100
<b><i>Held by Hoshin GigaMedia Center Inc</i></b>				
Play2gether Digital Technology Co., Ltd.	Online games	Taiwan	100	100
Gaminfinity Publishing Co., Ltd.	Online games	Taiwan	100	100
<b><i>Held by GigaMedia (HK) Limited</i></b>				
Shanghai Pontoon Networking Technology Co., Ltd.	Online games	China	100	100

\* Newly incorporated in 2021.

**GIGAMEDIA LIMITED AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS  
31 DECEMBER 2021**

**8 Other investment**

	<b>Group and Company</b>	
	<b>2021</b>	<b>2020</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>Non-current investment</b>		
Financial asset at FVTPL		
- Debt instrument (unquoted)	8,132	10,000
- Equity instrument (unquoted)	2,190	-
	10,322	10,000

On August 31, 2020, the Company entered into a convertible note purchase agreement to purchase a US\$10 million (NTD295 million) principal amount of convertible promissory note (the "Note") issued by the investee, a global company primarily engaged in designing, manufacturing, processing and sales of intellectual robotics. The Note bears interest rate of 2% per annum and shall be due on August 30, 2022 but is extendable to August 30, 2023 at the investee's option. The Note is convertible into common shares at a price of US\$3.00 per share, subject to certain adjustments, and shall be automatically converted upon certain conditions outlined in the purchase agreement. Effective December 30, 2021, the Company received 735,835 shares of the Series B preferred shares issued by such investee by converting 20% of the US\$10 million principal amount of the Note. The conversion was exercised in accordance with the right under the Note and was in the amount of US\$2,000,000 at the conversion price of US\$2.718 per share. After the conversion, the outstanding principal amount under the Note is US\$8 million.

In 2021, the Company recognised gains of US\$125,000 on disposal of other investments, consisting of a gain of US\$79,000 on the disposal of a financial asset at FVTPL that has been fully impaired in prior years, and a gain of US\$46,000 on the deemed disposal arising from the partial conversion of the aforementioned promissory note into the preferred shares.

**9 Other assets**

	<b>Note</b>	<b>Group</b>		<b>Company</b>	
		<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
		<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Refundable deposits		211	208	-	-
Prepaid licensing and royalty fees		60	155	-	-
Prepaid pension assets	14	83	67	-	-
Others		214	67	213	67
		568	497	213	67
Less: Impairment loss on prepaid licensing and royalty fees		(25)	(25)	-	-
		543	472	213	67
Non-current assets		508	342	213	67
Current assets		35	130	-	-
		543	472	213	67

**Assessment of impairment of prepaid licensing and royalty fees**

The Group recorded prepaid licensing and royalty fees of US\$60,000 (2020: US\$155,000) arising from the purchase of licences for its online games for subsequent financial periods.

At the reporting date, the impairment charge for prepaid licensing and royalty fees relates to certain licensed online games, which the carrying amounts of the related assets were determined not to be recoverable based on their expected life cycle and the forecasted sales.

**GIGAMEDIA LIMITED AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS  
31 DECEMBER 2021**

**10 Trade and other receivables**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Trade receivables				
- third parties	267	276	-	-
Less: Allowance for doubtful receivables	(2)	(1)	-	-
	<u>265</u>	<u>275</u>	<u>-</u>	<u>-</u>
Other receivables				
due from subsidiaries	-	-	1,424	1,674
Prepayments	401	88	330	-
Others	155	160	-	-
	<u>821</u>	<u>523</u>	<u>1,754</u>	<u>1,674</u>

**Trade balances**

The trade amounts are unsecured, interest-free and with an average credit period of 30 days (2020: 30 days).

Loss allowance for trade receivables has been measured at an amount equal to lifetime ECL. The ECL on trade receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate.

A trade receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. None of the trade receivables that have been written off is subject to enforcement activities.



## GIGAMEDIA LIMITED AND ITS SUBSIDIARIES

### NOTES TO FINANCIAL STATEMENTS 31 DECEMBER 2021

The following is an aged analysis of trade receivables at the end of the reporting period, net of loss allowance for trade receivables:

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Current	246	248
Past due 0 – 90 days	17	27
Past due 91 – 180 days	1	–
More than 180 days	1	–
	<u>265</u>	<u>275</u>

The table below shows the movement in loss allowance for trade receivables:

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Balance at 1 January	1	3
Charge to profit or loss	7	5
Written off	(6)	(7)
Balance at 31 December	<u>2</u>	<u>1</u>

#### **Other receivables and amounts due from subsidiaries**

The non-trade amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

For purpose of impairment assessment, other receivables and amounts due from subsidiaries are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition.

Management estimates the loss allowance on other receivables at an amount equal to 12-month ECL, taking into account the historical default experience, current financial conditions of the counterparties and subsidiaries and the future prospects of the industry of each counterparty and subsidiary.

Based on the assessment, management is of the view that the ECL is insignificant as the credit risk of the counterparties and subsidiaries are low.

**GIGAMEDIA LIMITED AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS  
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**11 Cash and cash equivalents**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Bank balances	41,455	45,696	785	1,353
Short-term deposits	306	306	-	-
	<u>41,761</u>	<u>46,002</u>	<u>785</u>	<u>1,353</u>
Less: Restricted cash	<u>(306)</u>	<u>(300)</u>		
Cash and cash equivalents in the statement of cash flows	<u>41,455</u>	<u>45,702</u>		

The weighted average effective interest rate per annum relating to the fixed deposits at the reporting date for the Group is 0.18% (2020: 0.25%). Depending on the terms of the deposit, interest rates reprice every half-yearly and yearly.

In 2021, restricted cash amounting to US\$306,000 (2020: US\$300,000) relates to deposits pledged for unutilised game point cards and the credit line for a corporate credit card.

**12 Share capital**

	<b>2021</b>	<b>2020</b>
	<b>No. of</b>	<b>No. of</b>
	<b>shares</b>	<b>shares</b>
	<b>'000</b>	<b>'000</b>
<b>Group and Company</b>		
In issue at 1 January and 31 December	<u>11,052</u>	<u>11,052</u>

All issued shares are fully paid, with no par value.

**(i) Ordinary shares**

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

**(ii) Capital management**

The Group's primary objective when managing capital is to safeguard the Group's ability to continue as a going concern while looking for appropriate opportunities to expand its business. In order to do so, the Group may obtain new borrowings or issue new shares.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

There were no changes in the Group's approach to capital management during the year.

The Group is not subject to externally imposed capital requirements.

**GIGAMEDIA LIMITED AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS**

**31 DECEMBER 2021**

**13 Reserves**

	Group		Company	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
Share option reserve	12,863	12,863	12,863	12,863
Statutory reserve	1,516	1,516	-	-
Foreign currency translation reserve	(21,020)	(20,887)	(8,885)	(10,401)
	<u>(6,641)</u>	<u>(6,508)</u>	<u>3,978</u>	<u>2,462</u>

**Share option reserve**

Employee share options represent the equity-settled share option granted to employees and executive director of the Group. The reserve is made up of the cumulative value of services received from employee and executive directors recorded over the vesting period commencing from the grant date of share options, and is reduced by the expiry or exercise of the share options. The details of the share options are disclosed as follows:

**2004 Employee Share Option Plan**

At the June 2004 annual general meeting of shareholders, the shareholders of our Company approved the GigaMedia Limited 2004 Employee Share Option Plan (the "2004 Plan") under which up to 1.4 million common shares of our Company have been reserved for issuance. All employees, officers, directors, supervisors, advisors, and consultants of our Company are eligible to participate in the 2004 Plan. The 2004 Plan is administered by a committee designated by the board of directors. The committee as plan administrator has complete discretion to determine the exercise price for the option grants, the eligible individuals who are to receive option grants, the time or times when options grants are to be made, the number of shares subject to grant and the vesting schedule. The maximum contractual term for the options under the 2004 Plan is 10 years. The 2004 Plan has lapsed in June 2014.

**2006 Equity Incentive Plan**

At the June 2006 annual general meeting of shareholders, the shareholders of our Company approved the GigaMedia Limited 2006 Equity Incentive Plan (the "2006 Plan") under which up to 200 thousand common shares of our Company have been reserved for issuance. The 2006 Plan is administered by a committee designated by the board of directors. The committee as plan administrator has complete discretion to determine the grant of awards under the 2006 Plan. The maximum contractual term for the options under the 2006 Plan is 10 years. The 2006 Plan has lapsed in June 2016.

**2007 Equity Incentive Plan**

At the June 2007 annual general meeting of shareholders, the shareholders of the Company approved the GigaMedia Limited 2007 Equity Incentive Plan (the "2007 Plan") under which up to 400 thousand ordinary shares of the Company have been reserved for issuance. The 2007 Plan is administered by a committee designated by the board of directors. The committee as plan administrator has complete discretion to determine the grant of awards under the 2007 Plan. The maximum contractual term for the options under the 2007 Plan is 10 years. The 2007 Plan has lapsed in June 2017.

**GIGAMEDIA LIMITED AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS  
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Summarised below are the general terms of its share-based compensation plans as of 31 December 2021.

<b>Date granted</b>	<b>Balance at beginning of year '000</b>	<b>Granted during the year '000</b>	<b>Expired/ forfeited during the year '000</b>	<b>Balance at end of year '000</b>	<b>Options' exercise price US\$</b>	<b>Exercise period</b>
20.05.2011						20.05.2011 - 20.05.2021
	12	-	(12)	-	\$6.25	
05.01.2012						05.01.2012 - 05.01.2022
	4	-	-	4	\$4.05	
28.10.2013						28.10.2013 - 28.10.2023
	4	-	-	4	\$5.05	
28.03.2014						28.03.2014 - 28.03.2024
	25	-	-	25	\$7.15	
05.05.2017						05.05.2017 - 05.05.2027
	4	-	-	4	\$2.90	
	<u>49</u>	<u>-</u>	<u>(12)</u>	<u>37</u>		

All options are expected to be settled by issuing new shares. At the end of the financial year, details of the options granted are as follow:

<b>Range of exercise price</b>	<b>Number of outstanding share options</b>					<b>Weighted average remaining exercise period</b>
	<b>At beginning of the year '000</b>	<b>Granted during the year '000</b>	<b>Expired/ forfeited during the year '000</b>	<b>Exercised during the year '000</b>	<b>At end of the year '000</b>	
<b>2021</b>						
Under US\$5	8	-	-	-	8	2.68 years
US\$5–US\$50	41	-	(12)	-	29	2.18 years
	<u>49</u>	<u>-</u>	<u>(12)</u>	<u>-</u>	<u>37</u>	
<b>2020</b>						
Under US\$5	8	-	-	-	8	3.68 years
US\$5–US\$50	217	-	(176)	-	41	2.36 years
	<u>225</u>	<u>-</u>	<u>(176)</u>	<u>-</u>	<u>49</u>	

The options are exercisable at the end of the year.

The Company has used the Black-Scholes option-pricing model to derive the fair value of share options granted to employees on the grant date. There was no share option granted in 2020 and 2021.

## GIGAMEDIA LIMITED AND ITS SUBSIDIARIES

### NOTES TO FINANCIAL STATEMENTS 31 DECEMBER 2021

#### **Statutory reserves**

In accordance with R.O.C. law, an appropriation for legal reserve amounting to 10% of a company's net profit is required until the reserve equals the aggregate par value of such Taiwan company's issued capital stock. As of 31 December 2021 and 2020, the legal reserves of Hoshin GigaMedia Center Inc. ("Hoshin GigaMedia"), were US\$1.5 million and US\$1.5 million respectively. The reserve can only be used to offset a deficit or be distributed as a stock dividend of up to 50% of the reserve balance when the reserve balance has reached 50% of the aggregate paid-in capital of Hoshin GigaMedia.

#### **Translation reserve**

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

## **14 Prepaid pension assets**

The Group has defined benefit and defined contribution pension plans that covered substantially all of the Group's employees.

#### **Defined benefit pension plan**

In accordance with the Labor Standards Law of the Republic of China, the Group has a defined benefit pension plan for its employees in Taiwan. The pension plan covers substantially all full-time employees for services provided prior to 1 July 2005, and employees who have elected to remain in the defined benefit pension plan subsequent to the enactment of the Labor Pension Act on 1 July 2005. Under the defined benefit pension plan, employees are entitled to twice the monthly salary for each year of service for the first 15 years, and an additional one month for every additional year of service, up to a maximum of 45 months. The pension payment to employees is computed based on the average monthly salary for the six months prior to approved retirement.

The Group has contributed an amount equal to 2 percent of the salaries and wages paid to all qualified employees located in Taiwan to a pension fund (the "Fund"). The Fund is administered by a pension fund monitoring committee (the "Committee") and deposited in the Committee's name in the Bank of Taiwan. The Group makes pension payments from its account in the Fund unless the Fund is insufficient, in which case the Group makes payments from internal funds as payments become due. The Group seeks to maintain a normal, highly liquid working capital balance to ensure payments are made timely.

The following provides fund status of the plan and a reconciliation of employee benefits.

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Fair value of plan assets	(473)	(452)
Projected benefit obligation	390	385
Other assets – prepaid pension assets	<u>(83)</u>	<u>(67)</u>

**GIGAMEDIA LIMITED AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS  
31 DECEMBER 2021**

***Expense recognised in profit or loss***

	<b>2021</b>	<b>Group</b>
	<b>US\$'000</b>	<b>2020</b>
		<b>US\$'000</b>
Curtailment gain	-	-
Net interest on net defined benefit liability		(1)(1)
Employee benefits		(1)(1)
		<u>(1)(1)</u>

***Movement in the present value of the defined benefit obligations***

Projected benefit obligation at 1 January	385326
Interest cost	34
Actuarial loss	(9)37
Curtailment gain	--
Effect of movement in exchange rate	1118
Defined benefit obligation at 31 December	<u>390385</u>

***Movement in the fair value of plan assets***

Fair value of plan assets at 1 January	452411
Expected return on plan assets	35
Actuarial gains	512
Contributions by employer	-2
Currency translation difference	1322
Fair value of plan assets at 31 December	<u>473452</u>

***Return on plan assets***

Expected return on plan assets	35
Actuarial gains	512
Actual return on plan assets	<u>817</u>

***Assets Categories***

Cash	<u>100%100%</u>
------	-----------------

***Actuarial assumptions***

Weighted-average assumptions used to determine defined benefit obligations as at 31 December 2021 and 2020 were as follows:

	<b>2021</b>	<b>2020</b>
Discount rate	0.75%	0.75%
Rate of compensation increase	<u>2.00%</u>	<u>2.00%</u>

The Group does not expect to make any contribution to the Fund in 2022. The Group expects to make benefit payments of US\$1,000 from 2022 to 2026 and US\$32,000 from 2027 to 2031.

## GIGAMEDIA LIMITED AND ITS SUBSIDIARIES

### NOTES TO FINANCIAL STATEMENTS 31 DECEMBER 2021

#### Defined contribution pension plan

The Group has provided defined contribution plans for employees located in Taiwan and Hong Kong. Contributions to the plans are expensed as incurred.

##### *Taiwan*

Pursuant to the new "Labor Pension Act" enacted on 1 July 2005, the Group set up a defined contribution pension plan for its employees located in Taiwan. For eligible employees who elect to participate in the defined contribution pension plan, the Group contribute no less than 6% of the employees' salaries and wages paid each month, up to the maximum amount of NT\$9,000 (approximately US\$325 per individual), to the employees' individual pension accounts at the Bureau of Labor Insurance. Pension payments to employees are made either by monthly installments or in a lump sum from the accumulated contributions and earnings in employees' individual accounts.

##### *Hong Kong*

According to the relevant Hong Kong regulations, the Group provides a contribution plan for the eligible employees in Hong Kong. The Group must contribute at least 5 percent of their total salaries, up to the maximum amount of HK\$1,500 (approximately US\$193 per individual), to their individual contribution accounts of the authorities monthly. After the termination of employment, the benefits still belong to the employees in any circumstances.

The total amount of defined contribution pension expenses pursuant to defined contribution plans for the years ended 31 December 2021 was US\$187,000 (2020: US\$187,000).

#### 15 Lease liabilities

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Maturity analysis:		
Year 1	537	95
Year 2 to 5	1,510	3
	2,047	98
Less: Future finance charges	(60)	-
	1,987	98
Analysed as:		
Current	537	95
Non-current	1,450	3
	1,987	98

Lease liabilities were measured at the present value of the remaining lease payments, discounted using lessee's incremental borrowing rate. As at 31 December 2021, the weighted average incremental borrowing rate applied to the lease liabilities ranged between 1.44% to 2.8% (2020: 1.7% to 2.8%). The fair value of the Group's lease obligations approximates their carrying amount.

**GIGAMEDIA LIMITED AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS  
31 DECEMBER 2021**

**16 Trade and other payables**

	Group		Company	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
Trade payables	118	70	-	-
Accrued expenses	1,435	1,516	193	200
Other payables	246	292	-	-
Amount due to subsidiaries	-	-	10,541	10,332
Trade and other payables	<u>1,799</u>	<u>1,878</u>	<u>10,734</u>	<u>10,532</u>
Analysed as:				
Current	1,799	1,878	10,734	465
Non-current	-	-	-	10,067
	<u>1,799</u>	<u>1,878</u>	<u>10,734</u>	<u>10,532</u>

The amounts due to subsidiaries are unsecured, interest-free and repayable on demand except for advances made to subsidiaries amounting to US\$10,000,000 (2020: US\$10,000,000) which are unsecured, bear interest at 2% (2020: 2%) per annum and both principal and interest are repayable in full in August 2022 as the initial term, and the term may be renewed automatically on a yearly basis unless either party give the other party written notice of non-renewal prior at least 30 days prior to the expiration of the initial term or any renewal term.

**17 Contract liabilities**

Contract liabilities represent proceeds received from the sale of virtual points and in-game virtual items which have not been consumed by the users or expired. Contract liabilities are credited to profit or loss and recognised as revenue when the virtual points and virtual in-game items are consumed or expired.

**18 Revenue**

	Group	
	2021 US\$'000	2020 US\$'000
Digital entertainment service revenue*	<u>5,492</u>	<u>6,875</u>

\* Included in the digital entertainment service revenue is revenue from sale of virtual points amounted to US\$2.9 million (2020 : US\$3.9 million). The digital entertainment service revenue is recognised over time.

As at 31 December 2021, there are unsatisfied performance obligations amounting to US\$880,000 (2020 : US\$1,365,000).



**GIGAMEDIA LIMITED AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS  
31 DECEMBER 2021**

**19 Other operating expenses**

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Net exchange loss	-	149
Allowance for doubtful receivables	7	5
	<u>7</u>	<u>154</u>

**20 Net finance (expenses) income**

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>Finance income</b>		
Interest income	<u>252</u>	<u>613</u>
<b>Finance expenses</b>		
Interest expense on lease liabilities	<u>(27)</u>	<u>(6)</u>
<b>Net finance income</b>	<u>225</u>	<u>607</u>

**21 Income tax**

The income tax credit varied from the amount of income tax credit determined by applying the Singapore income tax rate of 17% to loss before income tax as a result of the following differences:

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>Reconciliation of effective tax rate</b>		
Loss before tax	<u>(3,161)</u>	<u>(1,639)</u>
Tax calculated at 17% (2020: 17%)	538.	279
Effect of tax rates in foreign jurisdictions	42	84
Non-deductible expenses	(11)	(111)
Current year losses for which no deferred tax asset was recognised	(575)	(276)
Others	<u>6</u>	<u>24</u>
	<u>-</u>	<u>-</u>

**GIGAMEDIA LIMITED AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS  
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As at 31 December 2021, the Group has tax losses carried forward, available to offset against future taxable income, the natures and jurisdictions of which were summarised as follows:

Jurisdiction	2021		2020	
	Amount (US\$'000)	Expiring year	Amount (US\$'000)	Expiring year
Hong Kong	16,256	Indefinite	15,759	Indefinite
Taiwan	43,358	2022-2031	41,329	2021-2030

Deferred tax assets relating to unutilised tax losses has not been recognised due to the unpredictability of future profit streams. Consequently, the Group did not recognise deferred tax assets of US\$13,686,000 (2020 : US\$13,046,000).

**22 Loss for the year**

Other than those disclosed elsewhere in the financial statements, the following items have been included in arriving at loss for the year:

	Group	
	2021 US\$'000	2020 US\$'000
Employee benefits expense (see below)	4,236	3,991
Amortisation charge on intangible assets	9	5
Amortisation charge on lease right-of-use assets	415	-
Depreciation of property, plant and equipment	12	3
Fair value gain on financial assets at FVTPL	(261)	-
Gain on disposal of financial asset at FVTPL	(125)	-
	<hr/>	<hr/>
<b>Employee benefits expense</b>		
Wages and salaries	3,985	3,795
Employee equity-settled share-based payment	-	1
Employee expense relating to defined benefit and contribution pension plans	192	187
Termination benefits	59	8
	<hr/>	<hr/>
	<b>4,236</b>	<b>3,991</b>

## GIGAMEDIA LIMITED AND ITS SUBSIDIARIES

### NOTES TO FINANCIAL STATEMENTS 31 DECEMBER 2021

#### 23 Related parties

##### Share options granted to key management

As at the end of the financial year, the total outstanding number of share options granted to key management of the Group was 16,000 (2020: 24,000).

##### Transaction with key management personnel

Key management personnel of the Group are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. The directors are considered as key management personnel of the Group.

Key management personnel compensation comprised:

	Group	
	2021	2020
	US\$'000	US\$'000
Wages and salaries	388	381
Director fee	135	135
Share-based payments	-	1
Other benefits	41	36
	<u>564</u>	<u>553</u>

##### Other related party transactions

There are no significant related party transactions during 2021 and 2020.

## GIGAMEDIA LIMITED AND ITS SUBSIDIARIES

### NOTES TO FINANCIAL STATEMENTS 31 DECEMBER 2021

#### 24 Financial instruments

##### (a) *Categories of financial instruments*

The following table sets out the financial instruments as at the end of the reporting period:

	Group		Company	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
Financial asset at FVTPL	10,322	10,000	10,322	10,000
Financial assets at amortised cost	42,606	46,712	2,539	3,027
Financial liabilities at amortised cost	1,799	1,878	10,734	10,532
Lease liabilities	1,987	98	-	-

##### (b) *Financial risk management*

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

#### **Risk management framework**

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Audit Committee, which is responsible for overseeing the Group's risk management policies. The Audit Committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

## GIGAMEDIA LIMITED AND ITS SUBSIDIARIES

### NOTES TO FINANCIAL STATEMENTS 31 DECEMBER 2021

#### Credit risk

The customers of the Group settle the payments in accordance with one of the following ways:

(1) by bank transfer or credit card and (2) by advanced payment. The Group is subject to credit risk only for those receivables with credits granted.

None of the Group's customers accounted for over 10 percent of the Group's revenue in 2021 and 2020 or of the balance of trade receivables as of 31 December 2021 and 2020.

The credit risk of the Group's and the Company's financial assets, which comprise bank deposits and trade and other receivables, represents the maximum exposure to credit risk is the carrying amounts of these instruments.

Cash and cash equivalents are held with reputable financial institutions.

For trade related balances, the Group has applied the simplified approach in FRS 109 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Note 10 includes further details on the loss allowance for the trade receivables.

For non-trade related balances, the Group has established a policy to perform an assessment as at 31 December 2021 and 2020, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. The Group groups its other receivables into Stage 1, Stage 2 and Stage 3, as described below:

Stage 1            When other receivables are first recognised, the Group recognised an allowance based on 12 months' ECL.

Stage 2            When other receivables have shown a significant increase in credit risk since origination, the Group records an allowance for the lifetime ECLs.

Stage 3            Other receivables considered credit-impaired. The Group records an allowance for the lifetime ECLs.

Management also makes periodic collective assessments for other receivables (including amounts due from subsidiaries) as well as individual assessment on the recoverability of other receivables based on historical settlement records, past experience and other factors. The Group classified other receivables in stage 1 and continuously monitored their credit risk.

#### Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Except for the lease liabilities, amounts due to subsidiaries and financial assets at FVTPL, the Group's and Company's financial assets and liabilities are due on demand or within one year from the end of the reporting period.

**GIGAMEDIA LIMITED AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS  
31 DECEMBER 2021**

**Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns.

**Foreign currency risk**

The Group holds some assets or liabilities in foreign currency other than functional currency and the value of these assets and liabilities are mainly subject to foreign currency risks resulting from fluctuations in exchange rates between the US dollar (USD) and the functional currency.

The Group's and Company's exposures to foreign currencies in US dollar equivalent are as follows:

	Group		Company	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
<b>Group</b>				
<b>Financial assets</b>				
USD	11,510	15,538	13,074	13,400
<b>Financial liabilities</b>				
USD	-	68	10,267	10,067

Sensitivity analysis

The following table details the Group's and Company's sensitivity to a 10% increase and decrease in the USD against the relevant functional currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

If the USD weakens by 10% against the functional currency of each group entity, profit before tax will increase (decrease by):

Group	Group		Company	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
USD	1,151	1,547	281	333

If the USD strengthens by 10% against the functional currency of each group entity, profit before tax will increase (decrease) by the same amount above.

**Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of the Group's and Company's financial instruments will fluctuate because of changes in market interest rates. The Group and Company are not exposed to significant interest rate risk.

**(c) Fair values of financial assets and financial liabilities**

The fair values of current financial assets and liabilities approximate the carrying amounts of those assets and liabilities reported in the statement of financial position due to the relatively short-term maturity of these financial instruments, except for financial asset at FVTPL and lease liabilities as disclosed in Notes 8 and 15 to the financial statements respectively.

The table below analyses financial instrument carried at fair value by valuation method.

**GIGAMEDIA LIMITED AND ITS SUBSIDIARIES**

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**(c) Fair values of financial assets and financial liabilities (cont'd)**

<b>Group and Company</b>	<b>Total US\$'000</b>	<b>Level 1 US\$'000</b>	<b>Level 2 US\$'000</b>	<b>Level 3 US\$'000</b>
<b>2021</b>				
Financial assets at FVTPL	10,322	-	-	10,322
<b>2020</b>				
Financial asset at FVTPL	10,000	-	-	10,000

The following table gives information about how the fair value of the financial assets at FVTPL is determined:

Calculation date: 31 December 2021			
Valuation technique and key input	Significant unobservable input	Rate	Sensitivity of the Input to Fair Value
Backsolve method was used to establish the enterprise value, and the option pricing method was used to allocate the portion of the security value	Discount for lack of marketability ("DLOM")	<u>Debt instrument</u> From 9.0% to 32.0% for different scenarios  <u>Equity instrument</u> From 11.0% to 18.0% for different scenarios	<u>Debt instrument</u> If the DLOM was 1% higher/lower, the carrying amount would decrease/increase by US\$93,000.  <u>Equity instrument</u> If the DLOM was 1% higher/lower, the carrying amount would decrease/increase by US\$26,000.
	Volatility rate	36.0%	<u>Debt instrument</u> If the volatility was 1% higher/lower, the carrying amount would decrease/increase by US\$9,000  <u>Equity instrument</u> If the volatility was 1% higher/lower, the carrying amount would decrease/increase by US\$13,000

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**(c) Fair values of financial assets and financial liabilities (cont'd)**

Calculation date: 31 December 2020			
Valuation technique and key input	Significant unobservable input	Rate	Sensitivity of the Input to Fair Value
Backsolve method was used to establish the enterprise value, and the option pricing method was used to allocate the portion of the security value	Discount for lack of marketability ("DLOM")	From 13.5% to 26.0% for different scenarios	If the DLOM was 1% higher/lower, the carrying amount would decrease/increase by US\$120,000.
	Volatility rate	41.0%	If the volatility was 1% higher/lower, the carrying amount would decrease/increase by US\$30,000.

When estimating the value of the early stage enterprise, the backsolve method was used for inferring the enterprise value implied by a recent financing transaction and involves selecting the future outcomes available to the enterprise and then calibrating the future exit values, the probabilities for each scenario and the discount rates for the various equity securities framework and making assumptions for the expected time to liquidity, volatility and risk-free rate and then solving for the value of equity. Market and the issuer's company operating conditions are then considered between the initial transaction date and subsequent measurement dates.



## GIGAMEDIA LIMITED AND ITS SUBSIDIARIES

### NOTES TO FINANCIAL STATEMENTS 31 DECEMBER 2021

#### 25 Segment information

##### *Business segments*

For the reportable segment, the Group's chief operating decision maker reviews internal management reports on at least a quarterly basis. Management assesses the performance of the Group's operations based on the profit before income tax, total assets and total liabilities which are measured in a manner consistent with that of the consolidated financial statements. The following summary describes the operations in the Group's reportable segments:

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Digital entertainment service:	The development and licensure of digital entertainment products and services and other investments
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##### *Major Customers*

No single customer represented 10 percent or more of the Group's total revenue in 2021 and 2020.

##### *Geographic Information*

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of revenue sources. Segment assets are based on the geographical location of the assets.

<b>Revenue</b>	<b>2021 US\$'000</b>	<b>2020 US\$'000</b>
Taiwan	3,050	3,743
Hong Kong	2,442	3,132
Total	<u>5,492</u>	<u>6,875</u>

##### **Non-current assets**

Taiwan	12,775	10,220
Hong Kong	126	148
	<u>12,901</u>	<u>10,368</u>

## **GIGAMEDIA LIMITED AND ITS SUBSIDIARIES**

### **NOTES TO FINANCIAL STATEMENTS 31 DECEMBER 2021**

#### **26 Contingent liability**

On January 15, 2018, Ennoconn Corporation ("Ennoconn") filed a complaint against one of our subsidiaries, GigaMedia Cloud Services Co., Ltd. ("GigaMedia Cloud") in the Taiwan Taipei District Court. The complaint alleged that GigaMedia Cloud is obligated to pay Ennoconn NTD 79,477,000 (approximately \$2,697,000) in connection with a transaction to purchase taximeters in 2015. GigaMedia Cloud filed an answer to the complaint denying Ennoconn's allegations in the lack of factual and legal basis on March 1, 2018. On November 15, 2018, the Taiwan Taipei District Court determined that all of Ennoconn's claims were without merit and made a judgment denying the complaint.

On January 3, 2019, Ennoconn filed an appeal demanding the judgment which was entered in the District Court, to be reversed and amended. The civil court of the second instance, the Taiwan High Court, has conducted the session of the preparatory proceedings for several times during 2019. As a result, the Taiwan High Court ruled on January 8, 2020, that the decision of the Taiwan Taipei District Court should be partially modified and Ennoconn is entitled to NTD 27,084,000 (approximately \$892,000). GigaMedia Cloud filed another appeal with the Taiwan Supreme Court on February 4, 2020.

During the year, the Taiwan Supreme Court revoked the previous ruling of the Taiwan High Court, and sent the case back to the Taiwan High Court for a retrial. Under such a sentence ruled by the Taiwan Supreme Court dated May 17, 2021, apart from setting aside the previous judgments of the High Court against GigaMedia Cloud, the appeal made by Ennoconn should be reviewed by the Taiwan High Court by following the instructions of the Taiwan Supreme Court. As of the issue date of these consolidated financial statements, the Taiwan High Court has yet to issue its ruling.

As the litigation process is still on-going, GigaMedia Cloud is unable to assess the likelihood of the claim and the amount of potential damages. However, as the Group does not have legal or constructive obligations to absorb any losses of GigaMedia Cloud in excess of its net worth of approximately US\$100,000, the impact to the Group will be capped at approximately US\$100,000 accrued by the Group which will not have a material adverse effect on the Group's financial condition, results of operations or cash flows.