



The Advanced ASIC Leader

TWSE 3443

# 2023

## ANNUAL REPORT



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I. Spokesperson and Acting Spokesperson Contact Information

Spokesperson  
Name: Daniel Chien  
Title: Senior Vice President & CFO  
Tel: 886-3-5646600  
Email: [irinfo@guc-asic.com](mailto:irinfo@guc-asic.com)

Acting spokesperson  
Name: Asia Lin  
Title: Deputy Director, Financial Planning & Investor Relations Department  
Tel: 886-3-5646600  
Email: [irinfo@guc-asic.com](mailto:irinfo@guc-asic.com)

II. GUC Address and Telephone Number

Address: No. 10, Li-Hsin 6th Rd., Hsinchu Science Park, Taiwan, R.O.C.  
Tel: 886-3-5646600

III. Common Share Transfer Agent and Registrar

Company: the Transfer Agency Department of Chinatrust Commercial Bank  
Address: 5F, No. 83, Sec. 1, Chung-Ching S. Rd., Taipei, Taiwan 100, R.O.C.  
Website: <http://ecorp.ctbcbank.com/cts/index.jsp>  
Tel: 886-2-66365566

IV. Auditors

Auditors: Ming-Hui Chen, Su-Li Fang  
Company: Deloitte & Touche  
Address: 6F, No. 2, Prosperity Rd. I, Hsinchu Science Park, Taiwan, R.O.C.  
Website: <http://www.deloitte.com.tw>  
Tel: 886-3-5780899

V. Company Website

Website: <https://www.guc-asic.com/en-global>

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# CHAPTER 1

## Letter to Shareholders



## Letter to Shareholders

Dear Shareholders,

Over the past year, the demand for remote work and distance learning, which arose due to the pandemic, has subsided. A high degree of uncertainty in the overall economic and business environment has led to continuous inventory correction in consumer electronics products. Although the semiconductor industry has benefited from the rapid growth of emerging applications such as Artificial Intelligence (AI) and High-Performance Computing (HPC), the overall trend is still mostly downward. Nevertheless, Global Unichip Corporation (GUC) maintained its growth momentum in 2023 and continued to achieve impressive performance records. In 2023, GUC's consolidated annual revenue was NT\$262.41 billion, marking the fourth consecutive year of reaching new highs since 2020. The consolidated earnings per share stood at NT\$26.18, which is the second highest since GUC's establishment.

## FY2023 Operational Results

### (1) Business Plan Implementation Performance

GUC's application-specific integrated circuit (ASIC) services and product portfolio target a wide range of applications. The pandemic has also driven digital transformation worldwide, increasing global demand for storage devices and network communication products. As the cost of storage chips has decreased, storage device applications have become more widespread and accessible — they are used not only in personal computers but are gradually expanding into high-end storage markets such as servers. In the future, AI-related applications will rely heavily on the completeness of infrastructure, including storage devices and network communication. In 2023, GUC benefited from various applications, such as storage devices and network communication products, leading to continuous revenue growth and driving the Company's overall operational performance to new historical highs.

In 2023, for design services (or Non-Recurring Engineering [NRE]) business, GUC not only benefited from growth trends in applications like AI and network communication but also maintained a growth trend in design services revenue, driven by the demand for ASICs. In turnkey business, GUC primarily benefited from the growing demand for storage devices and network communication products. In 2023, the annual growth rate of turnkey revenue was 12%, although the overall revenue was lower than initially predicted at the beginning of the year.

In terms of profitability, GUC's overall gross margin decreased in 2023 compared to the previous year. This was primarily due to the postponement of the N5 NRE project's tape-out, which resulted in NRE and turnkey business segments performing below expectations. Additionally, the gross margin for turnkey business declined, causing net profit in 2023 fall short of the goal of continuous growth. Despite this, FY2023 was GUC's second most profitable year on record, and the Company has maintained profitability exceeding twice its capital for 2 consecutive years.

Additionally, in 2023, GUC invested heavily in research and development (R&D) resources for advanced process design services, advanced packaging technology, and related IP development. Through this investment, GUC aims to maintain its leading technological position, continuously earn the trust of world-class customers, and sustain long-term growth in both revenue and profitability. Regarding progress in advanced processes, the percentage of total revenue from products 16 nm and below grew steadily compared to the previous year, and the percentage of total revenue from products 7 nm and below grew significantly.

### (2) Analysis of Operating Revenue and Profitability

In 2023, GUC's consolidated net operating revenue amounted to NT\$262.41 billion, representing an increase of 9% compared to the previous year's revenue of NT\$24.04 billion. The net profit after tax for the year was NT\$35.08 billion, which decreased of 5% compared to the previous year, and the earnings per share stood at NT\$26.18, which was a marginal decrease of 5% compared to the previous year's earnings of NT\$27.69.

GUC's gross margin was 30.4% in 2023, representing a 4.3 percentage point decrease from the previous year's 34.7%. This decrease can primarily be attributed to a slight decline in the percentage of revenue from NRE business and a decrease in the gross margin of turnkey business. The operating margin for the year declined to 2%, compared to 17.1% in the previous year. This small decline was mainly due to effective cost control. In 2023, the net profit after tax was 13.4%, representing a decrease of 2 percentage points compared to the previous year's 15.4%.

### (3) Technical Development Status

The use of advanced packaging technology employing CoWoS and InFO has become the mainstream for AI chip products. GUC's R&D team, through close collaboration with key partners, has continuously improved performance and power optimization in the development of HBM, UCIe, and GLink IPs, as well as the mass production of CoWoS products. In order to help customers gain an advantage in the 2.5D/3D advanced packaging field and maintain their leadership in the market, in 2023, GUC consistently demonstrated its long-term commitment to providing the most competitive 2.5D/3D comprehensive solutions. This included the successful advancement of the third-generation chip interconnect IP "GLink 2.3" from 5 nm to 3 nm, the introduction of the UCIe/32G 3-nm chip interconnect IP "GUCIe 1.0" in conjunction with TSMC's CoWoS-R packaging technology, and the support for 3-nm HBM3 8.6G (PHY & Controller) IPs compatible with TSMC's CoWoS-S and CoWoS-R packaging, all aimed at supporting customers' structural growth.

Moreover, by the end of 2023 our patent portfolio consists of 515 patents, demonstrating the achievements GUC has gained from active investment in R&D, and effectively enhancing our core competitiveness.

Major technical breakthroughs and innovation achievements in 2023 are as follows:

- Combined with TSMC InFO/CoWoS packaging technology, GUC successfully ported the 3rd-generation chip interconnection IP "GLink 2.3" from 5nm and taped out in 3nm in Jan'23. The silicon will be verified in 1Q24 and is ready to provide customers with complete multi-chip interconnect solutions. The solutions have been adopted by several customers.
- GUC's 3nm HBM3 8.6G (PHY & Controller) have been successfully taped out in 1Q23, silicon proven in 1Q24, and adopted by several customers. The IP supports TSMC both CoWoS-S and CoWoS-R packaging technology.
- Based TSMC 3DFarbic chip stacking technology, GUC and customer completed the first N7+N7 WoW(wafer on wafer) 3D testchip tape-out in Mar'23 and expect to complete silicon verification in 1Q24.
- GUC successfully enabled HPC customer's 6nm ASIC tapeout in 3Q23, which will enter production in 2024.
- GUC has successfully completed HBM3 (PHY & Controller) IP silicon validation with vendors' 12Hi HBM3 and HBM3E in Nov'23.
- Combined with TSMC CoWoS-R packaging technology, GUC successfully proposed and taped out the UCIe/32G compliant, chip interconnection IP "GUCIe 1.0" in 3nm in Nov'23. The solution is ready to provide customers with complete multi-chip interconnect solutions following UCIe industrial standard for inter-operability.
- GUC successfully developed customer optical ASIC chip for datacenter communication in 5nm, which integrated 56G SerDes, and have been taped out in 4Q23, and expect to enter production in 2024. GUC is also successful in customer's 3nm new product's testchip tape-out in 4Q23, will start full mask development in 2024.
- GUC has successfully helped multiple AI/HPC customers SoCs into production using TSMC's 2.5D CoWoS advanced packaging technologies for hyperscale data center applications, where 5nm AI customer using HBM3 memory already taped out in 4Q23, and will enter production in 2024.
- GUC early adopted TSMC 3nm technolgy, completed N3E design flow and verification in 4Q22, and taped out HBM3, GLink and UCIe IP in Jan'23 & Nov'23 for meeting customer's product design need from 2024.
- GUC has successfully enabled 5nm AI customer's SoC tapeout in 4Q23 using TSMC's 2.5D InFO advanced packaging technology along with GUC GLink die-to-die interconnect IP for hyperscale data center applications, which will enter production in 2024.
- GUC early adopted TSMC 3nm technolgy, completed N3E design flow and verification in 4Q22, and taped out HBM3, GLink and UCIe IP in Jan'23 & Nov'23 for meeting customer's product design need from 2024.

### Summary of the 2024 Business Plan

In 2023, despite ongoing inventory correction in the semiconductor industry, due to factors such as geopolitical conflicts, inflation, and interest rate uncertainties, the inventory correction cycle for consumer electronics products lasted longer than anticipated. However, the surge in demand for AI-related equipment and applications, sparked by ChatGPT and Nvidia, has led system and brand manufacturers to be more proactive in allocating resources for the development of custom ASICs to meet their specific AI application needs. Additionally, customers have become increasingly cautious about the Performance, Power, and Area (PPA) of ASICs; they aim to achieve economic benefits quickly after mass production in order to capture a significant share of the AI market. Whether through in-house chip development or collaboration with ASIC manufacturers to expedite design schedules for timely market entry, the emergence of numerous new applications and specialized requirements continues to drive the high-speed growth of the ASIC market. Furthermore, in the field of HPC integrated circuits, development is moving toward chiplet architecture, which relies on more advanced manufacturing processes and advanced packaging technologies.



ASICs offer higher performance compared to general-purpose AI chips like GPUs and FPGAs. As the data flow for AI chips continues to increase year by year, the need for processing and computation is growing rapidly, including demands for data centers, cloud computing, edge computing, and more. This has made ASICs' performance and cost advantages even more apparent. To capitalize on this market trend, GUC will continue to invest R&D resources in advanced manufacturing processes and related advanced packaging IPs. This investment is aimed at enhancing the competitive edge of IC design services. GUC aims to provide customers with optimum performance, cost-effectiveness, and technological maturity while maintaining mutually beneficial relationships and effectively creating differentiation in competitive advantages.

### (1) Sales Forecast

Looking ahead to 2024, GUC anticipates a continuous influx of AI-related design contracts from major manufacturers around the world. The demand for advanced manufacturing processes and advanced packaging from big brand customers remains robust. Consequently, GUC can expect ongoing opportunities in the global ASIC market, and operations are anticipated to grow accordingly. However, due to export control measures, GUC will continue to adhere to a cautious project selection policy to mitigate geopolitical risks. Over the past few years, investments in applications such as storage devices and network communication products have shown promising progress. GUC believes that recent investments in AI-related endeavors will also gradually translate into medium- and long-term growth momentum.

### (2) Important Production and Marketing Policies

Compared with general-purpose ICs, the demand for ASICs is relatively long-term and stable. Although service periods are longer, product life cycles are usually longer, creating long-term relationships with collaborative partners. While the Company is developing emerging applications related to AI and Networking, existing customers with long term cooperation continue to provide stable revenue and profits. Therefore, in response to this rapid growth of business opportunities in the ASIC market, selecting customers with a meticulous attitude and carefully choosing NRE projects with potential for mass production can effectively improve the Company's return on investment in R&D resources, which is the ultimate way to improve GUC's steady profitability in the long run.

In 2024, GUC will continue to improve in order to provide customers with excellent design services. In addition to assisting important partners to continuously promote advanced manufacturing processes, the Company will also actively invest in IP rights required for advanced manufacturing processes. With industry-leading IC design capacity in advanced manufacturing processes and deployment of advanced packaging technology-related IPs, the competitiveness of accepted projects can be improved, putting more emphasis on enhancing the Company's design value. Moreover, while investing in emerging applications, the Company continues to strengthen the loyalty of existing core customers. As a professional design service company, GUC insists on the promise of not competing with customers; we neither develop our own brands, nor directly compete with customers.

### Future Corporate Development Strategy and Impact of External Competitive, Regulatory, and Macroeconomic Environments

As export control measures continue to tighten and related regulations change rapidly, GUC maintains a cautious approach to project selection, a stance that has been in place since the onset of the U.S.–China trade conflict. GUC remains committed to complying with all regulations and diligently scrutinizes whether customers adhere to relevant standards. This ensures that the Company can provide services to customers worldwide in a legal and responsible manner. In the future, GUC will remain highly attentive to control measures in the U.S., aiming to mitigate geopolitical risks and safeguard the long-term interests of shareholders and employees.

The ongoing shifts in the supply chain landscape and the increasing complexity of IC design decisions in the wake of the U.S.–China trade conflict pose both challenges and opportunities that GUC must closely monitor. Nevertheless, the Company remains committed to collaborating with world-class customers and partners to seize critical opportunities for market growth. Looking ahead to 2024, the Company has confidence in its medium- to long-term operational goals.

### Environmental, Social, and Corporate Governance (ESG)

Business management involves the shouldering of heavy responsibilities. In addition to focusing the development of technologies and pursuing the growth of profits, GUC is also committed to improving corporate governance and paying

careful attention to the rights and interests of all stakeholders. Through the operation of ESG Committee, the Company practices corporate social responsibility and implement corporate governance, in hopes of contributing to society and the environment. In terms of corporate governance, GUC has voluntarily prepared an annual Corporate Social Responsibility (CSR) Report (sustainability report) since 2011, and starting from 2014, these reports have been verified by third-party independent organizations. To enhance the effectiveness of corporate governance, GUC implemented corporate governance best practice principles in 2022 — preceding statutory requirements. These principles include limiting the tenure of independent directors to no more than three terms and ensuring the presence of at least one female director. GUC consistently ranked among the top 5% of companies in the TWSE/TPEX Corporate Governance Evaluation (with the smallest market capitalization among ten listed companies) from the first to seventh year of the evaluation. In the eighth evaluation, GUC slipped to the 6% to 20% range, but it regained a top 5% ranking in the ninth evaluation.

Regarding equal treatment of shareholders and enhancing information transparency, GUC holds its annual shareholders meeting before the end of May each year, and has done so since 2014. Starting from the third quarter of 2018, GUC has been announcing its financial statements in both Chinese and English shortly after the Board meeting. In 2023, GUC was honored with the 2022 Investor Relations Excellence Award (for both companies and individuals) by the Taiwan Investor Relations Institute in the category of large listed companies.

In 2023, GUC completed the planning of a sustainable development pathway for the goal of net-zero carbon emissions by 2050. This plan includes conducting greenhouse gas inventories for all entities within the consolidated financial reports and establishing a timeline for carbon neutrality initiatives. Following the framework of the Task Force on Climate-related Financial Disclosures (TCFD), the Company will actively assess the potential impacts of its products and services on society, the environment, and the economy while integrating climate-related opportunities and risk scenarios into its evaluations. Also this year, GUC published its first-ever Climate-related Financial Disclosures Report and submitted a commitment letter to the Science Based Targets initiative (SBTi), outlining both short-term and long-term carbon reduction targets. Despite GUC's status as a smaller IC design services company without manufacturing facilities, the Company will not reduce its efforts to mitigate climate change. GUC remains committed to continuously reviewing and improving its internal control processes — including risk management — to promote net-zero emissions and carbon reduction and to build a sustainable future for the benefit of future generations.

Finally, we would like to once again thanks our customers, suppliers, shareholders and the general public for all your long-term support and trust un GUC. Everyone in the Company will spare no efforts to create reasonable profits for our shareholders.

Last, let us wish you good health and all the best!

Global Unichip Corporation

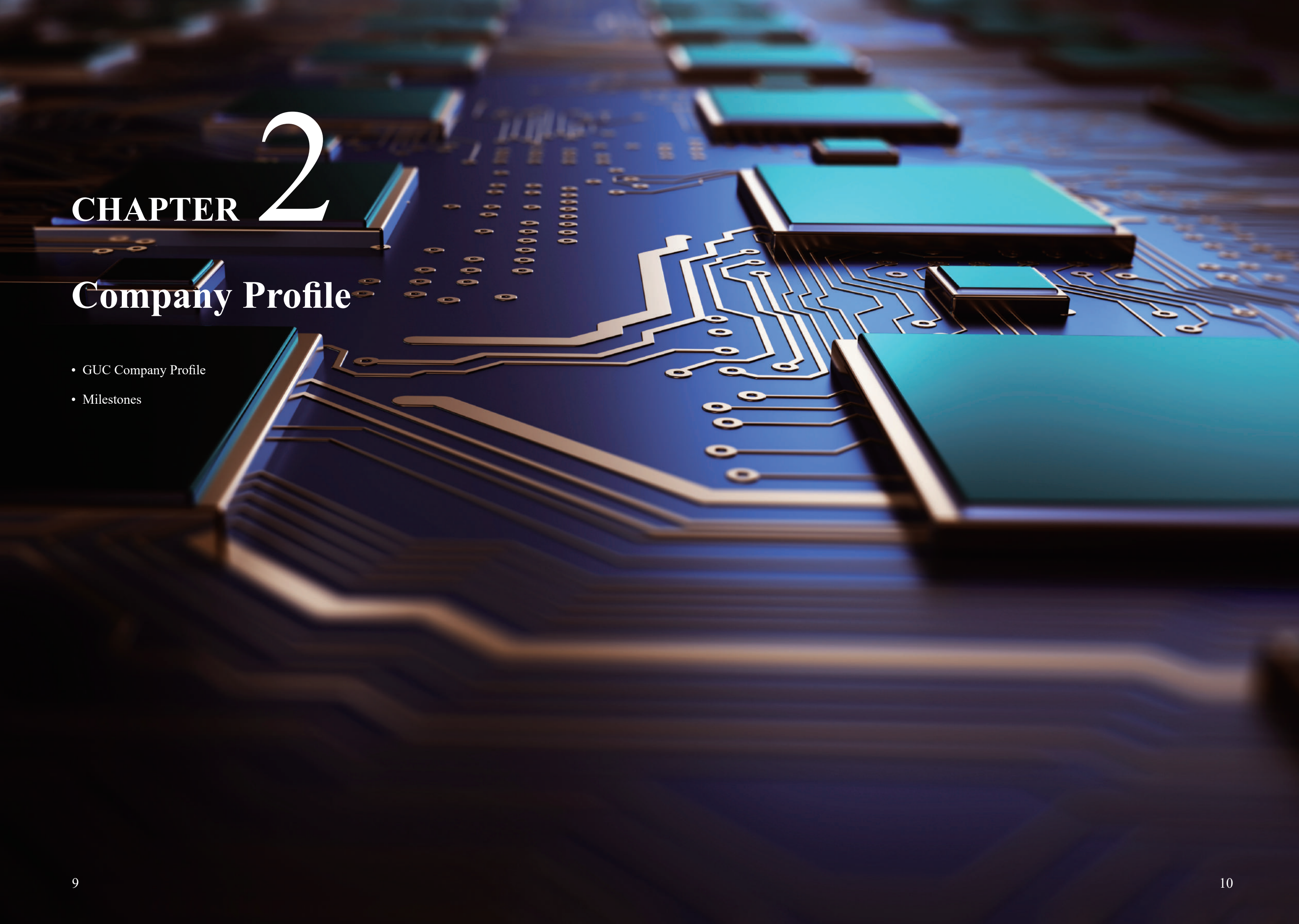


F. C. Tseng  
Chairman



Sean Tai  
President





# CHAPTER 2

## Company Profile

- GUC Company Profile
- Milestones



Company Profile

1. Date of establishment: January 22, 1998

2. Corporate history

- (1) Have there been reports with respect to the most recent fiscal year as well as the current fiscal year up to the publication date of this annual report, concerning merger and acquisition activities involving financial institutions, investments in affiliated enterprises, or corporate reorganization: None
- (2) Have there been reports with respect to the most recent fiscal year as well as the current fiscal year up to the publication date of this annual report, concerning that the shares of directors, supervisors, or shareholders whose shareholding exceeds 10% are being transferred in large quantities or changes hands: None
- (3) Have there been reports with respect to the most recent fiscal year as well as the current fiscal year up to the publication date of this annual report, concerning any changes in managerial control, or any material changes in operating methods/type of business, or any other matter of material significance that could affect shareholders’ equity and the Company: None
- (4) Important milestones during previous and current fiscal years up to the publication date of this annual report:

Jan. 1998	Company founded under the company name “Chuangyi Electronics Corporation”, with paid-in capital of NT\$4.06 million.
Oct. 1998	Approved to move into Hsinchu Science Park. Company name officially changed to Global Unichip Corporation (GUC).
Jul. 1999	First DSP core taped out.
Dec. 2000	Completed 0.18-micron validation process.
Jan. 2001	Passed ISO9001 certification.
Oct. 2001	Awarded by the Ministry of Economic Affairs (MOEA) in the 8 <sup>th</sup> Taiwan SME Innovation Awards for our JPEG Codec Image Compression/Decompression Silicon IP.
Jan. 2003	Merger with Asian Technology Corporation becomes official; Dr. F.C. Tseng elected as company chairman.
May. 2004	Moved to current custom-built headquarters: No. 10, Li-Hsin 6 <sup>th</sup> Rd., Hsinchu Science Park.
Jun. 2004	Accomplished first successful tape-out of a 0.13-micron process.
Dec. 2004	Accomplished first successful tape-out of a 90nm process.
Mar. 2006	Accomplished first successful tape-out of a 65nm test chip.
Jun. 2006	Our UINF-0041 high-speed USB2.0 On-the-Go (OTG) solution successfully passed USB-IF certification, making GUC the first non-USB-IF member anywhere in the world to receive the certification.
Sep. 2006	Received the MOEA Department of Industrial Technology’s Industrial Technology Advancement Award for “Excellent Enterprise Innovation”.
Nov. 2006	Common shares listed on the Taiwan Stock Exchange.
Jan. 2007	Successfully taped out Taiwan’s first 65nm chip; the product was used in digital cameras.

May. 2007	Successfully taped out the company’s first 45nm test chip.
Jul. 2007	Listed among Deloitte Taiwan’s 2007 Technology Fast 50 .
Dec. 2007	Commenced mass production of the first 65nm IC, used in portable TVs.
Apr. 2008	Launched the first industry-wide SiP production flow to help clients shorten time-to-market.
May. 2008	Ranked #3 in CommonWealth Magazine’s “50 Best Operating Performance Companies for 2007”.
Jun. 2008	Harvard Business School publishes a case study on GUC.
Jul. 2008	Listed among Deloitte Taiwan’s 2008 Technology Fast 50.
Nov. 2008	1. Listed among Deloitte’s Asia Pacific 2008 Technology Fast 500. 2. Awarded a “2008 Amiable Workplace” by the Executive Yuan’s Council of Labor Affairs. 3. Recognized as an “Excellent Healthy Workplace” by the Department of Health’s Bureau of Health Promotion (now the Ministry of Health and Welfare’s Health Promotion Administration).
Dec. 2008	1. GUC and Andes Technology jointly launched the 90nm-based 660MHz N1213 hard core processor, providing clients with a competitive option. 2. Achieved Sony Green Partner certification.
Jan. 2009	Successfully taped out the 40nm PCIe GenII PHY test-chip.
Feb. 2009	Successfully completed design and tape-out for an ultra-large (15mm × 15mm, 50 million logic-gate) IC design and verified it on the first trial run.
Mar. 2009	Successfully developed the dynamic voltage and frequency scaling design flow and verified it on an ARM1176 dual-core test chip. The product was implemented for a client’s design and completed a successful pilot run.
Sep. 2009	1. TSMC 40nm high-speed interface 1G/10G/XAUI SerDes IP design was verified on first tape-out. 2. Awarded a National HRD InnoPrize by the Executive Yuan’s Council of Labor Affairs (now the Ministry of Labor).
Oct. 2009	1. Received a Science Park Environmental Maintenance Award for Excellence. 2. Developed the industry’s first high-end DFT (design for testing) processes. Successfully developed production tests at frequencies over 1GHz. Developed and verified AC-JTAG1149.6 and IO-AC testing procedures for clients’ design projects.
Nov. 2009	1. President Jim Lai awarded a National Manager Excellence Award by the Chinese Professional Management Association. 2. Listed among Deloitte’s Asia Pacific 2009 Technology Fast 500.
Feb. 2010	Successfully developed the DDR 40G 1.6Gbps physical layer.
Mar. 2010	Received CG6005 Corporate Governance System certification from the Taiwan Corporate Governance Association.
May. 2010	1. Successfully completed design and tape-out for a 40nm IC design project, and verified it on the first pilot run. 2. Successfully developed and completed pilot run of a client’s 40nm 10G EPON chipset.
Jun. 2010	Received an A+ rating in the 7 <sup>th</sup> Information Disclosure Assessment and Evaluation of Listed Companies .
Aug. 2010	1. Received a Bronze Award at the 10 <sup>th</sup> Arts & Business Awards, held by the Executive Yuan Council for Cultural Affairs (now the Ministry of Culture). 2. Successfully helped a client develop a 40nm 4G LTE mobile phone baseband chip using 3D SiP technology.
Nov. 2010	Received a Taiwan Talent Quality Management System (TTQS) Gold Standard award from the Bureau of Employment and Vocational Training within the Executive Yuan’s Council of Labor Affairs (now the Ministry of Labor).
Dec. 2010	Successfully developed the USB3.0 device controller.
Jun. 2011	Received an A+ rating and a top 10 ranking in the 8 <sup>th</sup> Information Disclosure Assessment and Evaluation of Listed Companies.
Aug. 2011	Received the First Annual Taiwan Monte Jade Innovation Award from the Monte Jade Science and Technology Association of Taiwan.

Oct. 2011	Refined our business and technology model as the provider of Flexible ASIC Services™, including SoC integration, implementation methodologies, and integrated manufacturing.
Nov. 2011	GUC's USB 3.0 device controller IP passed the USB-IF testing process for SuperSpeed Products.
Dec. 2011	1. Named the Global Semiconductor Alliance (GSA)'s 2011 Outstanding Asia Pacific Semiconductor Company. 2. Achieved Gigahertz+ frequency on the ARM® Cortex-A9 Processor using a Synopsys IC compiler on the Synopsys Galaxy™ implementation platform.
Jun. 2012	Received an A++ rating and a top 10 ranking in the 9 <sup>th</sup> Information Disclosure Assessment and Evaluation of Listed Companies.
Dec. 2012	1. Delivered 28nm DDR3-2133/LPDDR2 Combo IP. 2. PLDA and GUC announce the industry's first successful PCIe Gen 3 controller and PHY combination built on TSMC's 28nm HPM process technology. 3. Received the 2012 Most Outstanding Landscape Award from the Hsinchu Science Park Bureau.
Jan. 2013	1. Unveiled the industry's first IPD ASIC service. 2. Successfully validated a 28nm GPU/CPU platform.
Mar. 2013	Unveiled new 28nm data converter IP family that covers DAC, ADC and thermal sensor macros.
Jul. 2013	Received an A++ rating in the 10 <sup>th</sup> Information Disclosure Assessment and Evaluation of Listed Companies. Successful taped out a 20-nanometer SoC test chip, using a solution from Cadence Design Systems.
Dec. 2013	1. GUC and M31 Technology bundle a USB 3.0 peripheral device controller and PHY IP. 2. Chairman Dr. F.C. Tseng awarded at the 7 <sup>th</sup> Pan Wen Yuan Prizes.
Apr. 2014	1. Licensed Arteris FlexNoC fabric IP for use in the 16nm System-on-Chip (SoC) IP verification platform. 2. GUC and Verisense announce a strategic alliance to provide Israeli ASIC Clients access to best-in-class "spec-to-production" solutions.
May. 2014	Announced a silicon-proven DDR4 IP on Taiwan Semiconductor Manufacturing Company's 16nm FinFET process, making it one of GUC's first IPs to use the TSMC 16FF.
Aug. 2014	Received an A++ rating in the 11 <sup>th</sup> Information Disclosure Assessment and Evaluation of Listed Companies.
Oct. 2014	Employed Cadence® Encounter® digital implementation system to complete our first production design on TSMC's 16FF+ process.
Nov. 2014	Opened a Japan Design Center.
Jan. 2015	Worked with global high-speed SerDes leader Credo Semiconductor to develop a high-performance networking solution built on TSMC's 16FF+ process technology.
Feb. 2015	Unveiled the industry's most complete Data Converter IP product line.
Mar. 2015	1. Utilized Cadence®'s tri-band analog front-end (AFE) IP to implement WiGig-enabled SoC on a 28nm process. This chip achieved total digital logic and analog circuit integration, the industry's first silicon success to do so. 2. Relocated North America office to 2841 Junction Ave., San Jose, CA, 95134, USA.
Apr. 2015	1. Received an A++ rating in the 12 <sup>th</sup> Information Disclosure Assessment and Evaluation of Listed Companies. 2. Scored in the top 5 <sup>th</sup> percentile in the 1 <sup>st</sup> Corporate Governance Evaluation of TWSE-listed companies. 3. PLDA and GUC delivered a fully-integrated PCI Express Gen 4 solution on TSMC's 16nm FinFET+ process. 4. Demonstrated a TSMC 16nm low-leakage USB 3.1 PHY IP.
Dec. 2015	Assisted a bitcoin client to accomplish the first 16nm chip tape-out.
Feb. 2016	Jointly developed a USB3.1 PHY/controller IP.
Mar. 2016	1. Announced LPDDR4 IP progress and reaffirms DIMM application of DDR3/4 commitment. 2. Delivered a 28G multi-standard SerDes IP.

Apr. 2016	Scored in the top 5 <sup>th</sup> percentile in the 2nd Corporate Governance Evaluation of TWSE-listed companies.
Aug. 2016	GUC President Jim Lai announced his retirement; Dr. Ken Chen appointed as new President.
Oct. 2016	Received ISO26262 AFSP (Automotive Functional Safety Professional) automotive safety management certification.
Dec. 2016	Opened new Europe office in the Netherlands.
Feb. 2017	Unveiled our Solid State Drive ASIC solution, which covers application-specific front end design capabilities, advanced node design flow experience, robust manufacturing management, and a production-proven IP set targeting TSMC 28HPC+ process technologies.
Mar. 2017	Our PCIe 3 PHY IP & PLDA EP controller combo passed compliance testing.
Apr. 2017	1. GUC appointed semiconductor industry veteran Igor Elkanovich as our System Chief Technology Officer (CTO). Mr. Elkanovich drives the company's effort to upgrade system capabilities. 2. Scored in the top 5 <sup>th</sup> percentile in the 3rd Corporate Governance Evaluation of TWSE-listed companies.
Jun. 2017	GUC successfully taped out a 16nm, second-generation High Bandwidth Memory (HBM) PHY and controller with verified interposer design and CoWoS Package. This innovative ultra-high capacity memory ASIC solution meets the demanding requirements of artificial intelligence (AI), deep learning (DL), and a variety of high-performance computing (HPC) applications.
Jul. 2017	Opened our Korea Office.
Aug. 2017	Achieved SGS-TUV ISO 26262 certification.
Oct. 2017	1. Achieved ISO 13485:2016 quality management certification for medical device components. 2. Announced the first customer ASIC tape-out on a 12nm process.
Nov. 2017	1. Successfully taped out 16nm TCAM Compiler. 2. Opened our Tainan office. 3. Opened our Nanjing, China Office. The office provides a broad range of ASIC services to the fast-growing China market.
Dec. 2017	Announced the first customer tape-out on TSMC's 7nm process technology.
Jan. 2018	Celebrated our 20 <sup>th</sup> Anniversary with the "Two Decades of GUC – Chasing Dreams Passionately" party.
Sep. 2018	Announced silicon-proving for the 7nm HBM2-2.4G PHY+controller with TSMC CoWoS packaging.
Nov. 2018	Opened our Shenzhen office.
Dec. 2018	1. GUC President Dr. Ken Chen received the Best General Manager in Hsinchu Award. 2. Announced that the 16nm HBM2-2.4G PHY+controller with TSMC CoWoS packaging is silicon proven and the first client product has taped out
Mar. 2019	Announced tape-out for our first client 5G chip; entered mass production in Q1 2019 and made a strong market entry.
May. 2019	Scored in the top 5 <sup>th</sup> percentile in the 5 <sup>th</sup> Corporate Governance Evaluation of TWSE-listed companies; our fifth year running scoring in the top 5 <sup>th</sup> percentile.
Jun. 2019	Unveiled new "The Advanced ASIC Leader" tag line to highlight GUC's business and technology models that provide advanced customized IC design services.
Dec. 2019	1. Successfully developed the 5nm process design flow; the first test chip tape-out was completed in Q1 2019, and achieved silicon-proven status by year's end. 2. Successfully developed the 6nm design flow. Client tape-out was targeted for 2020.
Jan. 2020	In 2020, GUC's industry-leading spec-in service capability successfully assisted a hyperscale data center AI chip client and a renowned consumer electronics chip client to go into mass production.



Mar. 2020	<ol style="list-style-type: none"> <li>1. GUC successfully achieves HBM2/CoWoS mass production for four different clients' large SoC designs. Configurations ranged from two to four HBM2 memory dies, with applications primarily in AI and HPC.</li> <li>2. Adopting TSMC advanced process nodes, GUC successfully integrates multiple client AI/HPC SoCs for hyperscale data center with 2.5D packaging technology; the clients were assisted to go into mass production in 2021.</li> </ol>
May. 2020	<ol style="list-style-type: none"> <li>1. Completed the 12nm 32G SerDes silicon-proving, for use in AI/HPC/5G networking applications.</li> <li>2. GUC's unique design capability offers clients with ultra-low-power solutions needed by AI SoC chips, satisfying the requirements of edge computing; GUC also assists clients successfully enter mass production.</li> </ol>
Jun. 2020	Integrating TSMC CoWoS packaging technology, GUC provides the world's first silicon-proven 3.6G HBM2E (PHY & controller) IP total solution. The solution has been adopted in client 5nm and 7nm SoCs, and reached tape-out in 2021.
Jul. 2020	Completed 7nm 32G SerDes silicon-proving, to be used in AI/HPC/5G networking applications.
Oct. 2020	Completed 5nm TCAM tape-out; silicon-proving was completed in Q2 2021.
Dec. 2020	<ol style="list-style-type: none"> <li>1. GUC successfully taped-out a 6nm test-chip in Q1 2020, and completed silicon-proving on it in Q4. GUC is ready to enable clients to adopt design platform and production in 6nm.</li> <li>2. Successfully developed a client switch 7nm ASIC chip for hyperscale datacenters; the chip integrates more than 200 lanes of 112G-LR SerDes, and went into mass production in 4Q20.</li> <li>3. Combined with TSMC InFO/CoWoS packaging technology, GUC proposes the GLink chip interconnection IP in 7nm and 6nm; this was silicon-proven in Q4 2020, providing clients with complete multi-chip interconnect solutions.</li> </ol>
Mar. 2021	GUC collaborates with a 5G leading company on AFE IP in 12nm, supporting both mmWave and sub-6GHz bands. The design has been silicon-proven and adopted by a client; tape-out was completed in Q1 2021.
Apr. 2021	Q2 2021, GUC completed tape-out of 5nm and 6nm GLink-3D IP test chips for use in 3D SoIC.
Jun. 2021	Integrating TSMC's latest CoWoS-S and CoWoS-R packaging technology, GUC taped out the world's 1st HBM3 CoWoS platform, certified for HBM3 7.2G, GLink, and 112G SerDes IP. Tape-out was completed in Q2 2021.
Oct. 2021	Integrating TSMC's InFO/CoWoS packaging technology, GUC tapes out the GLink 2.0, the next-generation 5nm chip interconnection IP; silicon-proving was completed in Oct. 2021, providing clients with complete multi-chip interconnect solutions.
Nov. 2021	GUC GLink IP given the Promising Product award at the EE Awards Asia.
Dec. 2021	GUC took the lead in adopting TSMC's 3nm technology, and completed v0.9 design flow and verification in Q4 2021. N3E development was set to begin in 2022, provide service for client product tape-out in 2023.
Jan. 2022	GUC President Ken Chen announced to be employed as a full-time consultant of GUC. Dr. Sean Tai appointed as new President.
Mar. 2022	<ol style="list-style-type: none"> <li>1. GUC's 5nm HBM3 8.4G (PHY &amp; controller) successfully taped out in Q1 2022, silicon proven in Q4 2022, and adopted by several clients.</li> <li>2. GUC joined UCIE as a Contributor Member.</li> </ol>
Jun. 2022	<ol style="list-style-type: none"> <li>1. In combination of TSMC latest CoWoS-S and CoWoS-R packaging technology, GUC taped out world's 1st 7nm HBM3 CoWoS platform in 2Q21, including HBM3 7.2G, GLink, and 112G SerDes IP. The solution was already silicon proven in 2Q22.</li> <li>2. In 2022, GUC successfully provided 6nm ASIC design service for a leading HPC client; the product was set for tape-out in Q2 2023, to enter production in 2024.</li> </ol>
Oct. 2022	Joined the TSMC 3DFabric Alliance.

Dec. 2022	<ol style="list-style-type: none"> <li>1. GUC successfully developed client 7nm and 16nm datacenter communication optical ASIC chips, integrating 28G/56G SerDes; client verification was completed in Q4 2022, and production was expected to begin in 2023.</li> <li>2. Integrating TSMC InFO/CoWoS packaging technology, GUC produced GLink 2.3, the 3rd-generation chip interconnection IP in 5nm. Silicon-proving was complete in Q4 2022, ready to provide clients with robust multi-chip interconnect solutions. The IP received the 2022 AspenCore (EE Times) World Electronics Achievement award for EDA/IP/Software of the Year.</li> <li>3. GUC's 5nm and 6nm GLink-3D IP for 3D SoIC won the EE Awards Asia 2022 award for Best IP/Processor.</li> <li>4. GUC took the lead in adopting TSMC 3nm technology, completing N3E design flow and verification in Q4 2022; tape-out for HBM3 and GLink IP was completed in Jan. 2023 for meeting clients' product design needs in 2023.</li> </ol>
Jan. 2023	Combined with TSMC InFO/CoWoS packaging technology, GUC successfully ported the 3rd-generation chip interconnection IP "GLink 2.3" from 5nm and taped out in 3nm in Jan'23. The silicon was verified in 1Q24 and is ready to provide customers with complete multi-chip interconnect solutions. The solutions have been adopted by several customers.
Mar. 2023	<ol style="list-style-type: none"> <li>1. GUC's 3nm HBM3 8.6G (PHY &amp; Controller) have been successfully taped out in 1Q23, silicon proven in 1Q24, and adopted by several customers. The IP supports TSMC both CoWoS-S and CoWoS-R packaging technology.</li> <li>2. Based on TSMC 3DFarbic chip stacking technology, GUC and customer completed the first N7+N7 WoW(wafer on wafer) 3D testchip tape-out in Mar'23 and completed silicon verification in 1Q24.</li> </ol>
Jul. 2023	GUC successfully enabled HPC customer's 6nm ASIC tapeout in 3Q23, which will enter production in 2024.
Nov. 2023	<ol style="list-style-type: none"> <li>1. GUC has successfully completed HBM3 (PHY &amp; Controller) IP silicon validation with vendors' 12Hi HBM3 and HBM3E in Nov'23.</li> <li>2. Combined with TSMC CoWoS-R packaging technology, GUC successfully proposed and taped out the UCIE/32G compliant, chip interconnection IP "GUCIE 1.0" in 3nm in Nov'23. The solution is ready to provide customers with complete multi-chip interconnect solutions following UCIE industrial standard for inter-operability.</li> <li>3. GUC successfully developed customer optical ASIC chip for datacenter communication in 5nm, which integrated 56G SerDes, and have been taped out in 4Q23, and expect to enter production in 2024. GUC is also successful in customer's 3nm new product's testchip tape-out in 4Q23, will start full mask development in 2024.</li> <li>4. GUC has successfully helped multiple AI/HPC customers SoCs into production using TSMC's 2.5D CoWoS advanced packaging technologies for hyperscale data center applications, where 5nm AI customer using HBM3 memory already taped out in 4Q23, and will enter production in 2024.</li> <li>5. GUC early adopted TSMC 3nm technology, completed N3E design flow and verification in 4Q22, and taped out HBM3, GLink and UCIE IP in Jan'23 &amp; Nov'23 for meeting customer's product design need from 2024.</li> </ol>
Dec. 2023	GUC's 5nm HBM3 IP won the EE Awards Asia 2023 award for Best IP/Processor.





# CHAPTER 3

## Corporate Governance

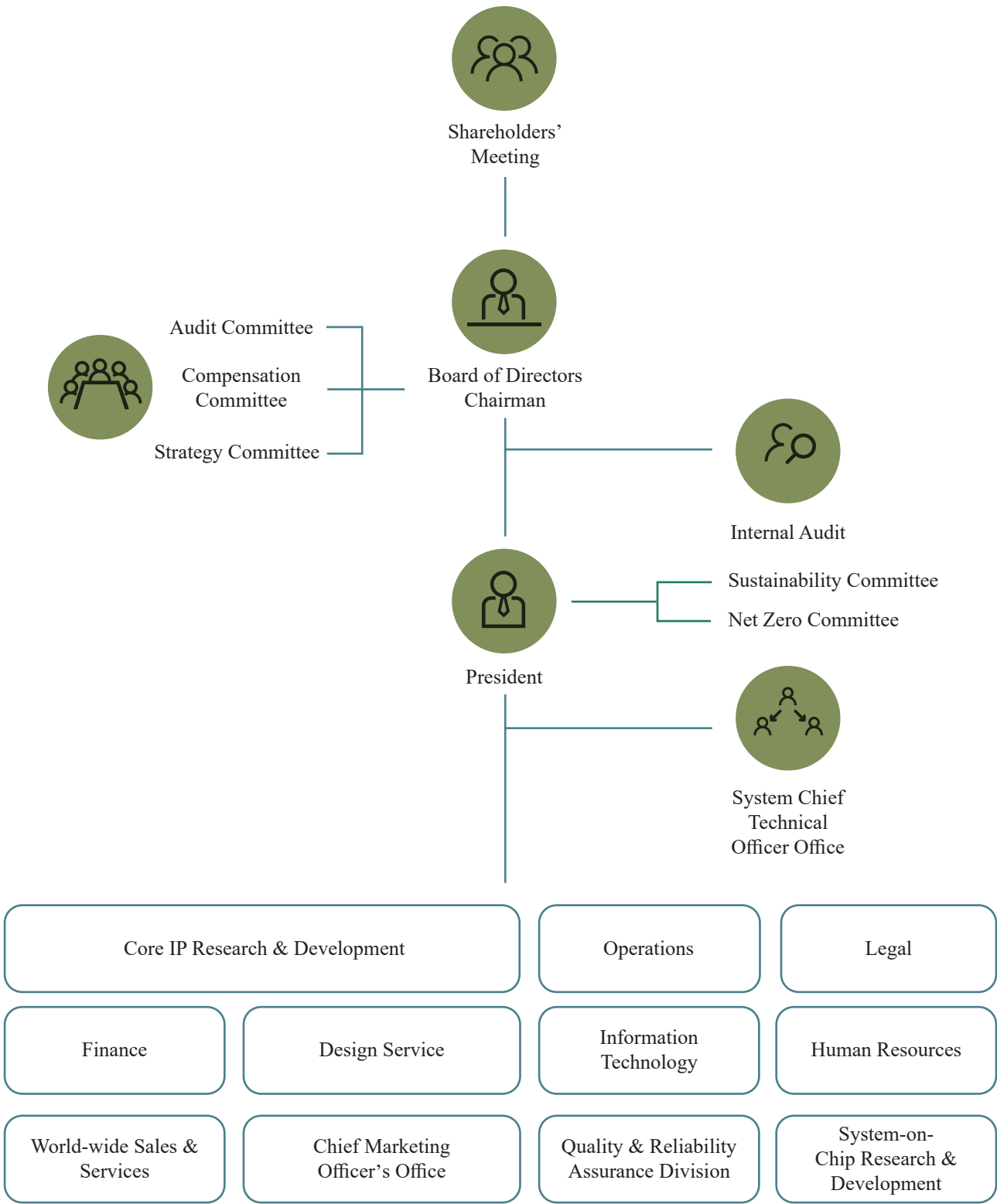
- Organization
- Directors
- Management Team
- Corporate Governance Report
- Information Regarding the Company's Independent Auditors
- Information about CPA Replacement
- The chairman, president, chief financial or accounting manager of the Company who holds position in the business under the commissioned CPA firm or its affiliates in 1 year
- Net Changes in Shareholding
- Top 10 Shareholders Who are Related Parties to Each Other
- Long-Term Investment Ownership



Corporate Governance

1. Organization

(1) Organization Chart



(2) Major Corporate Functions

Department	Functions
Internal Audit	Check and evaluate the effectiveness of internal control systems and risk management procedures; increase the enterprise's added value and improve the organization's operations by means of an independent and objective confirmation and consultation activity, thereby enhancing the effect of corporate supervision; and assist the board of directors and managerial officer in achieving the organization's established goals.
System Chief Technical Officer Office	Provide technical guidance on global silicon IP and chip integration services.
Core IP Research & Development	1. Develop IPs in relation to mixed-signal design, analog design, physical layer design of high-speed transmission, basic component design, digital controller design, circuit layout, etc. 2. IP-related customer consultation, technical support, motherboard verification, and other application engineering tasks. 3. 2.5D, 3D IP level CoWoS/InFO/SoIC layout. 4. Analog CAD and Analog Design Flow Implementation.
Design Service	1. Execution of chip design services and integrated management of turnkey projects. 2. Chip design flow and technology development. 3. Provide silicon IP management and solutions for third parties.
System-on-Chip (SoC) Research & Development	Be responsible for SoC hardware IC design, software development, verification, simulation, debugging and system prototyping, design verification, and electrical-thermal simulation.
Operations	1. Outsourcing management and production capacity deployment. 2. Be responsible for products, testing, packaging and production planning services, cost control, and customer satisfaction improvement. 3. PI/SI simulation and verification.
Quality & Reliability Assurance Division	Improve quality and service efficiency; check and enhance engineering reliability.
World-wide sales & Services	1. Facilitate the achievement of the Company's annual business goals, and implement corresponding plans. 2. Product business and new technology application market development, customer relations reinforcement, sales/operation management, etc.
Chief Marketing Officer's Office	1. Marketing strategy formulation, brand promotion, corporate image marketing & public relations. 2. Set Company's mid-/long-term & annual business goals and implementation plans. 3. Research of new technologies/new fields and their applications and market demand; development and introduction planning for new technologies. 4. Searching technical and marketing partners, and facilitate the collaboration. 5. Provide customers with complete solutions, including silicon IP pricing and marketing, advanced packaging technologies, etc. 6. Key-field market research and competitiveness analysis.
Finance	1. Corporate finance, accounting, investor relations and investment plan management. 2. The organization's top executive concurrently serves as the Company's spokesperson, board secretary, and corporate governance officer.
Information Technology	1. Establish and maintain the enterprise's information system platform. 2. Develop application systems and facilitate workflow automation. 3. Ensure information security and network quality.

Department	Functions
Human Resources	<ol style="list-style-type: none"><li>1. HR strategies and management, including the planning and implementation of recruitment/appointment, training/development, performance management, compensation and benefits, employee relations, organization's development, global human resource business, etc.</li><li>2. Provide services for employees and facilities, including management of general affairs administration, factory facilities, building safety, etc.; create a good work environment, to protect the safety of employees.</li><li>3. Environmental safety and health, including environmental protection, carbon/energy reduction, water/waste reduction, workplace safety, disaster prevention and emergency evacuations, employee health promotion, and other such tasks.</li><li>4. Integrating and coordinating internal/external resources to implement tasks related to corporate sustainable management/ESG.</li></ol>
Legal	<ol style="list-style-type: none"><li>1. Contract/agreement review, drafting and management.</li><li>2. Assessment of the Company's legal compliance and legality of decisions being made.</li><li>3. Intellectual property management, litigation, and non-litigation management.</li></ol>



2. Information on the company’s directors, president, vice president, assistant vice president, and the heads of all the company’s divisions and branch units

(1) Information on directors

March 18, 2024

Title	Nationality or place of registration	Name	Gender/ Age	Date on which current position was assumed	Term of contract	Commencement date of the first term	Shares held at the time of election		Number of shares currently held		Number of shares currently held by their spouses, children of minor age		Shares held through nominees		Principal work experience and academic qualifications	Position(s) held concurrently in the company and/or in any other company	Heads, directors or supervisors with a spouse or relatives within the second degree of kinship		
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation
Chairman	R.O.C.	TSMC (note 1)	Male/79	2023.05.18	3 year	2003.01.23	46,687,859	34.84%	46,687,859	34.84%	0	0.00%	0	0.00%	None	None	None	None	None
		Representative: F.C. Tseng		2023.05.18	3 year	2003.01.23	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Bachelor in Electrical Engineering, National Cheng Kung University, Master in Electrical Engineering, National Chiao Tung University, Ph.D. in Electrical Engineering, National Cheng Kung University, Honorary Doctorate of National Chiao Tung University, President of Vanguard International Semiconductor Corporation, Vice Chairman of TSMC, President of TSMC, Deputy Chief Executive Officer of TSMC, President of TSMC Education and Culture Foundation, Director of National Culture and Arts Foundation	Note 3	None	None	None
Director	R.O.C.	TSMC	Male/59	2023.05.18	3 year	2003.01.23	46,687,859	34.84%	46,687,859	34.84%	0	0.00%	0	0.00%	None	None	None	None	None
		Representative: Sean Tai		2023.05.18	3 year	2022.01.28	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Ph.D. in Electrical Engineering, Yale University, President of Nuvoton Technology Corporation, President of China/Japan Subsidiaries, Realtek Semiconductor Corp., President of Silicon Touch Technology Inc., Assistant vice president of Winbond, Technical Manager of TSMC	Note 3	None	None	None
Director	R.O.C.	TSMC	Male/62	2023.05.18	3 year	2003.01.23	46,687,859	34.84%	46,687,859	34.84%	0	0.00%	0	0.00%	None	None	None	None	None
		Representative: Wendell Huang		2023.05.18	3 year	2018.11.15	0	0.00%	0	0%	0	0.00%	0	0.00%	MBA degree of Cornell University, U.S.A., Vice President & CFO, Spokesperson of TSMC	Note 3	None	None	None
Director	R.O.C.	TSMC	Male/63	2023.05.18	3 year	2006.06.30	46,687,859	34.84%	46,687,859	34.84%	0	0.00%	0	0.00%	None	None	None	None	None
		Representative: L.C. Lu		2023.05.19	(note2)	2023.05.19	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Ph.D. in Computer Science from Yale University. Vice President of Research & Development / Design & Technology Platform at TSMC and a TSMC Fellow.	Note 3	None	None	None
Independent Director	R.O.C.	Cheng-Wen Wu	Male/65	2023.05.18	3 year	2023.05.18	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Ph. D., ECE from the University of California, Santa Barbara (UCSB) President of STUST. Distinguished Chair Professor and Chair of EE Department of National Tsing Hua University (NTHU).	Note 3	None	None	None

Title	Nationality or place of registration	Name	Gender/ Age	Date on which current position was assumed	Term of contract	Commencement date of the first term	Shares held at the time of election		Number of shares currently held		Number of shares currently held by their spouses, children of minor age		Shares held through nominees		Principal work experience and academic qualifications	Position(s) held concurrently in the company and/or in any other company	Heads, directors or supervisors with a spouse or relatives within the second degree of kinship		
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation
Independent Director	R.O.C.	Ho-Min Chen	Male/67	2023.05.18	3 year	2023.05.18	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Business Administration from National Taiwan University, Master's degree in Applied Statistics from the University of Iowa. Distinguished Professor in the Department of International Business at National Taiwan University, member of the International Trade Commission under the Ministry of Economic Affairs. Dean of the College of Social Sciences and Management at National Chung Hsing University, and a member of the National Development Fund Management Committee under the Executive Yuan.	Note 3	None	None	None
Independent Director	R.O.C.	Kenneth Kin	Male/77	2023.05.18	3 year	2017.05.18	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Ph.D. degree in Nuclear Engineering and Applied Physics from Columbia University, USA, Senior Vice President of TSMC, Vice President Of Global Business And Services of IBM Microelectronics, Vice Chairman of Asia Pacific Regional Operation Center, Motorola Computer group, Honorary Chair Professor, College of Technology Management, National Tsing Hua University	Note 3	None	None	None
Independent Director	R.O.C.	Jesse Ding	Male/70	2023.05.18	3 year	2022.05.19	0	0.00%	0	0.00%	0	0.00%	0	0.00%	One year doctoral program at Wharton College, University of Pennsylvania, MBA, University of Detroit, BA, National Taiwan University (Accounting), President & CEO, Entie Commercial Bank, President, Taipei Fubon Bank	Note 3	None	None	None
Independent Director	R.O.C.	Huang, Tsui-Hui	Female/59	2023.05.18	3 year	2022.05.19	0	0.00%	0	0.00%	0	0.00%	0	0.00%	M.B.A. at Cornell University, U.S.A., B.A. in Business from National Taiwan University, Chair of Taiwan Venture Capital Association, Chair and President of Hotung Venture Capital Group, Member of President's Council of Cornell University, Chair of the International Business Committee of Taiwan Securities Association, Board Director of Taipei Exchange, Vice Chair of The Children Charity Association	Note 3	None	None	None

Note 1: The full name is Taiwan Semiconductor Manufacturing Co., Ltd., denoting the term TSMC hereinafter mentioned.

Note 2: From May 19, 2023 onwards, the representative of TSMC has been changed from Mr. Cliff Hou to Mr. L.C.Lu with a term of office the same as that of other directors until May 17, 2026.

Note 3: Positions concurrently taken by directors at other companies



Title	Name	Position(s) held concurrently in other company
Chairman	Representative of TSMC: F.C. Tseng	Director of TSMC, Chairman of TSMC (China), Vice Chairman of Vanguard International Semiconductor Corporation
Director	Representative of TSMC: Sean Tai	President of the Company
Director	Representative of TSMC: Wendell Huang	Vice President & CFO, Spokesperson of TSMC, Director/Supervisor/President of subsidiaries of TSMC
Director	Representative of TSMC: L.C. Lu	Vice President of Research & Development / Design & Technology Platform at TSMC and a TSMC Fellow, Director/Supervisor/President of subsidiaries of TSMC
Independent Director	Cheng-Wen Wu	President of STUST, Independent Director and Convener of Remuneration Committee of M31, Independent Director and Member of Remuneration Committee of Macronix
Independent Director	Ho-Min Chen	Distinguished Professor in the Department of International Business at National Taiwan University, member of the International Trade Commission under the Ministry of Economic Affairs, independent director of SINBON Electronics Co., Ltd., independent director of Fulltech Fiber Glass Corp., and independent director of Sharehope Medicine Co., Ltd.
Independent Director	Kenneth Kin	Consultant and Honorary Chair Professor, College of Technology Management, National Tsing Hua University, Adjunct Professor, Department of Economics, National Tsing Hua University, Independent Director and Member of Remuneration Committee of eMemory Technology Inc., Independent Director and Member of Remuneration Committee of Vanguard International Semiconductor Corporation, Director of MediaTek Inc.
Independent Director	Jesse Ding	Independent Director, DACIN Construction Co., Ltd
Independent Director	Huang, Tsui-Hui	Honorary Chair of Taiwan Venture Capital Association, Chair and CEO of Hotung Venture Capital Group, Member of President’s Council of Cornell Women, Director of Taiwan Women on Boards Association

For the directors acting as the representatives of juristic-person shareholders, the names of the juristic-person shareholders, and the names of its 10 largest shareholders and holding percentage of each are as follows:

Name of juristic-person shareholder	Major shareholder of juristic-person shareholder
TSMC	ADR Taiwan Semiconductor Manufacturing Company, Ltd. (20.51%), National Development Fund, Executive Yuan (6.38%), Citibank (Taiwan) Ltd. in custody for Government of Singapore (3.32%), Citibank (Taiwan) Ltd. in custody for Norges Bank (1.59%), New Labor Pension Fund (1.28%), JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.24%), JPMorgan Chase Bank N.A. Taipei Branch in custody for Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds (1.07%), Yuanta/P-shares Taiwan Top 50 ETF (0.99%), iShares Core MSCI Emerging Markets ETF (0.82%), Fubon Life Insurance Co. Ltd (0.75%)

(2) Disclosure of Professional Qualifications of Directors and Independence of Independent Directors

March 18, 2024

Conditions Name	Independent Directors	Member of Audit Committee	Professional qualification and experience	Status of independence	Number of public companies where the person holds the title as independent director
F.C. Tseng	--	--	Principal academic qualification: Ph.D. in Electrical Engineering, National Cheng Kung University, Honorary Doctorate of National Chiao Tung University Principal work experience: President of Vanguard International Semiconductor Corporation, Vice Chairman of TSMC, President of TSMC, Deputy Chief Executive Officer of TSMC	Not applicable	0
Sean Tai	--	--	Principal academic qualification: Ph.D. in Electrical Engineering, Yale University Principal work experience: President of GUC, President of Nuvoton Technology President of China/Japan Subsidiaries, Realtek Semiconductor Corp., President of Silicon Touch Technology Inc., Assistant vice president of Winbond, Technical Manager of TSMC		0
Wendell Huang	--	--	Principal academic qualification: MBA degree of Cornell University, U.S.A. Principal work experience: Vice President & CFO, Spokesperson of TSMC		0
L.C. Lu	--	--	Principal academic qualification: Ph.D. in Computer Science from Yale University. Principal work experience: Vice President of Research & Development / Design & Technology Platform of TSMC and a TSMC Fellow		0
Jesse Ding	V	V (Convener)	Principal academic qualification: One year doctoral program at Wharton College, University of Pennsylvania MBA, University of Detroit BA, National Taiwan University (Accounting) Principal work experience: Chair of Entie Commercial Bank, President of Entie Commercial Bank, President of Taipei Fubon Bank Not a person to whom any conditions defined in Article 30 of the Company Act apply.	The independent directors of the Company are all in compliance with the provisions of article 3, paragraph 1, subparagraphs 1 to 8 of “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”.	1
Huang, Tsui-Hui	V	V	Principal academic qualification: M.B.A. at Cornell University, U.S.A. B.A. in Business from National Taiwan University Principal work experience: Chair of Taiwan Venture Capital Association, Chair and President of Hotung Venture Capital Group, Member of President’s Council of Cornell University, Chair of the International Business Committee of Taiwan Securities Association, Board Director of Taipei Exchange, Vice Chair of The Children Charity Association, Honorary Chair of Taiwan Venture Capital Association, Chair and CEO of Hotung Venture Capital Group, Member of President’s Council of Cornell Women, Director of Taiwan Women on Boards Association Not a person to whom any conditions defined in Article 30 of the Company Act apply.		0
Cheng-Wen Wu	V	V	Principal academic qualification: PhD, ECE from the University of California, Santa Barbara (UCSB) Principal work experience: President of STUST, Vice President of NTHU, Executive Vice President for National Cheng Kung University (NCKU), Senior Vice President, General Director and Chief Technology Expert.of ITRI’s Southern Campus Not a person to whom any conditions defined in Article 30 of the Company Act apply.	The remuneration obtained by the Company’s independent directors for providing business, legal, financial, accounting and other services to the Company or the Company’s affiliates in 2022 and 2023 is as follows:	2
Ho-Min Chen	V	V	Principal academic qualification: PhD in Business Administration from National Taiwan University Principal work experience: Distinguished Professor in the Department of International Business at National Taiwan University, member of the International Trade Commission under the Ministry of Economic Affairs, Dean of the College of Social Sciences and Management at National Chung Hsing University, and a member of the National Development Fund Management Committee under the Executive Yuan Not a person to whom any conditions defined in Article 30 of the Company Act apply.	Attendance fee for participation in patent examination meeting Chung-Yu Wu NT\$12,000 note: The tenure of Dr. Chung-Yu Wu expired on May 18, 2023.	3
Kenneth Kin	V	V	Principal academic qualification: Ph.D. degree in Nuclear Engineering and Applied Physics from Columbia University, USA Principal work experience: Senior Vice President of TSMC, Vice President Of Global Business And Services of Ibm Microelectronics, Vice Chairman of Asia Pacific Regional Operation Center, Motorola Computer group, Honorary Chair Professor, College of Technology Management, National Tsing Hua University Not a person to whom any conditions defined in Article 30 of the Company Act apply.		2



(3) Board Diversity Policy and Implementation Status

The Company attaches great importance to the diversity of board members. In order to reinforce corporate governance and promote sound development of board composition and structure, the capabilities that the board of directors should possess as specified in Article 20 of the Company’s “Corporate Governance Code” are as follows: 1. Business judgment ability, 2. Accounting and financial analysis ability, 3. Management ability, 4. Crisis handling ability, 5. Industry knowledge, 6. Global market perspectives, 7. Leadership, and 8. Decision-making ability.

The Company’s current board of directors consists of nine directors. Five of them, accounting for more than 50%, are the Company’s independent directors, and the relationship of spouses or relatives by blood within the second degree of relationship do not exist among the directors. Moreover, only one director is taking the Company’s managerial officer position, i.e. Mr. Sean Tai, one of the juristic-person directors’ representatives, concurrently serving as the Company’s president. These facts indicate that the Board Independence requirement is met in the Company’s board of directors. Additionally, the Company’s board members possess cross-industry and cross-field capabilities, demonstrating Board diversity and complementary support among board members. Directors also have their own skills and experiences in various professions such as legal, financial/accounting, industry, marketing/R&D, technology, business management, etc. Please refer to page 23~26 of this Annual Report for details of directors’ educational and business experiences. The Company’s current implementation of Board Diversity Policy is indicated by individual directors’ portfolios listed in the table below:

Core goals for diversification  Name of director	Nationality	Gender	Term of contract	Status of employee	Age	Operational management and business judgment	Finance and accounting	Crisis handling	Industry knowledge	Global market perspectives	Leadership and Decision-making abilities
F.C. Tseng	R.O.C.	Male	8	No	79	V	V	V	V	V	V
Sean Tai	R.O.C.	Male	2	Yes	59	V	V	V	V	V	V
L.C. Lu	R.O.C.	Male	1	No	63	V		V	V	V	V
Wendell Huang	R.O.C.	Male	3	No	62	V	V	V	V	V	V
Kenneth Kin	R.O.C.	Male	3	No	77	V		V	V	V	V
Jesse Ding	R.O.C.	Male	2	No	70	V	V	V		V	V
Huang, Tsui-Hui	R.O.C.	Female	2	No	59	V	V	V		V	V
Cheng-Wen Wu	R.O.C.	Male	1	No	65	V	V	V	V	V	V
Ho-Min Chen	R.O.C.	Male	1	No	67	V	V	V		V	V

The age distribution of the Company’s 10th-term board members shows that there are 2 directors aged 50-69, 4 directors aged 60-69 and 3 directors aged 70-79. In order to respond to the initiative advocated in “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” that the appointment of an independent director is advisably not to exceed three consecutive terms, 10th-term board directors, including one demale independent director, are apponinet at the 2023 Shareholders’ Meeting. After the election, all the Company’s independent directors having served their independent-directorship for not more than three consecutive terms.

The diversity goals for the future include but are not limited to the following two aspects/standards:

- 1. Basic conditions and values: gender, age, nationality, culture, etc. One female director was elected in the by-election in 2023 shareholders’ meeting. In the future, at least one female director seat will be reserved and long-term female seat target is one-third of all board members. And the age criteria will be planned to achieve a balanced structure.
- 2. Professional knowledge and skills: professional backgrounds (such as legal, accounting, industry, finance, marketing or technology), professional skills, industrial experiences, etc.
- 3. To keep indenpendence, more than three consecutive terms of independent directors will be avoided.

(4) Information on the company’s president, vice president, assistant vice president, and the heads of all the company’s divisions and branch units

March 18, 2024

Title	Nationality	Name	Gender	Date on Appointment	Shares held		Number of shares currently held by their spouses, children of minor age		Shares held through nominees		Principal work experience and academic qualifications	Position(s) held concurrently in other company	Managerial officer with a spouse or relatives within the second degree of kinship		
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation
President	R.O.C.	Sean Tai	Male	2021.12.01	0	0.00%	0	0.00%	0	0.00%	Ph.D. in Electrical Engineering, Yale University, President of Nuvoton Technology Corporation, President of China/Japan Subsidiaries, Realtek Semiconductor Corp., President of Silicon Touch Technology Inc., Assistant vice president of Winbond, Technical Manager of TSMC	None	None	None	None
Senior Vice President	R.O.C.	Louis Lin	Male	1998.07.01	9	0.00%	0	0.00%	0	0.00%	Ph.D., Institute of Electronic Engineering, National Chiao Tung University, Senior Director for Design Service, GUC	note	None	None	None
Senior Vice President & CFO and Corporate Governance Officer	R.O.C.	Daniel Chien	Male	2006.04.03	261	0.00%	0	0.00%	0	0.00%	The University of Texas at Arlington MBA, CFO of Ali Corporation	note	None	None	None
Vice President	R.O.C.	Justin Hsieh	Male	2006.10.30	417	0.00%	0	0.00%	0	0.00%	Master, Institute of Materials Science and Engineering, National Chiao Tung University, Senior Manager of UMC, Senior Director of GUC	None	None	None	None
Vice President	R.O.C.	Jen-Tai Hsu	Male	2021.03.22	0	0.00%	0	0.00%	0	0.00%	PhD in Electrical Engineering of The University of California, Los Angeles, Vice President of Yangtze Memory Technology Corp, Senior Director of GUC, Senior Manager of Intel Corporation	None	None	None	None
Vice President	R.O.C.	Patrick Wang	Male	2022.07.28	0	0.00%	0	0.00%	0	0.00%	MBA, The State University of NY at Buffalo, Vice President of Nuvoton Technology Corporation, Director of Realtek Semiconductor Corp.	note	None	None	None
Accounting Controller	R.O.C.	Blith Chiang	Male	2009.07.27	0	0.00%	0	0.00%	0	0.00%	Department of Accounting, Chung Yuan Christian University, Vice Manager of Coretronic Culture and Arts Foundation, Manager of Electronic Department, GUC	None	None	None	None

Note: The status of managerial officers’ position(s) held concurrently in other company

Title	Name	Position(s) held concurrently in other company
Senior Vice President & CFO and Corporate Governance Officer	Daniel Chien	Supervisor of Global Unichip (Shanghai) Company, Limited (GUC-CN), Supervisor of Global Unichip (Nanjing) Ltd.
Senior Vice President	Louis Lin	Director of Global Unichip Corporation-NA(GUC-NA), Director of Global Unichip (Nanjing) Ltd., Director of Global Unichip (Shanghai) Company, Limited (GUC-CN), Director of Global Unichip Vietnam Co., Ltd.
Vice President	Patrick Wang	Director and President of Global Unichip (Shanghai) Company, Limited (GUC-CN), Director of Global Unichip Corp Europe B.V. (GUC-Europe), Director of Global Unichip Japan Co., Ltd. (GUC-Japan), Director of Global Unichip Corporation Korea (GUC-Korea), Director of Global Unichip (Nanjing) Ltd., Director and President of Global Unichip Corporation-NA (GUC-NA)



3. Remuneration paid during the most recent year to directors (including independent directors), president and vice presidents

(1) Remuneration to directors (including independent directors)

Unit: NT\$ thousand; thousand shares

Title	Name	Remuneration to Directors								The sum of A, B, C and D in proportion to net profit after tax (note 7)		Compensation to the capacity as employees								The sum of A, B, C, D, E, F and G in proportion to net profit after tax (note 6)		Remuneration received from an invested company other than the company's subsidiary or parent company (note 8)
		Remuneration (A) (note 1)		Pension (B)		Remuneration to directors (C) (note 2)		Professional fees(D) (note 3)				Salaries, bonus and special disbursement (E) (note 4)		Pension (F)		Employees' compensation (G) (note 5)						
		The Company	All companies mentioned in the financial statements (note 6)	The Company	All companies mentioned in the financial statements (note 6)	The Company	All companies mentioned in the financial statements (note 6)	The Company	All companies mentioned in the financial statements (note 6)	The Company	All companies mentioned in the financial statements (note 6)	The Company	All companies mentioned in the financial statements (note 6)	The Company	All companies mentioned in the financial statements (note 6)	The Company		All companies mentioned in the financial statements (note 7)		The Company	All companies mentioned in the financial statements (note 6)	
																Cash	Stock	Cash	Stock			
Chairman	F.C. Tseng	3,654	3,654	0	0	4,880	4,880	0	0	8,534	8,534	0	0	0	0	0	0	0	0	8,534 0.24%	8,534 0.24%	None
Director	Sean Tai	0	0	0	0	4,880	4,880	0	0	4,880	4,880	17,584	17,584	0	0	33,000	0	33,000	0	55,464 1.58%	55,464 1.58%	
Director	Cliff Hou L.C. Lu	0	0	0	0	4,880	4,880	0	0	4,880	4,880	0	0	0	0	0	0	0	0	4,880 0.14%	4,880 0.14%	
Director	Wendell Huang	0	0	0	0	4,880	4,880	0	0	4,880	4,880	0	0	0	0	0	0	0	0	4,880 0.14%	4,880 0.14%	
Independent Director	Kenneth Kin	229	229	0	0	5,240	5,240	9	9	5,478	5,478	0	0	0	0	0	0	0	0	5,478 0.16%	5,478 0.16%	
Independent Director	Jesse Ding	229	229	0	0	5,240	5,240	9	9	5,478	5,478	0	0	0	0	0	0	0	0	5,478 0.16%	5,478 0.16%	
Independent Director	Huang, Tsui-Hui	229	229	0	0	4,880	4,880	9	9	5,118	5,118	0	0	0	0	0	0	0	0	5,118 0.15%	5,118 0.15%	
Independent Directo	Wen-Yeu Wang (note 9)	246	246	0	0	1,967	1,967	0	0	2,213	2,213	0	0	0	0	0	0	0	0	2,213 0.06%	2,213 0.06%	
Independent Director	Chung-Yu Wu (note 9)	244	244	0	0	1,832	1,832	6	6	2,082	2,082	0	0	0	0	0	0	0	0	2,082 0.06%	2,082 0.06%	
Independent Director	Cheng-Wen Wu (note 9)	0	0	0	0	3,048	3,048	9	9	3,057	3,057	0	0	0	0	0	0	0	0	3,057 0.09%	3,057 0.09%	
Independent Director	Ho-Min Chen (note 9)	0	0	0	0	3,273	3,273	9	9	3,282	3,282	0	0	0	0	0	0	0	0	3,282 0.09%	3,282 0.09%	

Note 1: Referring to the remuneration for directors in the most recent year (including directors' salaries, duties allowance, resignation payment, bonuses, incentives, etc.).

Note 2: Referring to the proposed distribution for directors' 2023 remuneration approved by the Board on Jan 31, 2024 before the 2024 Shareholders' Meeting. The total was NT\$45,000,000. The directors' remuneration was disclosed in NT\$1,000 amounts, and the next digit was rounded down unconditionally. Since F.C. Tseng, Sean Tai, Wendell Huang and Cliff Hou / L.C. Lu are representatives of TSMC, the directors' remuneration they are entitled to was received by the juristic-person shareholders they represent.

Note 3: Referring to the business performance expenses for directors in the most recent year (including travel expenses, special disbursement, various allowances, etc.).

Note 4: Referring to the salaries, duties allowance, resignation payment, bonuses, incentives, travel expenses, special disbursement, various allowances, etc. received by the directors concurrently serving as employees (including concurrently serving as president, vice president, other managerial officers and employees).

Note 5: Referring to the employees' compensation (proposed amounts) (including stocks and cash) received by the directors concurrently serving as employees (including concurrently serving as president, vice president, other managerial officers and employees).

Note 6: Disclosure of the total amounts of all types of remuneration paid by all companies (including the Company) to the Company's directors according to consolidated reports.

Note 7: Net profit after tax refers to the most recent year's net profit after tax indicated in individual financial statements or parent company only financial reports.

Note 8: Disclosure of relevant compensation received by the Company's directors from reinvestment businesses other than subsidiaries or parent companies. The compensation refers to the return, remuneration (including remuneration for employees, directors and supervisors) and compensation for business performance expenses received by the Company's directors when serving as directors, supervisors or managerial officers in reinvestment businesses other than subsidiaries or parent companies.

Note 9: 10th-term board directors are apponinet at the Regular Shareholders' Meeting held on May 18, 2023. Five independent directors are Kenneth Kin, Jesse Ding, Huang, Tsui-Hui, Cheng-Wen Wu and Ho-Min Chen.

Note 10: The remuneration policy, system, standards and structure for independent directors, and description of correlation with the remuneration amount being paid based on factors such as duties, risks, time commitment, etc. For independent directors and directors who do not concurrently serve as managerial officers, in principle, their total remuneration shall not exceed 2% of a given year's profit in accordance with the Company's Articles of Incorporation. The remuneration payment standards are subject to adjustment based on the Company's business performance, and the payment is distributed in proportion to the number of days a director serves.

(2) Remuneration to President and Vice President

Unit: NT\$ thousand; thousand shares

Title	Name (note 1)	Salary (A)(note 2)		Pension (B)		Bonus and special disbursement, etc. (C)(note 3)		Compensation to the employees (D)(note 4)				The sum of A, B, C and D in proportion to net profit after tax (%)(note 8)		Remuneration received from an invested company other than the company’s subsidiary or parent company (note 9)
		The Company	All companies mentioned in the financial statements (note 5)	The Company	All companies mentioned in the financial statements (note 5)	The Company	All companies mentioned in the financial statements (note 5)	The Company		All companies mentioned in the financial statements (note 5)		The Company	All companies mentioned in the financial statements (note 5)	
								Cash	Stock	Cash	Stock			
President	Sean Tai	29,552	29,552	0	0	35,831	35,831	83,000	0	83,000	0	148,383 4.23%	148,383 4.23%	none
Senior Vice President & CFO	Daniel Chien													
Senior Vice President	Louis Lin													
Vice President	Simon Yen (note 10)													
Vice President	Justin Hsieh													
Vice President	Jen-Tai Hsu													
Vice President	Patrick Wang													

Classification of remuneration

Classification of remuneration paid to president and vice presidents	Name of president and vice presidents	
	The Company (note 6)	All companies mentioned in the financial statements (note 7)
Less than NT\$1,000,000	-	-
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)	-	-
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)	Simon Yen	Simon Yen
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	-	-
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	Jen-Tai Hsu	Jen-Tai Hsu
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	-	-
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)	Louis Lin, Daniel Chien, Justin Hsieh, Patrick Wang	Louis Lin, Daniel Chien, Justin Hsieh, Patrick Wang
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)	-	-
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)	Sean Tai	Sean Tai
Over NT\$100,000,000	-	-
Total	7	7

- Note 1: Names of the president and vice presidents are listed separately, while the payment amounts are disclosed in an aggregated manner.
- Note 2: Referring to the salaries, duties allowance, and resignation payment listed for the president and vice presidents in 2023.
- Note 3: Referring to the in-kind provision and other remuneration amounts such as bonuses, incentives, travel expenses, special disbursement, various allowances, dormitories, company cars, etc. listed for the president and vice presidents in 2023. For houses, cars and other means of transportation being provided, or exclusive personal expenses, the nature and cost, actual or fair-market rent, fuel expenses and other payments of the assets being provided should be disclosed.
- Note 4: Referring to the proposed 2023 employees’ remuneration (including stocks and cash) approved by the Board on Jan 31, 2024 before the 2024 Shareholders’ Meeting.
- Note 5: Disclosure of the total amount of remuneration paid to the Company’s president and vice presidents by all companies (including the Company) included in consolidated reports.

- Note 6: For the total remuneration amount paid by the Company to the president and each vice president, the names of the president and vice presidents were disclosed in the respective payment levels that the president and vice presidents belong to.
- Note 7: For disclosure of the total amount of remuneration paid to the Company’s president and vice presidents by all companies (including the Company) included in consolidated statements, the names of the president and vice presidents were disclosed in the respective payment levels that the president and vice presidents belong to.
- Note 8: Net profit after tax refers to the most recent year’s net profit after tax indicated in individual financial reports.
- Note 9: Disclosure of relevant compensation received by the Company’s president and vice presidents from reinvestment businesses other than subsidiaries or parent companies. The compensation refers to the return, remuneration (including remuneration for employees, directors and supervisors) and compensation for business performance expenses received by the Company’s president and vice presidents when serving as directors, supervisors or managerial officers in reinvestment businesses other than subsidiaries or parent companies.
- Note 10: Vice President Simon Yen resigned on July 8th, 2023.



(3) Names of managerial officers with compensation as employees and the status of payment

Unit: NT\$ Thousand

	Title	Name	Stock (note 1)	Cash (note 1)	Total	Proportion of total to net profit after tax of parent company only (%)
Managerial Officers	President	Sean Tai	0	85,650	85,650	2.44%
	Senior Vice President & CFO	Daniel Chien				
	Senior Vice President	Louis Lin				
	Vice President	Simon Yen (note 2)				
	Vice President	Justin Hsieh				
	Vice President	Jen-Tai Hsu				
	Vice President	Patrick Wang				
	Accounting Controller	Blith Chiang				

Note 1: Referring to the proposed 2023 employees' remuneration approved by the Board on Jan 31, 2024. The proposed remuneration for this year is an estimated value.

Note 2: Vice President Simon Yen resigned on July 8th, 2023.

(4) Separate comparison and description of total remuneration, as a proportion of net profit after tax stated in the parent company only financial reports or individual financial reports, as paid by the Company and by each other company included in the consolidated financial statements during the past 2 fiscal years to directors, presidents, and vice presidents, and analysis and description of remuneration policies, standards, and packages, the procedure for determining remuneration, its linkage to operating performance and future risk exposure.

1. The analysis for proportion of net profit stated in the parent company only financial reports or individual financial reports, as paid by the Company and by each other company included in the consolidated financial statements during the past 2 fiscal years to directors, presidents, and vice presidents

Title	Total remuneration as a proportion of net profit after tax in the parent company only financial reports			
	2023		2022	
	The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements
Director	2.87%	2.87%	2.78%	2.78%
President and Vice President	4.23%	4.23%	4.95%	4.95%

2. Remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure

- (1) The remuneration for the Company's directors are paid in accordance with the Company's "Directions for Directors' Remuneration, Compensation and Travel Expenses Payment", and shall be paid based on the general levels. If the Company has surplus earnings, funds will be separately allocated in accordance with the provisions of Article 26 of the Company's "Articles of Incorporation" for directors' remuneration, which shall be submitted to Shareholders' Meeting for approval after being reviewed by Compensation Committee and approved by the Board. For directors concurrently serving as employees, the following (2) ~ (4) rules shall apply for the remuneration payment.
- (2) The appointment, dismissal and remuneration of the Company's president and vice presidents shall be handled in accordance with the Company's regulations. The remuneration standards are formulated by the Company's human resources unit based on the Company's HR performance appraisal regulations. Besides, the president's or vice president's individual performance and contribution to the Company's overall operations are also considered. Moreover, average levels applied in peer companies are also reviewed for the formulation of remuneration payment

principles. The said standards/principles are implemented after being reviewed by Compensation Committee and approved by the Board of Directors.

- (3) The Company's remuneration policy is formulated based on the individual's capabilities, contribution to the Company and performance achievement, with a positive correlation with the Company's business performance. In addition, with proper control over ESG and future risks, the Company's remuneration policy is also well correlated with future risks and ESG. The overall compensation/remuneration portfolio primarily includes three parts: basic salary, bonus/employee profit-sharing, benefits, etc. In regards to the remuneration payment standards, the basic salary is determined based on the Company's policy and the market competition status of the employee's position; bonus and profit-sharing contribution are given on a basis connected with the employee's/department's goal achievement or the Company's business performance. Regarding benefits program design, the prerequisite is to fulfill regulatory requirements, and to meet employees' needs with measures that provide benefits for employees.
- (4) The remuneration distribution proportion for the Company's directors is determined in accordance with the provisions of Article 20 of the Company's Articles of Incorporation, stating that a quota limited within 2% of the year's profit can be allocated as directors' remuneration for the year. Moreover, in principle, a quota limited within 4% of the year's profit can be allocated as remuneration for managerial officers. The remuneration for directors and managerial officers is determined based on their participation degree in the Company's operations and their personal contribution /performance. In addition, the directors' and managerial officers' goal achievement rate, profit ratio, operational effectiveness, contribution degree, etc. are comprehensively considered when calculating remuneration distribution proportion for fair compensation. The director and managerial officer remuneration system is always reviewed in a timely manner based on actual operating conditions and changes of relevant laws and regulations.

4. Corporate Governance Report

(1) The state of operations of the board of directors:

Six (A) regular board meetings were convened in 2023. The status of attendance by directors was as following:

Title	Name	Age	Attendance in person (B)	By proxy	Attendance rate (%)B/A	Consecutive terms	Remark
Chairman	Representative of TSMC: F.C. Tseng	79	6	0	100%	8	Re-appointed as the Company's 10th-term board director at the Regular Shareholders' Meeting held on May 18, 2023. From May 19, 2023 onwards, the representative of TSMC has been changed from Mr. Cliff Ho to Mr. L.C. Lu
Director	Representative of TSMC: Wendell Huang	62	3	3	50%	3	
Director	Representative of TSMC: Sean Tai	59	6	0	100%	2	
Director	Representative of TSMC: Cliff Hou	62	2	1	67%	--	
Director	Representative of TSMC: L.C. Lu	63	3	0	100%	1	Appointed as the Company's 10th-term board director at the Regular Shareholders' Meeting held on May 18, 2023. The tenure of 9th-term expired on May 18, 2023.
Independent Director	Kenneth Kin	77	6	0	100%	3	
Independent Director	Jesse Ding	70	6	0	100%	2	
Independent Director	Huang, Tsui-Hui	59	6	0	100%	2	
Independent Director	Cheng-Wen Wu	65	4	0	100%	1	
Independent Director	Ho-Min Chen	67	4	0	100%	1	
Independent Director	Chung-Yu Wu	73	2	0	100%	--	
Independent Director	Wen-Yeu Wang	68	2	0	100%	--	

Other matters to be recorded:

1. For matters listed in Article 14-3 of the Securities and Exchange Act and other board resolutions for which any of the independent directors has a dissenting or qualified opinion, and such opinion has been recorded or declared in writing, the board meeting date, term/session, content of proposal(s), opinions of all independent directors, and the Company’s handling of the independent directors’ opinions should be stated:

Board Meeting Date/Term	Content of Proposal and Subsequent Handling	Matters listed in Article 14-3 of the Securities and Exchange Act	Independent Director’s Dissenting or Qualified Opinion
02/02/2023 14 <sup>th</sup> meeting of the 9 <sup>th</sup> term	Approved the performance and compensation of the Company’s general manager.	Yes	No
	Independent directors’ opinion: None		
	The Company’s handling of independent directors’ opinions: None		
	Resolution: As explained by the director, Sean Tai, this case involved his conflicts of interest, so he recused himself from the discussions and resolutions pertaining to him. After inquiry by the chairperson, the remaining directors present unanimously passed the remuneration committee’s proposal.		
04/27/2023 15 <sup>th</sup> meeting of the 9 <sup>th</sup> term	1. Approval the general manager ‘s remuneration (salary) adjustment and long-term motivation scheme.	Yes	No
	2. Approval of the remuneration (salary) adjustment of the chairman of the company		
	Independent directors’ opinion: None	Yes	No
	The Company’s handling of independent directors’ opinions: None		
	1. Resolution: As explained by the chairperson that this case has been reviewed by the Company’s Compensation Committee, with the exception of the discussion and resolution on the recusal of director Sean Tai, who explained that his concurrently serving as the general manager might involve conflicts of interest, other directors in attendance unanimously adopted the remuneration committee’s proposal.		
	2. Resolution: As explained by the chair, this case involved his conflicts of interest, so, by appointing the independent director Wang Wen-yu to chair the meeting on his behalf, he recused himself during the discussion and resolution of this case. Chairperson Wang Wen-yu noted that this case has been reviewed by the Compensation Committee, and other directors in attendance were solicited and gave unanimous consent.		
10/26/2023 2 <sup>nd</sup> meeting of the 10 <sup>th</sup> term	Investigated and confirmed the CPA’s independence as well as competence (including performance and quality audit indicator), appointment, and auditing of the 2024 compensation proposal.	Yes	No
	Independent directors’ opinion: None		
	The Company’s handling of independent directors’ opinions: None		
	Resolution: The CPA’s independence, competence (including performance and quality audit indicator) and appointment, and the 2024 remuneration statement have been reviewed by the Audit Committee and, after inquiry by the chairperson, all the directors present unanimously adopted the proposal.		
01/31/2024 4 <sup>th</sup> meeting of the 10 <sup>th</sup> term	Approved the performance and compensation of the Company’s general manager.	Yes	No
	Independent directors’ opinion: None		
	The Company’s handling of independent directors’ opinions: None		
	Resolution: As explained by the director, Sean Tai, this case involved his conflicts of interest, so he recused himself from the discussions and resolutions pertaining to him. After inquiry by the chairperson, the remaining directors present unanimously passed the remuneration committee’s proposal.		

2. For recusals executed by directors for interest-related proposals, the director’s name, content of the proposal, the reason for recusal, and the participation/voting status should be stated: Please refer to the description of point 1.

3. Information about the board of directors’ self-evaluation frequency & period, scope, method, content, etc.

Frequency	Period	Scope	Method	Content of Evaluation
Conducted annually	2023.01.01~2023.12.31	Including performance evaluation of the Board, individual board members and functional committees	Board internal self-evaluation, board members’ self-evaluation, and evaluation conducted by commissioned external professional agencies (conducted every three years)	<p>The following five aspects are included in the internal evaluation of overall Board performance/ self-evaluation: A. Participation degree in the Company’s operations, B. Improvement of the Board’s decision-making quality, C. The Board’s composition and structure, D. Selection/ appointment of directors and their continuing training, and E. Internal control and risk management. In 2023, the Company’s Board of Directors received a rating of “Excellent” in its self-assessment. Compared to 2022, all self-assessment results showed improvement. In particular, there was great improvement in the self-evaluation results for the “Composition and Structure of the Board of Directors” aspect.</p> <p>Directors’ self-evaluation covers the following six aspects: A. Grasp of the Company’s goals and tasks, B. Awareness of a director’s role and responsibilities, C. Participation degree in the Company’s operations, D. Internal relationship management and communication, E. Director’s professionalism and continuing training, and F. Internal control. In 2023, the Company’s board members still received a rating of “Excellent” in the self-assessment. Compared to 2022’s self-evaluation results, although there was a decrease in the “Alignment of the Goals and Missions of the Company” aspect, all other aspects either maintained the same level or showed a slight increase. Functional committee performance evaluation covers the following five aspects: A. Participation degree in the Company’s operations, B. Awareness of functional committee responsibilities, C. The functional committee’s decision-making quality, D. The functional committee’s composition and the selection/ appointment of its members, and E. Internal control.</p>

4. Evaluation of the goals for strengthening the Board’s duties and functions (e.g., setting up an Audit Committee, enhancing information transparency, etc.) and the implementation status during the given and the most recent year: The Company’s board of directors is composed of professionals with diverse backgrounds, sufficient professional knowledge & experiences, excellent insight, and high ethical standards. In addition, the Company’s chairman does not concurrently hold a managerial position of the Company. The number of independent directors was increased to five seats (more than 50% of the total number of directors) at the 2017 Shareholders’ Meeting, and independent directors’ independence was also judged and assessed in accordance with applicable laws and regulations. The Company has also formulated its “Regulations for Board of Directors Meetings” in accordance with the “Regulations Governing Procedures for Board of Directors Meetings of Public Companies” for relevant operations to comply with. The directors’ attendance at the board meetings is entered in the Market Observation Post System, and the Board’s major resolutions are also disclosed on the Company’s website.

The Company has regularly implemented the Board’s performance evaluation since 2010, and has officially formulated the Measures for the Board of Directors Performance Evaluation in November 2016. Evaluation questionnaires are created every year for directors’ self-evaluation and peer evaluation, and the results are then summarized and reviewed for improvement. The self-evaluation measures have also been included in functional committees’ performance evaluation since October 2019. Moreover, as stipulated in Measures for the Board of Directors Performance Evaluation, the Board’s performance evaluation should be conducted at least once every three years by an external professional



independent institution or an external team of experts and scholars with the aim of encouraging self-improvement of the board members and enhancing the sound operations of the board. The most recent external Board performance evaluation was conducted in 2019. For the overall results, recommendations and improvement plans indicated in the externally conducted Board Performance Evaluation, please refer to the section of “Board of Directors Performance Evaluation” under the Corporate Governance option on the Company’s website. As for the improvements that the Company has achieved, the appraisal and remuneration evaluation & review of the audit controller have been included in Compensation Committee’s agenda since 2020, and have been implemented in accordance with Compensation Committee’s meeting plans. In addition, a New Director Orientation System was formulated in 2020 to assist newly appointed directors in being familiar with the Company as well as their responsibilities and business duties. Moreover, the Company has collected and organized whistleblowing cases for Audit Committee to stay on top of whistleblowing case handling procedures in a comprehensive and real-time way. The Company’s board of directors appointed Mr. Daniel Chien, Senior Vice President & Chief Financial Officer in 2020, as the Corporate Governance Officer, taking the responsibility for corporate governance-related affairs. The Company is planning to gradually improve the board composition and structure to improve the Company’s overall performance through the implementation of Board Diversity Policy, and to respond to the initiative advocated in “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” that the appointment of an independent director is advisably not to exceed three consecutive terms. Two of the Company’s independent directors who had been appointed for more than three consecutive terms, submitted their resignation letters on January 14, 2022, and resigned the independent-directorship on May 19, 2022. The Company elected two new independent directors at the 2022 Shareholders’ Meeting. After the election, more than 50% of the Company’s independent directors having served their independent-directorship for not more than three consecutive terms. 10th-term board directors, including one female independent director, are appointed at the 2023 Shareholders’ Meeting. After the election, all the Company’s independent directors having served their independent-directorship for not more than three consecutive terms.

The Company’s Audit Committee has been set up since 2008, and the latest-term committee was formed in 2020 by five new independent directors. The Audit Committee holds at least one meeting per quarter, taking the responsibility for carrying out the fair representation of the Company’s financial statements, appointment or dismissal of attesting CPAs and evaluation of CPAs’ independence and performance, effective implementation of the Company’s internal control, the Company’s compliance with relevant laws and regulations, control and management of existing or latent risks, etc. Since self-evaluation measures were included in Audit Committees’ performance evaluation in October 2019, Audit Committee examined its overall effectiveness in 2022 based on the self-evaluation questionnaire. That is, each director conducted an independent and objective evaluation of the effectiveness of the overall Audit Committee in relation to the following five aspects: participation degree in the Company’s operations, awareness of committee responsibilities, decision-making quality, committee’s composition and the selection/appointment of its members, internal control, etc. In 2023, the Company’s Audit Committee received a rating of “Excellent” in its internal assessment. Compared to 2022, performance in the self-assessment aspect of “Degree of Participation in the Company’s Operations” held steady, and all other aspects showed improvement.

The Company’s Compensation Committee has been set up since 2010, and the latest-term committee was formed in 2020 by five independent directors. The committee takes the responsibility for the formulation and regular evaluation of the Company’s overall compensation policy, formulation and regular review (at least once a year) of the policy, system, standards and structure in relation to directors’ and managerial officers’ performance evaluation and compensation, regular evaluation and determination of the compensation for directors and managerial officers, employee stock option plan and employee bonus plan or other employee incentive plans. Comprehensive consideration is also given to directors’ and managerial officers’ goal achievement rate, profit ratio, operating performance, contribution degree, etc. for the determination of fair compensation. The self-evaluation measures have also been included in Compensation Committee’s performance evaluation since October 2019. In 2023, the Company’s Remuneration Committee received a rating of “Excellent” in its self-assessment. Compared with 2022, the self-assessment results showed improvement in all aspects.

The Company established a Strategy Committee in 2022. The first Strategy Committee consists of five Independent Directors; their term of service is from October 27, 2022 to May 18, 2023. The first Strategy Committee meeting was held on December 1, 2022, to discuss the Company’s future operating strategy and policy. All members of the Committee participated in the meeting. The Committee provided many suggestions and guidance on the operational policy reported by the Company’s management team; the Committee asked the management questions such as what should be done (or not be done) in the future in terms of the Company’s strategic direction à business strategy à each functional unit’s strategic implementation; why this needs to be (or doesn’t need to be) done; and how it should be done. The Committee also asked that they formulate feasible, measurable milestones for each functional unit, to form a complete functional strategy loop. It was also decided in the first Strategy Committee meeting that the meetings shall be held at least twice a year. Within the scope of Committee’s scope of authority, management, experts, and other people may be invited to attend the meetings and provide relevant information.

The second Strategy Committee was changed to be composed of all directors, with a term of service from May 18, 2023 to May 17, 2026. And Kenneth Kin, independent director, is serving as Committee convener. The Committee’s scope of authority includes planning and guidance on the following matters: (1) The Company’s growth strategy, including short-, medium-, and long-term development goals and strategies. (2) Major investment and merger & acquisition (M&A) plans. (3) Risk management issues. (4) Other important strategic issues.

## (2) The state of operations of the Audit Committee

Five independent directors are selected at the Company’s Regular Shareholders’ Meeting to form the Audit Committee. The Audit Committee holds at least one meeting per quarter, taking the responsibility for carrying out the fair representation of the Company’s financial statements, appointment or dismissal of attesting CPAs and evaluation of CPAs’ independence and performance, effective implementation of the Company’s internal control, the Company’s compliance with relevant laws and regulations, control and management of existing or latent risks, etc. Its primary duties are as follows:

1. Stipulation or amendment of internal control system in accordance with Article 14-1 of the Securities and Exchange Act.
2. Appraisal of internal control system effectiveness
 

The Audit Committee evaluates the effectiveness of the Company’s internal control system, including approval authority, completeness, risk management, etc. (the scope includes but not limited to finance, operations, research and development, information security, legal compliance, and operations in relation to all stakeholders), and reviews the results of internal audits and attesting CPAs’ work. In addition to regular reports made by managerial officer, for matters of high operational risks, relevant controllers/officers are also requested to make reports on the improvement status. The above content is stipulated based on the Internal Control -- Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013. The Audit Committee deemed that the Company’s risk management and internal control systems were effective, and the Company had adopted necessary control mechanisms to supervise and correct noncompliance or weaknesses with opportunities for improvement.
3. Formulate or revise the handling procedures for the acquisition or disposal of assets, engagement in derivative transactions, loaning of funds to others, provisions of endorsement or guarantee to others, and other significant financial or business actions in accordance with the provisions in Article 36-1 of the Securities and Exchange Act.
4. Matters involving the personal interest of directors.
5. Transactions on material assets or derivative commodities.
6. Material monetary loan, endorsement, or provision of guarantee.
7. The offer, issuance or private placement of securities of equity nature.
8. The appointment, discharge or remuneration of certified public accountants.
9. The appointment and discharge of the head of finance, accounting, or internal audit.
10. The annual financial statements signed or stamped by the chairman, managerial officers and accounting controller and the quarterly financial statements signed or stamped by the chairman, managerial officers and accounting controller, and reviewed by CPAs.
11. Business report, proposal for profit distribution or loss make-up.
12. Other significant matters stipulated by the Company or competent authorities.

Four regular Audit Committee meetings were convened in 2023. The status of attendance by independent directors was as following:

Title	Name	Attendance in person	By proxy	Attendance rate (%)	Note
Independent Director	Jesse Ding	4	0	100%	Re-appointed as the Company's 10th-term board director at the Regular Shareholders' Meeting held on May 18, 2023.
Independent Director	Huang, Tsui-Hui	3	1	75%	
Independent Director	Wen-Yeu Wang	2	0	100%	
Independent Director	Chung-Yu Wu	2	0	100%	The tenure of 9th-term expired on May 18, 2023.
Independent Director	Kenneth Kin	4	0	100%	Re-appointed as the Company's 10th-term board director at the Regular Shareholders' Meeting held on May 18, 2023.
Independent Director	Cheng-Wen Wu	2	0	100%	Appointed as the Company's 10th-term board director at the Regular Shareholders' Meeting held on May 18, 2023.
Independent Director	Ho-Min Chen	2	0	100%	

Other matters to be recorded:

1. For matters listed in Article 14-5 of the Securities and Exchange Act and other resolutions which are not approved by the Audit Committee but approved by more than two-thirds of all directors, the board meeting date, term/session, content of proposal(s), date of Audit Committee meeting, term/session, content of proposal(s), independent directors' dissenting or qualified opinions, or content of major suggestions, Audit Committee's resolution result, and the Company's handling of Audit Committee's opinions should be stated:

Board Meeting Date/Term	Audit Committee Date/Term	Content of Proposal and Subsequent Handling	Matters listed in Article 14-5 of the Securities and Exchange Act	Resolutions that are not approved by the Audit Committee but approved by more than two-thirds of all directors
02/02/2023 14 <sup>th</sup> meeting of the 9 <sup>th</sup> term	02/02/2023 11 <sup>th</sup> meeting of the 5 <sup>th</sup> term	1. Adoption of the Company’s 2022 financial statements and business report.	Yes	No
		2. Adoption of the Company’s 2022 Earnings Distribution Statement.		
		3. Adoption of the Company’s 2022 “Internal Control System Declaration.”		
		4. Reviewing the Company’s “Internal Control System” and amending some of the articles of the “Internal Audit Implementation Rules.”		
		Audit Committee’s resolution: The resolution has been agreed upon and passed by the entire body of Audit Committee members.		
		The Company’s handling of the resolution adopted by the Audit Committee: Agreed upon and passed by all the directors attending the meeting.		

Board Meeting Date/Term	Audit Committee Date/Term	Content of Proposal and Subsequent Handling	Matters listed in Article 14-5 of the Securities and Exchange Act	Resolutions that are not approved by the Audit Committee but approved by more than two-thirds of all directors
04/27/2023 15 <sup>th</sup> meeting of the 9 <sup>th</sup> term	04/27/2023 12 <sup>th</sup> meeting of the 5 <sup>th</sup> term	Adoption of the Company’s 1st quarter 2023 financial statements.	Yes	No
		Audit Committee’s resolution: The resolution has been agreed upon and passed by the entire body of Audit Committee members.		
		The Company’s handling of the resolution adopted by the Audit Committee: Agreed upon and passed by all the directors attending the meeting.		
07/27/2023 1 <sup>st</sup> meeting of the 10 <sup>th</sup> term	07/27/2023 1 <sup>st</sup> meeting of the 6 <sup>th</sup> term	Adoption of the Company’s 2 <sup>nd</sup> quarter 2023 financial statements.	Yes	No
		Audit Committee’s resolution: The resolution has been agreed upon and passed by the entire body of Audit Committee members.		
		The Company’s handling of the resolution adopted by the Audit Committee: Agreed upon and passed by all the directors attending the meeting.		
10/26/2023 2 <sup>nd</sup> meeting of the 10 <sup>th</sup> term	10/26/2023 2 <sup>nd</sup> meeting of the 6 <sup>th</sup> term	Approval of a CPA’s independence, competence (including performance), appointment and 2024 remuneration.	Yes	No
		Audit Committee’s resolution: The resolution has been agreed upon and passed by the entire body of Audit Committee members.		
		The Company’s handling of the resolution adopted by the Audit Committee: Agreed upon and passed by all the directors attending the meeting.		
01/31/2024 4 <sup>th</sup> meeting of the 10 <sup>th</sup> term	01/31/2024 3 <sup>th</sup> meeting of the 6 <sup>th</sup> term	1. Adoption of the Company’s 2023 financial statements and business report.	Yes	No
		2. Adoption of the Company’s 2023 Earnings Distribution Statement.		
		3. Adoption of the Company’s 2023 “Internal Control System Declaration.”		
		Audit Committee’s resolution: The resolution has been agreed upon and passed by the entire body of Audit Committee members.		
		The Company’s handling of the resolution adopted by the Audit Committee: Agreed upon and passed by all the directors attending the meeting.		

2. For recusals executed by independent directors for interest-related proposals, the independent director's name, content of the proposal, the reason for recusal, and the participation/voting status should be stated: None.



3. Communication among independent directors, internal audit controller and CPAs (the major events, methods and results of the communication on the Company's financial and business status should be included):

Date	Type of communication	Communication items, independent directors' opinions and subsequent handling
02/02/2023	The 11 <sup>th</sup> Session of 5 <sup>th</sup> Audit Committee term	1. The audit supervisor reported on the audit items, results, and follow-up improvement conditions of Q4 for 2022. For this quarter, the focus of the audit was on wage and contract management. Independent directors expressed their consent of the report's contents. 2. The audit supervisor reported on the 2022 internal control statement, and elaborated on the risk and internal control self-assessment results. The independent directors all had no different opinions on the details, and put them forth to the Board of Directors for resolution.
04/27/2023	The 12 <sup>th</sup> Session of 5 <sup>th</sup> Audit Committee term	The audit supervisor reported on the audit items, results, and the follow-up improvement condition of Q1 for 2023. For this quarter, the focus of the audit was on the sales cycle. The independent directors expressed their consent regarding the report's contents.
07/27/2023	The 1 <sup>st</sup> Session of 6 <sup>th</sup> Audit Committee term	The audit supervisor reported on the audit items, results, and the follow-up improvement conditions of Q2 for 2023. For this quarter, focus of the audit was on DS R&D cycle and Financial report preparation. The independent directors expressed their consent regarding the report's content.
07/31/2023	Virtual Meeting	Discuss the handling process and related matters of reporting/whistleblowin cases.
10/26/2023	The 2 <sup>nd</sup> Session of 6 <sup>th</sup> Audit Committee term	1. The audit supervisor reported on the audit items, results, and the follow-up improvement condition of Q3 for 2023. For this quarter, focus of the audit was on Seal management and expense approval authority management. The independent directors expressed their consent regarding the report's contents. 2. The audit supervisor reported on the intact evaluation of the company's internal control system. The independent directors expressed their consent regarding the report's contents. 3. The audit supervisor put forward the 2024 audit plan made in response to the risk evaluation. The independent directors unanimously agreed to the plan and submitted it to the Board of Directors for approval.

CPAs also attend the quarterly Audit Committee meetings, and communicate and interact with independent directors on financial statement reviews or audits, or issues related to finance, taxation or internal control. Important content of the communication and interaction between independent directors and the financial controller, accounting controller, internal audit controller and attesting CPAs at Audit Committee meetings is also recorded in the Audit Committee minutes.

The communication between independent directors and CPAs in 2023 is listed in the table below:

Date	Type of communication	Communication items, independent directors' opinions and subsequent handling
02/02/2023	The 11 <sup>th</sup> Session of 5 <sup>th</sup> Audit Committee term	1. Solicited the results of the audit made on the 2022 consolidated and individual entity financial reports. 2. Solicited whether there were other audit findings over the content of the key audit items in the 2022 financial report. 3. Solicited the practice exploration on the issue of law updates.
04/27/2023	The 12 <sup>th</sup> Session of 5 <sup>th</sup> Audit Committee term	1. Offered the review results of the 2023 Q1 consolidated financial report. 2. Solicited the practice exploration on the issue of law updates.
07/27/2023	The 1 <sup>st</sup> Session of 6 <sup>th</sup> Audit Committee term	1. Solicited the review results of the 2023 Q2 consolidated financial report. 2. Solicited the CPA's assessment and recommendations for other discussion items. 3. Solicited the practice exploration on the issue of law updates.
10/26/2023	The 2 <sup>nd</sup> Session of 6 <sup>th</sup> Audit Committee term	1. Solicited the review results of the 2023 Q3 consolidated financial report. 2. Solicited the practice exploration on the issue of law updates.

For the details of communication over the years, please refer to the section of Corporate Governance on the Company's website.

**(3) If a compensation committee has been set up in a company, its composition, duties and operation status should be disclosed.**

The Company's Compensation Committee is formed by all independent directors (five in total). The Committee holds at least one meeting per quarter, taking the responsibility for the formulation and regular evaluation of the Company's overall compensation policy; formulation and regular review (at least once a year) of the policy, system, standards and structure in relation to directors' and managerial officers' performance evaluation and compensation, regular evaluation and determination of the compensation for directors and managerial officers, employee stock option plan and employee bonus plan or other employee incentive plans.

1.Information on the members of the Compensation Committee

By identity	Conditions Name	Professional qualification and experience	Status of independence	Number of other public companies in which the individual is concurrently serving as Compensation Committee
Independent Director	Ho-Min Chen (Convener)	Please refer to Disclosure of Professional Qualifications of Directors and Independence of Independent Directors on page 29 for annual report		0
Independent Director	Jesse Ding			1
Independent Director	Huang, Tsui-Hui			0
Independent Director	Cheng-Wen Wu			2
Independent Director	Kenneth Kin			2

2. Information on the function of Compensation Committee

(1) The Compensation Committee of the Company is consisted of 5 members.

(2) The term of office of the current committee members: May 18, 2023 to May 17, 2026. The Compensation Committee held 4 meetings (A) in the most recent year. The eligibility and attendance of the members are listed in the table below:

Title	Name	Attendance in person (B)	By proxy	Attendance rate (%) (B/A)	Note
Convener	Ho-Min Chen	2	0	100%	Appointed as the Company's 10th-term board director at the Regular Shareholders' Meeting held on May 18, 2023.
Committee	Cheng-Wen Wu	2	0	100%	The tenure of 9th-term expired on May 18, 2023.
Convener	Wen-Yeu Wang	2	0	100%	
Committee	Chung-Yu Wu	2	0	100%	Re-appointed as the Company's 10th-term board director at the Regular Shareholders' Meeting held on May 18, 2023.
Committee	Kenneth Kin	4	0	100%	
Committee	Jesse Ding	4	0	100%	
Committee	Huang, Tsui-Hui	4	0	100%	

Other matters to be recorded:

1. Scope of Compensation Committee's duties: To ensure sound corporate governance, strengthen the Board functions, assist the board of directors in implementing and evaluating the Company's overall remuneration and benefits policy, and the compensation for managerial officers.

2. If the Board of Directors does not accept or amends the suggestions made by the Compensation Committee, the board meeting date, term/session, content of proposal(s), the board's resolution result, and the Company's handling of Compensation Committee's opinions should be stated (for example, if the remuneration approved by the Board is better than that suggested by Compensation Committee, the difference and its reason(s) should be stated): None.

3. If any of the members has a dissenting or qualified opinion on Compensation Committee's resolutions, and such opinion has been recorded or declared in writing, the Compensation Committee meeting date, term/session, content of proposal(s), opinions of all members, and the handling of the members' opinions should be stated: None.

4. Compensation Committee’s discussion and resolution result, and the Company’s handling of members’ opinions:
- (1) The Compensation Committee met four times in 2023: February 2nd, April 27th, July 27th, and October 26th. Matters discussed included:
- I. Reports on employee compensation
  - II. Yearly reward (profit-sharing) totals
  - III. Employee reward proposal
  - IV. Management salaries, compensation, and long-term incentive scheme
  - V. Chief internal auditor salary and compensation
  - VI. Director remuneration and compensation
  - VII. Discussion of director and management salary and compensation policy, system, structure, and standards
- The Compensation Committee reviewed and approved of all matters listed above.
- (2) Instances of Board of Directors declining to adopt or modifying a recommendation of the Compensation Committee: None.
- (3) Any Compensation Committee member’s dissenting or qualified opinion that is on record or stated in a written statement with regard to any resolution of the Compensation Committee: None.

(4) Status of Corporate Governance as required for company, and any nonconformity to the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof

Items for evaluation	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for the TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
1. Has the Company established and disclosed its corporate governance practices based on the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	V		The Company has formulated its “Corporate Governance Best Practice Principles” in accordance with the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”. The relevant content has been disclosed on the Company’s website and in the Market Observation Post System after being approved by the board of directors.	No major difference
2. Equity structure and shareholders’ equity				No major difference
(1) Has the Company instituted an internal procedure for handling suggestions, questions, disputes of the shareholders and legal actions, and comply with the procedure properly?	V		The Company has formulated Rules of Procedure for Shareholders’ Meetings, and has set up a spokesperson and deputy spokesperson system in accordance with relevant regulations. Dedicated personnel are also assigned to deal with issues related to investor relations and shareholders’ suggestions, doubts, disputes, litigation, etc. The contact and E-mail information about investor relations processing is also available on the Company’s website.	
(2) Has the Company kept track on the major shareholders roster of the Company and the parties controlling these shareholders?	V		The Company has commissioned a stock agency to regularly update shareholders’ register and major shareholders’ register for the Company to fully stay on top of the lists of its major shareholders and major shareholders’ ultimate controllers.	
(3) Has the Company established and implemented the risk control mechanism and firewall between the corporate headquarters and the affiliates?	V		The financial business affairs between the Company and its affiliates are independent of each other. “Operational Measures for Supervision of Subsidiaries”, “Operational Measures for Corporate Group, Specified Company and Interested Party Transactions”, “Internal Control System”, “Internal Audit System”, etc. have been formulated to establish risk control and firewall mechanisms between the Company and its affiliates.	
(4) Has the company adopted internal rules prohibiting company insiders from trading securities using information not disclosed to the market?	V		The Company has formulated “Operating Procedures for Ethical Management & Business Code of Ethics” to prohibit any of the Company’s insiders from using undisclosed information on the market for securities trading.	



Items for evaluation	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for the TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
3. Composition and Responsibilities of the Board of Directors (1) Has the Board established a diversity policy for the composition and specific management goals of its members and implemented it accordingly?	V		<p>To reinforce corporate governance and promote sound development of board composition and structure, the capabilities that the board of directors should possess as specified in Article 20 of the Company's "Corporate Governance Code".</p> <p>GUC's current board of directors consists of nine directors. Five of them, accounting for more than 50%, are the Company's independent directors, and the relationship of spouses or relatives by blood within the second degree of relationship do not exist among the directors. Moreover, only one director is taking the Company's managerial officer position, i.e. Mr. Sean Tai, one of the juristic-person directors' representatives, concurrently serving as the Company's president. 10th-term board directors, including one demale independent director, are apportioned at the 2023 Shareholders' Meeting. After the election, all the Company's independent directors having served their independent-directorship for not more than three consecutive terms.</p> <p>In order to implement the Company's guidelines for Board diversity, the directors being appointed all have their own backgrounds in professions such as legal, accounting, industry, finance, marketing/R&amp;D, technology, business management, professional skills, industrial experiences, etc. (Please refer to page 23~26 of this Annual Report for directors' information.)</p> <p>The diversity goals for the future include but are not limited to the following two aspects/standards:</p> <p>1. Basic conditions and values: gender, age, nationality, culture, etc. One female director was elected in the by-election in 2023 shareholders' meeting. In the future, at least one female director seat will be reserved and long-term female seat target is one-third of all board members. And the age criteria will be planned to achieve a balanced structure.</p>	<p>No material differences except for the following matters:</p> <p>1. The Board performance evaluation results have not been used as a reference for individual director's remuneration and re-appointment nomination.</p> <p>2. In consideration of the difficulty in finding candidates for female directors, the Company revised a relevant provision in its "Corporate Governance Best-Practice Principles", stating that "It is advisable to reserve one seat for female directors".</p>

Items for evaluation	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for the TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>2. Professional knowledge and skills: professional backgrounds (such as legal, accounting, industry, finance, marketing or technology), professional skills, industrial experiences, etc.</p> <p>3. To keep independence, more than three consecutive terms of independent directors will be avoided.</p>	
(2) Further to the establishment of the Compensation Committee and the Auditing Committee, has the Company voluntarily established other functional committees?		V	<p>The Company established a Strategy Committee in 2022. The first Strategy Committee consists of five Independent Directors. The first Strategy Committee meeting was held on December 1, 2022, to discuss the Company's future operating strategy and policy. All members of the Committee participated in the meeting. The Committee provided many suggestions and guidance on the operational policy reported by the Company's management team; the Committee asked the management questions such as what should be done (or not be done) in the future in terms of the Company's strategic direction à business strategy à each functional unit's strategic implementation; why this needs to be (or doesn't need to be) done; and how it should be done. The Committee also asked that they formulate feasible, measurable milestones for each functional unit, to form a complete functional strategy loop. It was also decided in the first Strategy Committee meeting that the meetings shall be held at least twice a year. Within the scope of Committee's scope of authority, management, experts, and other people may be invited to attend the meetings and provide relevant information.</p> <p>The second Strategy Committee was changed to be composed of all directors, with a term of service from May 18, 2023 to May 17, 2026. And Kenneth Kin, independent director, is serving as Committee convener. The Committee's scope of authority includes planning and guidance on the following matters: (1) The Company's growth strategy, including short-, medium-, and long-term development goals and strategies. (2) Major investment and merger &amp; acquisition (M&amp;A) plans. (3) Risk management issues. (4) Other important strategic issues.</p>	

Items for evaluation	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for the TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
(3) Has the Company established a methodology for evaluating the performance of its Board of Directors, performed evaluations on an annual basis, submitted the results of the performance evaluation to the Board, and used such as a reference for individual director remuneration and renomination?		V	<p>The Company has established a Board's performance evaluation system. The Board of Directors approved the "Measures for Directors' Performance Evaluation" in November 2016, and approved the "Performance Evaluation System for New Functional Committees" in October 2019 to encourage the Board and functional committee members' self-invigoration, thereby enhancing the operational effectiveness of the Board and functional committees. The Board's self-evaluation and the directors' self-evaluation of 2023 were conducted in the fourth quarter of 2023, and the evaluation results were submitted to the Board in the first quarter of 2024. Suggestions for improvement have been made for aspects that can be strengthened. The evaluation of the Company's Board of Directors attained the result of "Excellent" in 2023. For detailed information, please refer to the section of Corporate Governance on the Company's website.</p> <p>The external Board's performance evaluation is conducted at least once every three years by an external professional independent institution or an external team of experts and scholars, and the annual performance evaluation of the year is conducted at the end of the year. At the end of 2022, the Company entrusted the external agency "Taiwan Corporate Governance Association" to conduct the Board's operational effectiveness evaluation for the period from November 1, 2021 to October 31, 2022. The evaluation report completed by the association was presented on December 12, 2022. For the overall review comments and recommendations given by the association, please refer to the section of Corporate Governance on the Company's website. A report of the evaluation results and improvement plans was made by the Company at the Board meeting on February 2, 2023. For detailed information, please refer to the section of Corporate Governance on the Company's website.</p>	

Items for evaluation	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for the TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
(4) Has the Company evaluated the independence of the commissioned certified public accountants regularly?		V	<p>The Company held the 2nd meeting of the sixth-term Audit Committee on October 26, 2023. Review of CPA independence, competence (including performance), and appointment, as well as of the 2024 remuneration proposal, was done in accordance with the Audit Quality Indicator (AQI) information and other non-quantitative indicators provided by the CPA. The resolutions adopted by the Audit Committee were reported to a meeting of the board of directors on the same day, where the resolutions were passed. Said AQI information was prepared by referring to the AQI structure and disclosure template updated and published by the Financial Supervisory Commission in June 2022; information for the period thus covers Deloitte Taiwan's fiscal years 2022 (from June 1, 2022 to May 31, 2023) and 2021 (from June 1, 2021 to May 31, 2022). The Company's Audit Committee and board of directors evaluations included the five major dimensions of professionalism, quality control, independence, supervision, and innovation, as well as 13 indicators. Other non-quantitative indicators mainly focused on evaluating whether the CPA was in compliance with the Certified Public Accountant Act, Article 6 and the ARDF's Statements on Audit Standard Nos. 46, 58, 62, and 64.</p> <p>The Company has required attesting CPAs to provide a "Declaration of Independence" on a yearly basis since 2014. At the same time, the Company's Accounting Department also assesses attesting CPAs' compliance with the Company's independence standards (please refer to Note 1) to ensure their eligibility for serving as the Company's attesting CPAs. When the Board discusses attesting CPAs' independence and appointment, the CPAs' personal résumés (detailing the CPAs' past and current clients) and each CPA's "Declaration of Independence" (not in violation of Bulletin No.10 of Norm of Professional Ethics for Certified Public Accountant of the Republic of China) are also provided for the Board to discuss and evaluate their independence.</p> <p>The most recent evaluation was approved by the Audit Committee at the meeting on October 26, 2023, which was then submitted to the Board and was approved at the board meeting held on the same day.</p>	



Items for evaluation	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for the TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
4. Does the TWSE/TPEX Listed Company have an appropriate and appropriate number of corporate governance personnel, and has the Company designated a Corporate Governance Senior Officer to deal with corporate governance related affairs (including, but not limited to, providing directors and supervisors with information required for the execution of their duties; assisting directors and supervisors in complying with the laws and regulations; conducting board meeting and shareholders' meeting related matters; and preparing the minutes for board meetings and shareholders' meeting in accordance with the law, etc.)?	V		The Company's board of directors appointed Mr. Daniel Chien, Senior Vice President & Chief Financial Officer, as the Corporate Governance Officer on July 30, 2020, taking the responsibility for corporate governance-related affairs and handling relevant reporting and filing operations. This information has been reported to the Market Observation Post System as required. For the overview of the Officer's business implementation and continuing training, please refer to the section of Corporate Governance on the Company's website. Moreover, seven personnel from the Finance Division, Legal Division, Internal Audit and Human Resources Division has formed a "Corporate Governance Working Group", taking the responsibilities for the corporate governance related affairs, including providing the information required for directors to carry out business activities, assisting directors in complying with laws and regulations, handling matters related to board meetings and shareholders' meetings in accordance with laws, dealing with company registration and change registration, making minutes of board meetings and shareholders' meetings, assisting board of directors in strengthening its functions & capabilities, preserving stakeholders' rights & interests and implementing equal treatment of shareholders, etc.	No major difference

Items for evaluation	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for the TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
5. Has the Company established a communications channel and established a designated zone on its website for stakeholders (including, but not limited to, shareholders, employees, customers, and suppliers), and has the Company properly responded to all CSR issues such stakeholders are concerned with?	V		With the aim of respecting stakeholders' rights and interests, the Company identifies its stakeholders and understands the stakeholders' reasonable expectations and needs, and thus the Company can appropriately respond to stakeholders' major corporate-social-responsibility concerns. Departments of the Company are responsible for the communication with stakeholders, and report to the board of directors on an irregular basis. The Company's stakeholders include employees, shareholders, customers, suppliers, social and government agencies. For their respective issues of concern and the Company's communication channels and response methods, please refer to Company's 2022 Sustainability Report. Moreover, the Company has created ESG section on the Company's website to help the Company understand stakeholders' issues-of-concern and respond in an appropriate way. The Company can also receive feedback from different aspects for it to carry out continuous improvement. The Company publishes its ESG Report (renamed as Sustainability Report from 2020 onwards) every year, which is an important task for the Company to further disclose information about its corporate social responsibility.	No major difference
6. Has the Company appointed a professional shareholder services agent to deal with shareholder affairs?	V		The Company has commissioned a professional stock agency "CTBC Bank - Agency Department" to handle the shareholders' meeting affairs.	No major difference

Items for evaluation	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for the TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
7. Disclosures				No major difference
(1) Has the Company established a website for the disclosure of Company's financial and business, and corporate governance?	V		The Company has set up "Investors Section" and "ESG" in both Chinese and English on its website, which cover the status of the Company's financial/business, corporate governance, and implementation of corporate social responsibility.	
(2) Has the Company adopted other means of disclosures (e.g., the installation of a website in English language, appointment of designated persons for the gathering and disclosure of information, the proper implementation of the spokesman system, and the minutes of the investor conference on record posted on the website)?	V		The Company's Finance Division is responsible for the Company's information collection and disclosure. The Spokesperson and Deputy Spokesperson are also set for information disclosure. In addition, the Company's information about finance/business is disclosed in the "Market Observation Post System" on a regular or an irregular basis in accordance with corresponding regulations. Moreover, there is an Investor Relations section on the Company's website (in both Chinese and English), which fully discloses information related to the Company's finance/business, investor briefings (including information and video recordings of investor briefings) and corporate governance, providing shareholders and the general public with access to the Company's information. The Company was ranked within top 5% of the listed companies for its Corporate Governance Evaluation from the 1st to the 7th, and 9th Corporate Governance.	
(3) Does the Company announce and report the annual financial report within two months after the end of the fiscal year? Does the Company announce and report the first, second, and third quarter financial reports and the monthly operating conditions well in advance of the required deadlines?	V		The Company's annual financial statements, the Q1, Q2 and Q3 financial statements as well as the monthly operation reports are all announced prior to the specified deadlines.	

Items for evaluation	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for the TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
8. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (including, but not limited to, employee rights and benefits, employee care, investor relations, supplier relations, stakeholder rights, status of directors' continuing education, implementation of risk management policies and risk assessment criteria, implementation of customer related policies, and purchase of liability insurance for directors and supervisors by the Company)?	V		Please refer to note 2 for the explanation.	No major difference
9. State of corrective action taken for responding to the results of the corporate governance assessment announced by Taiwan Stock Exchange Corporation in the Corporate Governance Center the most recent fiscal year, and the priority for improvement on issues pending further corrective action and related measures.				
The Company's prioritized improvement measures for items that did not score in 2023 Corporate Governance Preliminary Evaluation:				
Content of evaluation indicators			Improvement objects and measures	
Does the company invest resources to support domestic cultural development and disclose the support methods and results on the company's website, annual report or sustainability report?			The company will actively invest resources to support domestic cultural development	



Note 1: CPAs’ independence evaluation criteria

Items for Evaluation	Evaluation Result	Compliance with Independence
1. Does/do the CPA and/or his/her spouse and dependent relative(s) have any direct or significantly indirect financial interest relationship with the Company?	No	Yes
2. Does/do the CPA and/or his/her spouse and dependent relative(s) have any business relationship that affects the CPA’s independence with the Company’s directors and managerial officers?	No	Yes
3. During audit periods, does/do the auditing CPA and/or his/her spouse and dependent relative(s) serve as the Company’s directors/managerial officers, or hold positions with direct and significant influence on the auditing?	No	Yes
4. Does the auditing CPA have a spouse, lineal blood relative, immediate affinity or collateral relative by blood within the second degree relationship with any of the Company’s directors/managerial officers?	No	Yes

Note 2:

Other important information for the understanding of the Company’s corporate governance status:

1. Employees’ rights and interests, employee care, investor relations, supplier relationship, and stakeholders’ rights

The Company has made considerable investment in employee benefits & work rights and investor relations. It is hoped that the Company’s successful business philosophy can be shared with the public through the Company’s participation in various activities. Meanwhile, the Company spares no effort in cultivating talents of expertise for society by continuing the research, development and innovation for high-tech processes or technologies.

In terms of employees’ rights & interests and employee care, the Company takes relevant government laws and regulations such as Labor Standards Act, Act of Gender Equality in Employment, Sexual Harassment Prevention Act, etc. as benchmarks for the formulation of personnel management regulations to protect employees’ rights and interests. In addition to the announcement and implementation of the said regulations, labor-management meetings are regularly held to facilitate effective communication. Moreover, “Employee Welfare Committee” has been set up, and funds are allocated on a monthly basis for organizing regular activities to enhance employees’ welfare. Detailed benefits programs and budget planning are carried out every year, including gift vouchers for festivals, health-promotion and leisure activities for employees, family days, local/overseas tours, wedding and funeral subsidies, hospitalization subsidies for employees and their families, prizes for year-end parties, health check, labor/health/group insurance, etc. The Company’s comprehensive employee benefits have been recognized by Ministry of Labor, Executive Yuan, making the Company one of the Friendly Workplace Award winners. Additionally, the Company also received the “Health Promotion - Health Management Award” granted by Health Promotion Administration of the Ministry of Health and Welfare under Executive Yuan as a recognition for the Company’s excellent performance in creating a healthy workplace.

In terms of investor relations, the Company has set up a dedicated Investor Relations Department to act as a communication bridge between the Company and investors for investors to fully and promptly understand the Company’s business achievements/ performance and long-term operational strategies/direction, thereby providing investors, analysts and domestic/international professional investment institutions with the best services.

In regards to supplier selection, the Company continues to promote green procurement by requiring raw material suppliers to provide declarations guaranteeing that their products do not contain prohibited substances that are harmful to the environment, and thus the Company can ensure that its products comply with customers’ and the European Union’ electronic product requirements regarding Restriction of Hazardous Substances (RoHS). The Company also reinforces suppliers’ positive influence on society and the environment, and communicates with suppliers on a regular basis every year.

With respect to stakeholders’ rights, the Company has created a Stakeholder section on its website, and has set up Independent Director’s Mailbox to establish a direct communication channel between the Company and employees, shareholders and stakeholders for the protection of stakeholders’ rights.

2. Continuing studying status for directors and independent directors

Continuing studying status for directors and independent directors of this Company in 2023 is as follow:

Title	Name	Date of Advanced study	Organized by	Course Name	Number of Hours
Chairman	F.C. Tseng	04/27/2023	Taiwan Corporate Governance Association	Trends in TCFD & SBTi Development and Director Authority	3
		12/08/2023		The Development of AI and Server-Side Applications for 3rd-generation Semiconductors	3
Director	L.C.Lu	05/30/2023	Securities and Futures Institute	Studying Directors’ and Supervisors (/ Independent Supervisors)’ Practical Corporate Governance Supervision Work	12
Director	Sean Tai	04/27/2023	Taiwan Corporate Governance Association	Trends in TCFD & SBTi Development and Director Authority	3
		12/08/2023		The Development of AI and Server-Side Applications for 3rd-generation Semiconductors	3
Director	Wendell Huang	04/27/2023	Taiwan Corporate Governance Association	Trends in TCFD & SBTi Development and Director Authority	3
		12/27/2023	Global Blockchain Accounting Association	All About Carbon Accounting Financial Statements	3
Independent Director	Huang, Tsui-Hui	04/27/2023	Taiwan Corporate Governance Association	Trends in TCFD & SBTi Development and Director Authority	3
		07/04/2023	TWSE	2023 Cathay Sustainable Finance and Climate Change Summit	6
Independent Director	Cheng-Wen Wu	07/18/2023	Taiwan Corporate Governance Association	Corporate Governance 3.0 “Sustainability Report” Practical Analysis	3
		08/11/2023		Roles and Responsibilities of the Board of Directors/Senior Management in ESG Governance	3
Independent Director	Jesse Ding	04/27/2023	Taiwan Corporate Governance Association	Trends in TCFD & SBTi Development and Director Authority	3
		08/08/2023	Securities and Futures Institute	Technology Development and Application Opportunities of the ChatGPT Chatbot	3
Independent Director	Ho-Min Chen	07/25/2023	Taiwan Corporate Governance Association	Trade Secret Protection and the Practice of Fraud Detection	3
				Introduction to Corporate Governance 4.0	3
Independent Director	Kenneth Kin	04/27/2023	Taiwan Corporate Governance Association	Trends in TCFD & SBTi Development and Director Authority	3
		12/08/2023		The Development of AI and Server-Side Applications for 3rd-generation Semiconductors	3

3. Business Implementation and Continuing studying status for the Corporate Governance Officers

The Company’s board of directors appointed Mr. Daniel Chien, Senior Vice President & Chief Financial Officer, as the Corporate Governance Officer on July 30, 2020, taking the responsibility for corporate governance-related affairs and handling relevant reporting and filing operations. This information has been reported to the Market Observation Post System as required. For the overview of the Officer’s business implementation and continuing training, please refer to the section of Corporate Governance on the Company’s website.

4. Risk management policy, implementation of risk assessment criteria, and implementation of consumer/customer protection policy:

The Risk Management Policy was approved by the Company’s Board of Directors in 2010, serving as the highest guidelines for the Company’s risk management. All management units regularly conduct evaluation and review of risk items, and report the evaluation results to Operation Management Risk Committee. The president will then summarize major risk items and report them to the board of directors on a regular basis. For risk management scope and the 2023 operation status, please refer to the section of Corporate Governance on the Company’s website.

5. The Company’s purchases of liability insurance for directors: The Company purchases liability insurance for directors every year. The insured amount in 2023 was NT\$450,000,000, and the insured period was April 28, 2023 to April 28, 2024. Relevant information is also available in the Market Observation Post System.

(5) Implementation of Sustainable Development Promotion:

Items for evaluation	Implementation Status			Any difference from the Corporate Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for such difference
	Yes	No	Summary	
1. Has the company established a governance structure to promote sustainable development, and set up a dedicated (or non-dedicated) unit to promote sustainable development, relevant affairs of which are handled by senior managerial officer under the Board's authorization and supervision?	V		ESG Committee's Executive Secretary has reported sustainable development issues to the Board of Directors on 02/02, 04/27 and 07/27 in 2023. The contents are as follows: (I) Setting 2023 Sustainable Development (ESG) Goals (II) Short, Medium, and Long-term Plans for ESG Governance (III) 2022 Corporate Sustainability (ESG) Report and communication with stakeholders (IV) 2023 Sustainable Development (ESG) Progress (V) 2023 TCFD Report In addition to reviewing the progress of strategy implementation, the Board will also urge the management team to make adjustments when needed.	No major difference

Items for evaluation	Implementation Status			Any difference from the Corporate Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for such difference
	Yes	No	Summary	
2. Did the company conduct risk assessment of environmental, social and corporate governance issues for its operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?	V		<p>The "Risk Management Policy" was approved by the Company's Board of Directors in 2010, serving as the highest guidelines for the Company's risk management. All management units regularly conduct evaluation and review of risk items, and report the evaluation results to Operation Management Risk Committee. The president will then summarize major risk items and report them to the board of directors on a regular basis.</p> <p>In the process of business operations/management, the Company adopts prevention and control measures for possible risks, and creates relevant alert mechanisms.</p> <p>In addition, the Company also conducts assessments of risks in relation to the Company's operations in accordance with the materiality principle as a reference basis for the Company's risk management and operational strategies. With effective risk identification, assessment and control, the Company's risks arising from business activities can be controlled within an acceptable range.</p> <p>The Company's risk management scope includes "Intellectual Property Management Plan", "Information Security Risk", "Contract Risk", "Product Quality and Competitiveness Risk", "Climate Change and Emergency Response for Environmental Risk Management", "Operational Risk", etc.</p>	No major difference



Items for evaluation	Implementation Status			Any difference from the Corporate Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for such difference
	Yes	No	Summary	
			<p>The Operation Management Committee holds two meetings every month. Units included in the Committee give presentations about the implementation of operation plans, and report on the risk control status of relevant duties as well as evaluate latent risks and provide countermeasures. Major risks that will affect operation plans will be summarized, and then be reported to the board of directors by Operation Management Committee's chairperson.</p> <p>In 2023, the Company's division-level units had reported to Operation Management Committee on the risk control status of relevant duties based on the annual plan. The Company's president also reported on the Company's mid-/long-term plans and critical latent risks as well as countermeasures against them at the board meeting on 02/02/2023. Moreover, the Company's management team also reported on the Company's risk management strategies in relation to information security risk management, contract risk management policy, intellectual property management plan, etc. at the board meeting on 10/26/2023.</p> <p>And The Company established a Strategy Committee in 10/27/2023. The Committee's scope of authority includes Risk management issues.</p>	

Items for evaluation	Implementation Status			Any difference from the Corporate Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for such difference
	Yes	No	Summary	
3. Environmental Issues				No major difference
(1) Has the Company established an appropriate environmental management system in accordance with its industrial characteristics?	V		The Company formally integrated ESG into its subsequent annual management KPIs at the May 2022 Board meeting. In terms of environmental management systems, GUC maintained its existing ISO verification and incorporated the new ISO system into its sustainability policies. Additionally, the Company implemented a long-term plan to reduce carbon emissions through the use of renewable energy while committing to continuously examine the raw material supply process and strengthen its internal raw material controls, with the long-term goal of achieving carbon neutrality by 2050.	
(2) Has the Company made effort to enhance the resources efficient use and used regenerated materials to mitigate the impact on the environment?	V		As a member of the global community, the Company is committed to reducing carbon emissions and using sustainable energy. Since 2022, GUC has been establishing solar photovoltaic systems and planning the installation of green energy facilities to contribute to the reduction of global warming and environmental pollution. Additionally, the Company is actively responding to climate change by implementing action plans to reduce natural resource consumption. These plans include improving product energy efficiency within the core business, green supply chain management, raw material and waste management, reducing product packaging and promoting recycling, transitioning to cloud-based offices, lowering carbon dioxide levels at the corporate headquarters, and enhancing energy usage efficiency.	
(3) Has the Company assessed the potential current and future risks and opportunities from climate change for the Company, and has the Company taken measures to address climate-related issues?	V		Regarding the evaluation of climate change-related issues, the executive secretary of the Company's Sustainability Committee regularly reports to the Board of Directors on responses to climate change risks. The Board of Directors reviews these responses and provides instructions accordingly. For further information about the potential risks and opportunities associated with climate change, as well as mitigation measures, please refer to pages 68–71 of the Company's 2022 Sustainability Report.	
(4) Has the Company compiled statistics on greenhouse gas emissions, water consumption, and total volume of waste materials for the past two years, and has the Company formulated policies for greenhouse gas reduction, water use reduction, and other waste management?	V			

Items for evaluation	Implementation Status			Any difference from the Corporate Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for such difference
	Yes	No	Summary	
			<p>In 2022, the Company also completed the planning of its corporate sustainable development roadmap for achieving net-zero carbon emissions by 2050. This includes conducting greenhouse gas inventories for all subsidiary companies listed in the consolidated financial reports and planning a pathway for carbon neutrality promotion and sustainability. The Company has been conducting voluntary greenhouse gas inventories and management since 2019, and the inventories have been conducted in accordance with ISO 14064-1 standards, with external verification, since 2021. As of 2023, the Company has completed external verification for 2 consecutive years. Furthermore, in 2023, the Company released its first climate-related financial disclosure report and submitted a carbon reduction commitment to the Science Based Targets initiative (SBTi), outlining both short-term and long-term reduction targets.</p> <p>For detailed information on energy conservation, carbon reduction efforts, greenhouse gas emissions, water usage, total weight of waste, and management policies over the past 4 to 5 years, please refer to pages 72–78 of the Company’s 2022 Sustainability Report.</p>	

Items for evaluation	Implementation Status			Any difference from the Corporate Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for such difference
	Yes	No	Summary	
<p>4. Social issues</p> <p>(1) Has the Company established related management policy and procedure in accordance with applicable legal rules and international conventions on human rights?</p>	V		<p>GUC firmly believes that respecting human rights and creating a dignified working environment is crucial for the Company and its supply chain partners. GUC adheres to the regulations of the countries where its operating sites are located and upholds the human rights of all personnel, including full-time employees, contractors, temporary workers, and interns. GUC also requires its supply chain partners to adhere to the same standards.</p> <p>GUC supports and is committed to pursuing compliance with international labor and human rights standards, including the United Nations Universal Declaration of Human Rights, the United Nations Global Compact, the United Nations Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, and the Social Accountability International (SAI) standard, as well as the regulations of the countries in which it operates. GUC takes actions consistent with the Responsible Business Alliance (RBA) Code of Conduct, treating all personnel with dignity and respect. GUC has established implementation policies to enforce its human rights policy and requires its supply chain partners to adhere to the same standard. For details on the human rights policy, implementation policies, and human rights-focused issues and management, please refer to the ESG section on the Company’s official website.</p>	No major difference



Items for evaluation	Implementation Status			Any difference from the Corporate Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for such difference
	Yes	No	Summary	
(2) Has the Company established and implemented reasonable employee benefit measures (including compensation, leave, and other benefits), and are operational performance and results appropriately reflected in employee compensation?	V		The Company had been included as a constituent in TWSE's 2014 to 2023 "Taiwan HC 100 Index". We uphold the philosophy of sharing profit with employees to attract, retain, cultivate, and motivate outstanding personnel from various parts of the industry. For details of employees' remuneration and benefits, please refer to the Company's 2022 Sustainability Report.	
(3) Has the Company provided a safe and health work environment for the employees, and provided education on labor safety and health regularly?	V		GUC is committed to achieving "safety with zero accidents" and "sustainable environmental development". It aims to become a world-class benchmark enterprise in environmental protection, safety, and health. The Company's workplace safety policy not only complies with domestic labor safety, health, and environmental regulations but also actively aligns with international standards. Since 2021, GUC has received ISO 45001 Occupational Health and Safety Management System verification (verified by SGS). Additionally, from December 26-29, 2023, the Company underwent ISO 14001 Environmental Management System verification (verified by TUV NORD).  The Company regularly conducts safety and health education for employees. A total of 16 occupational safety and health education and training sessions were held in 2023, with participation totaling 1,285 person-hours. The company has also established a Health, Safety, and Environment Committee. Additionally, the Company provides its employees with regular health check-ups and conducts fire drills every year so that employees have a clear understanding of their own health and can respond correctly in the event of emergencies. Furthermore, the Company has taken out accident liability insurance for its employees, thereby increasing the protection for employees while they are at work. For more information on workplace health, please refer to the ESG section on the Company's official website.	

Items for evaluation	Implementation Status			Any difference from the Corporate Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for such difference
	Yes	No	Summary	
			In 2023, there was one workplace accident at the Company. The incident occurred when an employee slipped while climbing up an escape ladder, resulting in a head injury. GUC immediately implemented improvement measures by affixing warning stickers on the ladder.  There were no instances of monetary loss due to violations of employee health regulations in 2023, and no fire incidents occurred.  The Company's efforts in workplace environment safety and employee safety protection have been recognized by the Ministry of Labor, which awarded the Company with the "Friendly Workplace" distinction. The Company also received the "Health Promotion – Badge of Accredited Healthy Workplace" bestowed by the Health Promotion Administration of the Ministry of Health and Welfare.	No major difference
(4) Has the Company established the training program for the effective planning of career development for the employees?	V		The Company attaches great importance to employees' career development, and has established effective career competency development training programs for employees. Please refer to 109 of the Annual Report for detailed information.	
(5) Does the Company comply with laws, regulations, and international standards when managing customer health and safety, customer privacy, and marketing and labeling of products and services and relevant issues? Has the Company established a policy and complaint procedure to protect consumer rights?	V		The Company's product & service marketing and labeling practices all comply with applicable laws/regulations and international standards. Moreover, the Company has formulated Service Management Procedures, Regulations on Customer Returns/Complaints Management, Confidential Information Protection Policy, Operational Measures for Customer Satisfaction Survey, and other policies for the protection of customers' interests and privacy as well as procedures for customers' complaints to ensure that consumers' rights and interests can be protected through the Company's research & development, procurement, production, operation, service procedures, etc. In practice, consumers/customers can have B2B communication with the Company through the Company's website "GUC Online". For the customer complaint procedure, Please refer to page 46 of the Company's 2022 Sustainability Report.	

Items for evaluation	Implementation Status			Any difference from the Corporate Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for such difference
	Yes	No	Summary	
(6) Has the Company established a supplier management policy that requires suppliers to comply with regulations on environmental protection, occupational safety and health, and labor rights issues? Has the Company established an implementation method for such?	V		GUC strives to enhance environmental sustainability. The Company leads by example, adhering to third-party verification and standards to contribute to environmental protection. This principle is also extended to GUC's suppliers, with the aim of balancing environmental sustainability with stable growth. All suppliers are required to act in accordance with the guidelines set forth by GUC. This policy is aimed at enhancing labor rights, safety and health, environmental protection, business ethics, and management system performance, while continually reducing the risk of operational disruption. For details on the Company's supplier management policy, please refer to pages 48–55 of the 2022 Sustainability Report. With regard to human rights, the Company requires all suppliers to adhere to the same human rights policy, aiming to create the best practices in human rights throughout the semiconductor industry chain. The Company's human rights policy also requires supply chain partners to abide by the same standard.	
5. Does the Company refer to internationally standards/guidelines in the preparation of its reports, such as Sustainability Report, that disclose non-financial information? Has the Company obtained a third-party verification or assurance opinion on previously-disclosed reports?	V		The Company compiled its Corporate Social Responsibility Report of the past years and the 2022 Sustainability Report in accordance with the Global Reporting Initiative's Sustainability Reporting Standards (GRI Standards). The reports are presented in accordance with core option GRI Standards, in which facts and information in relation to sustainability issues of the given year are disclosed by following the rules of General Standards Disclosures and Specific Standards Disclosures. A complete GRI Standards Index Comparison Table is available in every report, giving viewers an overview of each chapter's content.  Assurance statements have been issued for the Company's 2022 Sustainability Report based on BSI GRI Standard & AA1000 Assurance Standard.	No major difference

Items for evaluation	Implementation Status			Any difference from the Corporate Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for such difference
	Yes	No	Summary	
6. If the company has its own sustainable development best practice principles formulated in accordance with the “Corporate Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”, please describe the differences between its operations and the said principles: The Company's board of directors approved the “Corporate Social Responsibility Best Practice Principles” in February 2015 as a guiding principle for long-term CSR promotion, and will amend the Company's “Corporate Social Responsibility Best Practice Principles” into “Sustainable Development Best Practice Principles” based on the revised “Corporate Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” at the Board meeting in April 2022. There is no difference between the actual operations and the said principles. Please refer to the Company's 2021 Sustainability Report for detailed information about the operation status.				
7. Other important information for the understanding of the Company's promotion/implementation of sustainable development:  For more information about the Company's sustainable development operation status, please refer to the section of Sustainable Development on the Company's website.				

(6) Climate-related Information

Aspect	Implementation
1. Oversight and governance of climate-related risks and opportunities by the Board of Directors and management	<p>At the beginning of each year, GUC's Board of Directors reviews the progress of ESG initiatives for the previous year and formulates ESG execution goals for the current year. On February 2<sup>nd</sup>, 2023, the Board discussed reinforcing TCFD information disclosure in order to assess climate-related risks and opportunities in terms of impact and response strategies.</p> <p>We have also established an ESG (Environmental, Social, Governance) Committee and a Net Zero Committee, both led by President Sean Tai (who also serves as a director of the Company). These committees assist in promoting corporate sustainability and climate change-related management initiatives. An executive secretary is appointed to regularly report the annual ESG goals and progress or outcomes of climate change risk improvement to the Board of Directors.</p> <p>To mitigate the impact of climate change, we have established a cross-departmental TCFD Task Force under the coordination of the Net Zero Committee. This task force brings together senior executives from various units for cross-departmental communication. They consider climate change issues, the Company's characteristics, as well as its relationship with the supply chain, and refer to the transition risk, physical risk, and opportunity categories under the TCFD framework to identify significant risks and opportunities. Subsequently, they apply different scenario analyses and assessments to develop response strategies that mitigate potential financial losses due to risks and, in some cases, turn challenges into opportunities, creating greater benefits for the Company.</p>
2. How identified climate risks and opportunities affect the business, strategy, and finances of the enterprise in the short, medium, and long term	<p>Based on the results of the risk and opportunity matrix, we have identified GUC's risks and opportunities for the short, medium and long term, initially selecting a total of five transition risks, three physical risks, and three climate opportunities. After further consideration by the cross-departmental TCFD Task Force and external experts, and taking the Company's characteristics as well as its relationship with the supply chain into account, we removed and consolidated the risks and opportunities to identify two significant transition risks and two significant climate opportunities. Please refer to page 12 of the TCFD Status Report on the GUC website for more on this. For the impacts on GUC's business, strategies, and finances, please refer to pages 13 to 21 of the TCFD Status Report on the GUC website.</p>
3. The financial impacts of extreme weather events and transformation actions	<p>The Company outsources production to Taiwan Semiconductor Manufacturing Company (TSMC). The risk of typhoons, floods, or droughts affecting the physical operating facilities of GUC is low; the cost of such risks can be transferred through insurance. TSMC conducts its own assessment of drought/flood risks in manufacturing facilities and develops and implements risk mitigation measures; TSMC has also established a comprehensive water monitoring mechanism and emergency response procedures, which undergo regular drills.</p> <p>Physical risks were not identified as significant risks in the present assessment, but preventive risk assessments were still conducted through the following scenarios: In the RCP8.5 scenario of extremely high greenhouse gas emissions, the probability of future flooding disasters, extreme high temperatures, and an increased number of consecutive rainless days is expected to rise; given this, what is the impact of flood risk and extreme high temperature and drought risk on operations at the Company's headquarters? The assessment results indicate that the risk of flooding will not affect GUC headquarters, and extreme high temperatures and drought will not threaten operations. For the assessment process and details, please refer to pages 16 to 17 of the TCFD Status Report on the GUC website.</p>

Aspect	Implementation
4. How the identification, assessment, and management of climate risks are integrated into the overall risk management system	<p>The Board of Directors approved the Company's "Risk Management Policy" in 2010, which serves as the highest guiding principle for risk management within the Company. Various management units conduct regular assessments and reviews of risks and report the assessment results to the Operation Management Risk Committee. The significant risks are then summarized by the President and reported to the Board of Directors on a regular basis.</p> <p>Climate change and environmental risk management emergency response measures have been incorporated into the Company's Risk Management Policy. For the process for identifying risks and opportunities related to climate change, please refer to pages 9 to 12 of the TCFD Status Report on the GUC website.</p>
5. Use of scenario analysis to evaluate resilience to climate change risks, including scenarios, parameters, assumptions, analysis factors, and major financial impacts	<p>The Company adopts the SSP5 Baseline Scenario to analyze and assess the resilience of its climate strategy. For the scenarios, parameters, assumptions, analysis factors, and major financial impacts employed, please refer to pages 14 to 21 of the TCFD Status Report on the GUC website.</p>
6. Transformation plan to manage climate-related risks, including the plan, indicators, and targets used to identify and manage physical and transition risks	<p>The Company is actively implementing risk mitigation measures to reduce its organizational carbon emissions. These measures are outlined as follows:</p> <ol style="list-style-type: none"> <li>1. In alignment with the Science-Based Targets (SBTs) for carbon reduction, the Company will progressively increase its purchase of green energy starting from 2023. By 2030, it aims to cumulatively purchase 19,800,000 kWh of green energy, which is estimated to reduce carbon emissions from electricity by 42%.</li> <li>2. The Company plans to upgrade or replace existing equipment with more energy-efficient alternatives.</li> <li>3. The Company conducts annual greenhouse gas inventories in accordance with ISO 14064-1 standards and undergoes third party external verification to ensure compliance with laws and regulations.</li> <li>4. Engage in professional advisory resources for SBTi.</li> </ol>
7. Use of internal carbon pricing as a planning tool, including the basis for price determination	Does not apply
8. Climate-related goals that are set, including the activities, greenhouse gas emissions scope, planning period, annual progress, and, where carbon offsets or renewable energy certificates (RECs) are used to achieve the goals, the source and quantity of the carbon offsets or RECs	<p>Regarding carbon reduction targets, the Company actively participates in the SBTi. To help realize the 1.5°C warming scenario, we have set 2022 as the base year and declared the goal of reducing greenhouse gas Scope 2 emissions by 42% by 2030. We have also set the target of reducing total greenhouse gas emissions by 90% by 2050. The Board of Directors will review the progress of these initiatives on a regular basis.</p> <p>For details of the GUC carbon reduction target plan, please refer to pages 24 to 25 of the TCFD Status Report on the GUC website.</p>
9. Greenhouse gas inventory results and verifications, including reduction targets, strategies, and specific action plans.	<p>The year 2022 serves as the base year for GUC's greenhouse gas inventory and management, and the verification for the 2022 greenhouse gas inventory was completed in Q2 2023. For the Company's greenhouse gas inventory results, reduction targets, and strategies, please refer to pages 22 to 25 of the TCFD Status Report on the GUC website.</p>



(7) The Company’s Implementation of Ethical Corporate Management and the measures taken

Items for evaluation	Implementation Status			Deviations from “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
1. Establishment of ethical corporate management policies and programs (1) Has the Company established an ethical corporate management policy that has been approved by the Board of Directors, and clearly stated the ethical corporate management policy and practices, as well as the commitment of the Board of Directors and the top management to actively implementing the management in the Articles of Incorporation and external documents?	V		The Company’s board of directors has formulated the “Operating Procedures for Ethical Management & Business Code of Ethics”, clearly stipulating that the Company’s business activities are carried out based on the principles of fairness, honesty, trustworthiness and transparency. In order to implement the ethical management policy and actively prevent dishonest or unethical conduct, all personnel of the Company (including subsidiaries) are required to pay attention to matters specified in the said procedures and code when engaging in business activities, and abide by the following principles: one should perform one’s duties with honesty, conscientiousness and respect; one should be loyal to one’s job without being involved in any illegal or inappropriate activities; one should avoid any conflicts of interest between the individual and the Company; one must not conduct oneself in a way that may disgrace the Company; and the scope of such compliance is not limited to legal/regulatory compliance only; the more important is self-discipline and self-judgment without going against common rationality. The top management of the Company upholds the principle of integrity, and operates business based on the principle of creating maximum benefits for shareholders and employees. In terms of legal compliance, the Company complies with the Company Act, Securities and Exchange Act, Commercial Accounting Law, Political Donations Act, Anti-corruption Act, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest, regulations governing TWSE/TPEX Listed Companies, or other laws governing business conduct to carry out ethical management. With respect to the active practices that the Board and managerial officer have committed to, The Company’s directors all demonstrate a high degree of self-discipline by avoiding participation in discussion and voting for board meeting proposals which involve interests of their own or the juristic persons they represent and there is a concern about harming the Company’s interests.	No major difference

Items for evaluation	Implementation Status			Deviations from “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
			They only address their opinions and answer inquiries without joining discussions and voting. In addition, the directors are required to avoid being present while the discussions and voting are in progress, and are not allowed to exercise the voting right on behalf of other directors. Self-discipline also prevails among directors; there is no inappropriate support among directors.	
(2) Has the Company established a mechanism to assess unethical conduct risks? Does that Company regularly analyze and evaluate the business activities within its scope of business that have a higher risk of unethical conduct? Has the Company accordingly formulated a plan to prevent unethical conduct, covering at a minimum the preventive measures for the acts mentioned in Article 7-2 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies?	V		<p>The Company has specified matters of caution when performing business activities in “Operating Procedures for Ethical Management &amp; Business Code of Ethics”. For business activities that involve higher risks of dishonest or unethical conduct, measures are taken to forbid the providing or receiving of improper benefits, the facilitation payment/handling fee, or the providing of political contributions. (Please refer to the Company’s “Operating Procedures for Ethical Management &amp; Business Code of Ethics” for details of the measures.)</p> <p>Therefore, before a business relationship is established, the Company will first evaluate the legality and ethical management policies of the agents, suppliers, customers or other business partners, and check whether there has been any record of dishonest or unethical conduct to ensure that their businesses are operated in a fair and transparent way. And we will never ask, offer or accept bribes. The Company’s personnel are required to explain the Company’s ethical management policy and relevant regulations to transaction counterparties when engaging in business activities, and expressly refuse to directly or indirectly provide, promise, request or accept any form of improper benefits for any reason, including kickbacks, commissions, facilitation payments, or offering/receiving improper benefits through other means. To have all the employees across the company comply with the rule, the Company inculcates the rule in all new entrants when they report to work, and regularly provides educational training every year for the entire body of employees. The Company has also established specific complaint and reporting regulations and had the human resources unit and internal audit unit serve as the dedicated unit respectively.</p>	

Items for evaluation	Implementation Status			Deviations from “Ethical Corporate Management Best- Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
			<p>Externally, the Company has established a “reporting system for violations of professional ethics,” reporting mailbox, and audit committee chairperson’s mailbox. Internally, an employee complaint mailbox has been set up to prevent illegal acts.</p> <p>Relevant educational training and promotional programs are conducted on a yearly basis to help all personnel of the Company comply with these regulations. Specific complaint &amp; whistleblowing regulations are also formulated by the Company’s HR Department. Externally, a “Mailbox for Business Ethics Violation Reporting” has been set; internally, a Mailbox for Employees’ Major Complaints has been set to prevent the Company’s personnel from violating regulations. Please refer to the Corporate Social Responsibility section on the Company’s website.</p> <p>In order to completely put the above principles into practice, not only the Company’s employees but also suppliers are required to abide by the Company’s ethical standards and culture. Suppliers should sign “GUC’s Collaborative Company’s Business Ethics (Business Conduct) Commitment” as a declaration and guarantee.</p>	

Items for evaluation	Implementation Status			Deviations from “Ethical Corporate Management Best- Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
(3) Whether the Company has stipulated the operating procedures, conduct guidelines, disciplinary actions against violations as well as grievance system in the plan to prevent unethical conducts, implemented the execution thereof, and regularly reviewed and revised the aforementioned plan?	V		<p>The Company promises to comply with government laws and business ethics, and is committed to following the highest standards of openness, integrity and responsibility in its active realization of corporate citizenship/ corporate social responsibility to maintain corporate ethics and integrity while expanding its business. Therefore, the Company has separately formulated “Operating Procedures for Ethical Management &amp; Business Code of Ethics” and “Regulations on Reporting and Whistleblowing/Complaints”, and has proactively set up confidential channels for customers, shareholders, government agencies, society, academic research institutions, suppliers, employees of the Company, and other stakeholders (such as business partners, suppliers, general public, etc.) to report or file complaints against legal violations (e.g. fraud), dishonest/unethical conduct (e.g. corruption or bribery), or actual/potential violations of laws and/or the Company’s policies. The Investigation Committee collaborates with Legal and HR units to accept complaints (whistleblowing disclosures) and deal with matters related to investigation, compilation, reporting and resolution implementation. There are dedicated personnel responsible for replying to complainants (or whistleblowers) about case review/handling progress, which will be regularly followed up and controlled/managed at senior management meetings and by Audit committee.</p> <p>For the Company’s dishonest/unethical conduct prevention operations, please refer to the section of Corporate Governance on the Company’s website.</p>	

Items for evaluation	Implementation Status			Deviations from “Ethical Corporate Management Best- Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
2. The Materialization of Ethical Management				No major difference
(1) Has the Company evaluated the record on ethical practices of its counterparties, and has specified the clause of business ethic in the agreements binding the Company and its counterparties?	V		The Company’s personnel should avoid engaging in business transactions with dishonest/unethical agents, suppliers, customers or other business partners. If a business or collaboration partner is found to be involved in dishonest/unethical conduct, its related business dealings should be immediately stopped, and the partner should be listed as an object of transaction rejection to carry out the Company’s ethical management policy. In addition, in order to avoid engaging in transactions with those who have a record of dishonest/unethical conduct, the Company has clearly stipulated honest/ethical conduct terms in its business activity contracts.	
(2) Has the Company established a dedicated (concurrently) unit under the Board of Directors to promote ethical corporate management, and to report to the Board of Directors on a regular basis (at least once a year) regarding ethical corporate management policies and plans, in order to prevent unethical conduct and to monitor their implementation?	V		The Company’s HR Department is the dedicated unit in charge of the amendment, implementation, explanation, consultation services, reporting content data-entry & file creation, etc. as well as the supervision in relation to “Operating Procedures for Ethical Management & Business Code of Ethics”. Other units also carry out the ethical management policy based on their own job duties and responsibilities to jointly ensure the actual implementation of the Best Practice Principles. The top managerial officer of HR Department is required to report to the board of directors on the previous year’s implementation in the first quarter of each year.	

Items for evaluation	Implementation Status			Deviations from “Ethical Corporate Management Best- Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
(3) Has the Company mapped out the policy for the avoidance of the conflict of interest and has provided suitable channels for such purpose, and properly pursued the policy?	V		Policies related to recusals due to conflicts of interest are also clearly stipulated in the Company’s “Operating Procedures for Ethical Management & Business Code of Ethics”. When engaging in business activities, if the Company’s personnel identify that such activities involve interests of their own or the juristic persons they represent, or may enable themselves, their spouses, parents, children, or their interested parties to obtain improper benefits, they are required to sign “Conflict of Interest Report” and proactively provide explanations, and meanwhile report to their direct supervisors and the Company’s dedicated unit (i.e. HR Department) on relevant facts, for which the direct supervisors should provide proper instructions and advice. The Company’s personnel should not use the Company’s resources in any commercial activities outside the Company’s scope, nor should their work performance be affected due to the participation in the commercial activities outside the Company’s scope.	
(4) Has the Company established an effective accounting system and internal control system for the implementation of ethical corporate management? Has the internal auditing unit prepared an audit plan based on the assessment results for unethical conduct risks, and checked compliance with the unethical conduct prevention plan accordingly, or appointed a CPA to conduct the audit?	V		In order to realize ethical management through effective accounting and internal control systems, the Company has established effective accounting systems and internal control systems for business activities that involve higher risks of dishonest or unethical conduct. Such activities are also included in risk assessments for regular review, through which no external-purpose financial statements or reserved/secret accounts shall be allowed. The review is conducted on a rolling basis to ensure the continuing effectiveness of the systems’ design and implementation. Internal auditors also regularly check the compliance status of the said systems.	
(5) Has the Company organized internal and external training on ethical management?	V		The Company’s HR Department is responsible for the promotion of ethical management training and awareness-raising education for all employees. The educational training is conducted through e-learning to help employees be aware of matters of caution when engaging in business activities. Moreover, online Business Code of Ethics courses were also offered for all the Company’s directors in 2023, in which regulations related to insider trading were included.	



Items for evaluation	Implementation Status			Deviations from “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
3. The reporting system of the Company in action (1) Has the Company established a reporting and reward system and the channels for facilitating the report on unethical practices, and has appointed designated personnel to handle the subject of reporting?	V		The Company promises to comply with government laws and business ethics, and is committed to following the highest standards of openness, integrity and responsibility in its active realization of corporate citizenship/corporate social responsibility to maintain corporate ethics and integrity while expanding its business! Therefore, the Company has separately formulated “Operating Procedures for Ethical Management & Business Code of Ethics” and “Regulations on Reporting and Whistleblowing/Complaints”, and actively sets up confidential channels for customers, shareholders, government agencies, society, academic research institutions, suppliers, employees of the Company, and other stakeholders (such as business partners, suppliers, general public, etc.) to report or file complaints against legal violations (e.g. fraud), dishonest/unethical conduct (e.g. corruption or bribery), or actual/potential violations of laws and/or the Company’s policies.	No major difference
(2) Has the Company created a standard procedure for the investigation of reported matters, follow-up measures to be taken after the completion of the investigation, and relevant confidentiality mechanisms?	V		To clearly distinguish between the scope of complaints and reporting, authorization and procedures, the Company revised its Employees’ Complaint and Reporting Regulations in 2022 to become the Reporting Regulations and Complaint Regulations. Complaint cases cover unlawful infringement or unfair treatment in the workplace. Complaints of such cases are accepted by the human resources unit, and the legal unit can be consulted for advice. After the general manager approves the recommendation for a case resolution, the complaint case shall be carried out accordingly by the dedicated unit, and the complainant shall be notified of the result. Reporting cases include acts of unlawful interests or violations of good faith or professional ethics. Reporting of such cases shall be accepted by the internal audit unit and, by working with the legal unit, the relevant facts shall be brought to light. If necessary, external attorneys may be engaged to assist in the investigation. After a reported case is concluded, the Company, depending on the case’s circumstances, will have the responsible unit notify the whistleblower of relevant resolution results.	

Items for evaluation	Implementation Status			Deviations from “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
			Please refer to Appendix 1 for information about cases of reporting/whistleblowing received during the period of 2019-2023, and the investigations being conducted.	
(3) Has the Company taken protection measures to protect the informant from improper treatment after reporting on unethical practices?	V		As stated above that a company should takes appropriate confidentiality measures in accordance with relevant laws, the Company deals with complaints or whistleblowing cases in a confidential manner, and handles them based on a prompt, fair and objective stance. If the complainant or whistleblower is an employee, the Company guarantees that the employee will not be treated inappropriately due to the complaint or whistleblowing.	
4. Enhancing Information Disclosure Has the Company disclosed the content of Ethical Corporate Management Best Practice Principles and the result at its official website and MOPS?	V		The Company has uploaded the Board-approved “Operating Procedures for Ethical Management & Business Code of Ethics” to the Company’s website and the Market Observation Post System as a disclosure of ethical management information. Currently, the Company’s Reporting System for Business Ethics Violation on the website is presented in both Chinese and English. Dedicated HR personnel are designated for the collection and disclosure of the Company’s relevant information. HR Department regularly provides learning materials and test questions for internal training, awareness-raising promotion and testing through e-learning in the fourth quarter of each year. For ethical management educational training programs conducted in 2023, and various complaints and corresponding handling progress, please refer to the section of Corporate Governance on the Company’s website.	No major difference
5. If the Company has established performance of good-faith management best practice principles based on “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the principles and their implementation: None.				
6. Other important information for the understanding of the Company’s ethical management status: For information about the Company’s “Operating Procedures for Ethical Management & Business Code of Ethics”, please refer to the Market Observation Post System or the Company’s website.				

Attachment 1:

Complaint Channel specified in Operating Procedures for Ethical Management & Business Code of Ethic	2023	2022	2021	2020	2019
Independent Director's Mailbox (Audit Committee)	1 <sup>(Note1)</sup>	0	0	1	1
Reporting System for Business Ethics Violation	0	0	0	0	0
Ethics Violations Confirmed Via Investigation	0	0	0	0	0
Employees' Major Complaints	2 <sup>(Note2/3)</sup>	4	2	2	0
Sexual Harassment & Wrongful Harm Complaints	0	0	0	0	1
Cases Confirmed After Investigation	0	0	2	2	1

Note 1: An anonymous complaint was received via postal mail; the investigation concluded that the complaint was factually incorrect.

Note 2: Because the complainant refused to take part in the investigation, the investigators were unable to begin procedures or clarify the matters contained in the complaint. The complaint was therefore closed.

Note 3: The complaint was regarding living amenities, and was not a material complaint.

**(8) Companies that have formulated their Corporate Governance Code and relevant regulations should disclose the referencing methods: Please refer to the Market Observation Post System (<http://mops.twse.com.tw>) or check on the Company's website (<http://www.guc-asic.com>).**

**(9) Other important information enhancing understanding of the state of the Company's corporate governance may also be disclosed: For the state of the Company's corporate governance, please refer to the Market Observation Post System or the Company's website.**

**(10) Implementation Status of Internal Control System**

1. Internal Control System Statement

Global Unichip Corp.  
Internal Control System Statement

Date: Janaury 31, 2024

With regard to the 2022 internal control system, the Company declares the following based on the self-evaluation findings:

1. The Company is fully aware that establishing, implementing, and maintaining an internal control system are the responsibility of its Board of Directors and managerial officers. The Company has established such a system to provide reasonable assurance for attaining the aims of the effectiveness and efficiency of business operations (including profits, performance, safeguarding of asset security, etc.); reliability, timeliness, transparency of reporting; and compliance with the governing laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system provides assurance to the aforementioned aims only to a reasonable extent. Moreover, due to changes of environments and circumstances, the effectiveness of an internal control system may change accordingly. Nevertheless, the internal control system of the Company is equipped with a self-monitoring mechanism, and the Company takes corrective actions as soon as any fault is identified.
3. The Company determines the design and operating effectiveness of its internal control system in accordance with the determining factors provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations"). The internal control system determining factors specified in the Regulations divide an internal control system into five elements based on its management: 1. Control Environment, 2. Risk Assessment, 3. Control Operations, 4. Information and Communications, and 5. Monitoring. Each element further contains several items. Refer to the Regulations for the aforementioned items.
4. The Company has adopted the aforementioned internal control system determining factors to examine the design and operating effectiveness of its internal control system.
5. Based on the findings of the evaluation mentioned in the preceding paragraph, the Company deems that the internal control system as of December 31, 2022 (including supervision and management of subsidiaries), which encompass internal controls for knowledge of the accomplishment degree of operating effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with the governing laws and regulations, are effectively designed and implemented, and reasonably assure accomplishment of the abovementioned aims.
6. This Statement constitutes the main content of the Company's annual report and prospectus, and will be made public. Any wrongful act pertaining to falsification or concealment involving the above public declaration will be subjected to legal liabilities under Articles 20, 32, 171, and 174 of, and other regulations relating to, the Securities and Exchange Act.
7. This Statement was approved by the Board Meeting of the Company held on January 31, 2024, where none of the nine attending directors expressed dissenting opinions, and all consented to the content of this Statement.

Global Unichip Corp.

Chairman: F.C. Tseng



(with seal)

President: Sean Tai



(with seal)

2. If a CPA is appointed to review the internal control system, the review report shall be disclosed: None.

**(11) If there has been any legal penalty against the Company or its internal personnel, or any disciplinary penalty by the Company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year preceding the annual report publication date, where the result of such penalty may have a material effect on shareholder equity or securities prices, the penalty, the main shortcomings, and conditions for improvement shall be disclosed in the annual report: None.**

**(12) Major resolutions of the Shareholders’ Meeting and the Board in the most recent year to the date this report was printed**

2023’s Shareholders’ Meeting:

Important Resolution	Description of Implementation
Acknowledgement of the proposal regarding the Company’s 2022 earnings distribution	The distribution had been completed based on the resolution, in which June 11, 2023 was set as the base date for distribution, and the cash dividend distribution date was June 30, 2022. (Cash dividend: NT\$ 14/per share).
To approve amendments of “Procedures for Acquisition or Disposal of Assets”	Revised according to approved content.
To elect nine Directors (including five independent directors)	The newly elected independent directors were approved by the Ministry of Economic Affairs for registration on May 31, 2023.

The important resolutions of the Board of Directors in 2022 and to the date of this report was printed:

Session/Term	Important Resolution
The 14 <sup>th</sup> Session of the 9 <sup>th</sup> Term	1. Approved the Company’s 2022 employee compensation and director remuneration allocation.
	2. Adopted the 2022 financial statement and business report.
	3. Approved the 2022 earnings allocation.
	4. Adopted the 2022 “Internal Control System Statement.”
	5. The 10 <sup>th</sup> term full re-election of directors (including independent directors).
	6. Approved the list of the Company’s nine director candidates (including five independent director candidates) nominated by the Board of Directors, and resolving the eligibility of the candidates.
	7. Approved the date, location, and reasons for holding the Company’s 2023 regular shareholders’ meeting.
	8. Approved the period and location for accepting shareholders’ proposals to the 2023 regular shareholders’ meeting.
	9. Approved the period for accepting the candidacy of the directors (including independent directors) nominated by the shareholders of the 2023 shareholders’ meeting, the number of seats to be elected, and the location for accepting the submission.
	10. Approved the Company’s 2023 pay raise scheme.
	11. Approved the revision of the Company’s “Internal Control System” and “Internal Audit Enforcement Rules.”
The 15 <sup>th</sup> Session of the 9 <sup>th</sup> Term	1. Approved 2023 Q1 financial statements.
	2. Approved the Company’s 2023 managerial personnel’s long-term motivation proposal.

Session/Term	Important Resolution
Extraordinary meeting of the 10 <sup>th</sup> Term	1. Elected F.C. Tseng as Chairman of Board Meeting. 2. Elected Jesse Ding as Convener of Audit Committee. 3. Elected Ho-Min Chen as Convener of Compensation Committee. 4. Elected Kenneth Kin as Convener of Strategy Committee.
The 1 <sup>st</sup> Session of the 10 <sup>th</sup> Term	1. Approved 2023 Q2 financial statements. 2. Approved Rules Governing Financial and Business Matters between GUC and its Related Parties.
The 2 <sup>nd</sup> Session of the 10 <sup>th</sup> Term	1. Approved 2023 Q3 financial statements. 2. Reviewed 2023 remuneration policy, system, structure and criteria of the Company’s directors and managerial personnel. 3. Approved 2024 audit plan. 4. Investigated and confirm CPA’s independence, competence (including performance and audit quality indicator), appointment and the 2024 remuneration. 5. Adopted managerial personnel’s 2024 performance indicator. 6. Approved modification of “Risk management policy”.
The 3 <sup>rd</sup> Session of the 10 <sup>th</sup> Term	1. Approved the Company’s 2024 business plan. 2. Approved the Company’s 2024 capital expenditure plan.
The 4 <sup>th</sup> Session of the 10 <sup>th</sup> Term	1. Approved the Company’s 2023 employee compensation and director remuneration allocation. 2. Adopted the 2023 financial statement and business report. 3. Approved the 2023 earnings allocation. 4. Adopted the 2023 “Internal Control System Statement.” 5. Approved the date, location, and reasons for holding the Company’s 2024 regular shareholders’ meeting. 6. Approved the period and location for accepting shareholders’ proposals to the 2023 regular shareholders’ meeting. 7. Approved the Company’s 2024 pay raise scheme. 8. Approved modification of “Strategic Committee Organization Rules.”

**(13) Adverse opinion from directors over important resolution of the Board in the most recent year until the day the Annual Report was printed with records or written declaration, and the contents of such opinion: None.**

**(14) In the most recent year to the date this report was printed, the information on the resignation and discharge to Chairman, President, chief accountant, chief financial officer, chief internal auditor, corporate governance officer and R&D officer : None.**



5. Information Regarding the Company’s Independent Auditors

(1) Amounts of non-audit fees for attesting CPAs, the CPAs’ firms, and the firm’s affiliate(s) as well as the content of non-audit services:

Unit: NT\$ Thousand

Accounting Firm	Names of CPAs		Duration of Audit	Auditing fee	Non-Auditing fee	Total	Note
Deloitte & Touche	Ming-Hui Chen	Su-Li Fang	2023	3,421	730	4,151	Note

Note: Non-Auditing fee is for TCFD Report Assurance and Tax Report Audit.

(2) If there is a change in the accounting firm, and the audit fees paid for the fiscal year in which the change took place are lower than those paid for the fiscal year immediately preceding the change, the amount and percentage of and reason for the reduction in audit fees shall be disclosed: None.

(3) When the audit fees paid for the current fiscal year are lower than those paid for the immediately preceding fiscal year by 10% or more, the amount and percentage of and reason for the reduction in audit fees shall be disclosed: None.

6. Information about CPA Replacement: Not applicable.

7. The chairman, president, chief financial or accounting manager of the Company who holds position in the business under the commissioned CPA firm or its affiliates in 1 year: None.

8. In the most recent year to the date this report was printed, directors, managerial officers and the shareholders holding more than 10% of the shares in the transfer of shares and pledge of shares under lien, and any change thereof.

1. Status of changes in shareholdings and pledge of shares under lien of directors, managerial officers and major shareholders holding more than 10% of the shares:

Title	Name	2023		As of March 18, 2024	
		Increase (Decrease) in Number of shares	Increase (Decrease) in Number of Pledged Shares	Increase (Decrease) in Number of shares	Increase (Decrease) in Number of Pledged Shares
Director	Representative: F.C. Tseng, Sean Tai, Wendell Huang, L.C. Lu	0	0	0	0
Independent Director	Wen-Yeu Wang (tenure expired on May 18, 2023)	0	0	0	0
Independent Director	Chung-Yu Wu (tenure expired on May 18, 2023)	0	0	0	0
Independent Director	Kenneth Kin	0	0	0	0
Independent Director	Jesse Ding	0	0	0	0
Independent Director	Huang, Tsui-Hui	0	0	0	0
Independent Director	Cheng-Wen Wu (assumed on May 18, 2023)	0	0	0	0
Independent Director	Ho-Min Chen (assumed on May 18, 2023)	0	0	0	0
President	Sean Tai	0	0	0	0
Senior Vice President & CFO and Corporate Governance Officer	Daniel Chien	8,342 (9,000)	0	0	0
Senior Vice President	Louis Lin	7,954 (8,100)	0	0	0
Vice President	Simon Yen (resigned on July 8, 2023)	8,676	0	0	0
Vice President	Justin Hsieh	948 (5,438)	0	417	0
Vice President	Jen-Tai Hsu	3,941 (3,941)	0	0	0
Vice President	Patrick Wang	0	0	0	0
Accounting Controller	Blith Chiang	302 (1,078)	0	0	0

2. The counterparty of transfer of shares or pledge of shares is a related party: None.

9. Information on shareholders among the top 10 by proportion of shareholding who are related parties to one another or spouse, kindred within the 2nd degree of kinship

March 18, 2024

Name	Own shareholdings		Shares Held by Spouse & minor children		Shareholdings under the title of a third party		If there are related parties, spouses, kindred within the 2nd degree of kinship among the top 10 shareholders		Note
	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Title (or Name)	Relation	
TSMC	46,687,859	34.84%	-	-	-	-	-	-	-
Investment account of SMALLCAP World Fund managed by Standard Chartered Bank Business Department	6,698,000	5.00%	-	-	-	-	-	-	-
Fubon Life Insurance Company, Ltd.	5,891,000	4.40%	-	-	-	-	-	-	-
New Labor Pension Fund	3,016,300	2.25%	-	-	-	-	-	-	-
Chunghwa Post Co., Ltd.	1,520,000	1.13%	-	-	-	-	-	-	-
Ting, Chen	1,179,000	0.88%	685,000	0.51%	-	-	Iang, Bi-Jhen	spouse	-
Nomura Taiwan Superior Equity Fund	1,170,000	0.87%	-	-	-	-	-	-	-
Old Labor Pension Fund	779,900	0.58%	-	-	-	-	-	-	-
Investment account of J.P. Morgan Funds managed by HSBC	764,544	0.57%	-	-	-	-	-	-	-
Iang, Bi-Jhen	685,000	0.51%	1,179,000	0.88%	-	-	Ting, Chen	spouse	-

10. Quantity of shareholdings of the same investee by the Company and Directors, Managerial Officers, and direct or indirect subsidiaries in proportion to the combined holdings of all, and combined to calculate the proportion of overall shareholding.

December 31, 2023

Investee (Note)	Investment made by the Company		Investment made by directors, supervisors, managerial official and direct or indirect subsidiaries		Combined investment	
	Number of Shares	Rate of share-holding	Number of Shares	Rate of share-holding	Number of Shares	Rate of share-holding
Global Unichip Corporation-NA (GUC-NA)	800,000	100%	0	0%	800,000	100%
Global Unichip Japan Co., Ltd. (GUC-Japan)	1,100	100%	0	0%	1,100	100%
Global Unichip Corporation Korea (GUC-Korea)	44,000	100%	0	0%	44,000	100%
Global Unichip Corp. Europe B.V. (GUC-Europe)	Not applicable	100%	Not applicable	0%	Not applicable	100%
Global Unichip (Shanghai) Company, Limited (GUC-CN)	Not applicable	100%	Not applicable	0%	Not applicable	100%
Global Unichip (Nanjing) Ltd.	Not applicable	100%	Not applicable	0%	Not applicable	100%
Global Unichip (Vietnam ) Ltd.	Not applicable	100%	Not applicable	0%	Not applicable	100%

Note: It is the Company’s investee which is using the equity method.



# CHAPTER 4

## Capital Overview

- Capital and Shares
- Status of Corporate Bonds
- Status of Preferred Stocks
- Status of GDR/ADR
- Status of Employee Stock Option Plan
- Status of New Employees Restricted Stock Issuance
- Status of New Shares Issuance in Connection with Mergers and Acquisitions
- Financing Plans and Implementation



Capital Overview

1. Capital and shares

(1) Sources of Capital Stock

Unit: Thousand share; NT\$ Thousand

Period	Price at issuance (NT\$)	Authorized shares capital		Paid in capital		Note		
		Number of Shares	Amount	Number of Shares	Amount	Sources of Capital Stock	Property other than cash is paid by subscribers	Date and File No. of Approval
January 1998	10	500	5,000	406	4,060	Establishment: 4,060	None	Omit
May 1998	10	3,000	30,000	3,000	30,000	Capital increased by cash: 25,940	None	Omit
November 1998	10	12,000	120,000	12,000	120,000	Capital increased by cash: 90,000	3,000,000 shares of know-how	Omit
October 1999	10	30,000	300,000	19,990	199,900	Capital increased by cash: 79,900	1,997,500 shares of know-how	Omit
December 1999	50	30,000	300,000	30,000	300,000	Capital increased by cash: 100,100	500,500 shares of know-how	Omit
January 2003	10.5	70,000	700,000	62,500	625,000	Capital increased by acquisition: 325,000	None	Omit
February 2003	10.5	95,000	950,000	82,500	825,000	Capital increased by cash: 200,000	None	Omit
June 2005	10.5	95,000	950,000	83,204	832,040	Transfer from employee stock options: 7,040	None	Note 1
August 2005	10, 10.5	97,613	976,131	87,197	871,971	Capital increased by earnings recapitalization: 27,381 Transfer from employee stock options: 12,550	None	Note 1, Note3
December 2005	10	97,613	976,131	87,747	877,471	Transfer from employee stock options: 5,500	None	Note 1
March 2006	10	150,000	1,500,000	87,879	878,791	Transfer from employee stock options: 1,320	None	Note 1
June 2006	10	150,000	1,500,000	88,469	884,691	Transfer from employee stock options: 5,900	None	Note 1
September 2006	10, 10.5	150,000	1,500,000	94,397	943,966	Capital increased by earnings recapitalization: 58,885 Transfer from employee stock options: 390	None	Note 1, Note 5
December 2006	38, 10.5	150,000	1,500,000	108,724	1,087,236	Capital increased by cash: 122,880 Transfer from employee stock options: 20,390	None	Note 1, Note 6
March 2007	10, 10.5	150,000	1,500,000	108,918	1,089,176	Transfer from employee stock options: 1,940	None	Note 1, Note 2
June 2007	10, 10.5	150,000	1,500,000	109,614	1,096,136	Transfer from employee stock options: 6,960	None	Note 1, Note 2
August 2007	10	150,000	1,500,000	114,069	1,140,690	Capital increased by earnings recapitalization: 44,554	None	Note 7
September 2007	10.5, 9.6	150,000	1,500,000	114,308	1,143,080	Transfer from employee stock options: 2,390	None	Note 1, Note 2
December 2007	10.5, 9.6	150,000	1,500,000	114,803	1,148,030	Transfer from employee stock options: 4,950	None	Note 1, Note 2
March 2008	10.5, 9.6	150,000	1,500,000	114,936	1,149,360	Transfer from employee stock options: 1,330	None	Note 1, Note 2
June 2008	10.5, 9.6	150,000	1,500,000	115,238	1,152,380	Transfer from employee stock options: 3,020	None	Note 1, Note 2
August 2008	10, 10.5, 9.6	150,000	1,500,000	123,045	1,230,455	Capital increased by earnings recapitalization: 76,475 Transfer from employee stock options: 1,600	None	Note 1, Note 2, Note 8
December 2008	10.5, 8.9, 16.4	150,000	1,500,000	124,264	1,242,645	Transfer from employee stock options: 12,190	None	Note 1, Note 2, Note 4
March 2009	10.5, 8.9, 16.4	150,000	1,500,000	124,698	1,246,985	Transfer from employee stock options: 4,340	None	Note 1, Note 2, Note 4
May 2009	10.5, 8.9, 16.4	150,000	1,500,000	125,328	1,253,285	Transfer from employee stock options: 6,300	None	Note 1, Note 2, Note 4
July 2009	10	150,000	1,500,000	131,129	1,311,299	Capital increased by earnings recapitalization: 58,014	None	Note 9
September 2009	8.9, 16.4	150,000	1,500,000	131,345	1,313,459	Transfer from employee stock options: 2,160	None	Note 2, Note 4
December 2009	8.4, 15.5	150,000	1,500,000	131,503	1,315,039	Transfer from employee stock options: 1,580	None	Note 2, Note 4
March 2010	10.5, 8.4, 15.5	150,000	1,500,000	131,974	1,319,749	Transfer from employee stock options: 4,710	None	Note 1, Note 2, Note 4
May 2010	8.4, 15.5	150,000	1,500,000	132,144	1,321,449	Transfer from employee stock options: 1,700	None	Note 2, Note 4
August 2010	8.3, 15.3	150,000	1,500,000	132,229	1,322,299	Transfer from employee stock options: 850	None	Note 2, Note 4
November 2010	8.3, 15.3	150,000	1,500,000	133,225	1,332,259	Transfer from employee stock options: 9,960	None	Note 2, Note 4

Period	Price at issuance (NT\$)	Authorized shares capital		Paid in capital		Note		
		Number of Shares	Amount	Number of Shares	Amount	Sources of Capital Stock	Property other than cash is paid by subscribers	Date and File No. of Approval
March 2011	8.3, 15.3	150,000	1,500,000	133,566	1,335,669	Transfer from employee stock options: 3,410	None	Note 2, Note 4
May 2011	15.3	150,000	1,500,000	133,954	1,339,549	Transfer from employee stock options: 3,880	None	Note 4
August 2011	15.3	150,000	1,500,000	134,009	1,340,099	Transfer from employee stock options: 550	None	Note 4
November 2011	15.0	150,000	1,500,000	134,011	1,340,119	Transfer from employee stock options: 20	None	Note 4
January 2022	-	180,000	1,800,000	134,011	1,340,119	-	-	Note 10

Note 1: Approved on August 5, 2004 with No. Chin-kuan-cheng-yi-tzu-ti-0930134052.  
Note 2: Approved on August 16, 2004 with No. Chin-kuan-cheng-yi-tzu-ti-0930136492.  
Note 3: Approved on July 12, 2005 with No. Chin-kuan-cheng-yi-tzu-ti-0940128055.  
Note 4: Approved on July 3, 2006 with No. Chin-kuan-cheng-yi-tzu-ti-0950127830.  
Note 5: Approved on July 25, 2006 with No. Chin-kuan-cheng-yi-tzu-ti-0950132575.  
Note 6: Approved on Oct. 13, 2006 with No. Chin-kuan-cheng-yi-tzu-ti-0950147102.  
Note 7: Approved on June 8, 2007 with No. Chin-kuan-cheng-yi-tzu-ti-0960029372.  
Note 8: Approved on June 26, 2008 with No. Chin-kuan-cheng-yi-tzu-ti-0970031756.  
Note 9: Approved on June 15, 2009 with No. Chin-kuan-cheng-yi-tzu-ti-0980029455.  
Note 10: Approved with No. 1110003747.

March 18, 2024

Type of Stock	Authorized shares capital			Note
	Outstanding shares	Unissued stock	Total	
Registered common shares	134,011,911	45,988,089	180,000,000	Listed company stock

Shelf registration system information: Not applicable.

(2) Composition of Shareholders

March 18, 2024

Composition of Shareholders	Government Apparatus	Financial Institution	Other Juridical person	Foreign Institution and Foreigner	Individual	Total
Quantity						
Number of persons	0	26	239	754	43,337	44,356
Number of shares	0	8,689,712	57,666,600	32,581,094	35,074,505	134,011,911
Shareholding ratio	0.00%	6.48%	43.04%	24.31%	26.17%	100.00%

(3) Equity Distribution

March 18, 2024

Holding share classification	No. of Shareholders	Number of shares	Shareholding ratio %
1-999	33,564	3,277,468	2.45%
1,000-5,000	9,486	16,482,643	12.30%
5,001-10,000	632	4,724,417	3.53%
10,001-15,000	183	2,304,947	1.72%
15,001-20,000	102	1,843,493	1.38%
20,001-30,000	108	2,702,855	2.02%
30,001-40,000	52	1,845,284	1.38%
40,001-50,000	34	1,579,900	1.18%
50,001-100,000	87	6,116,954	4.56%
100,001-200,000	50	7,130,237	5.32%
200,001-400,000	32	8,924,625	6.66%
400,001-600,000	12	6,193,960	4.62%
600,001-800,000	7	4,722,969	3.52%
800,001-1,000,000	0	0	0.00%
1,000,001 股以上	7	66,162,159	49.36%
Total	44,356	134,011,911	100.00%

(4) List of Major Shareholders: Names, shareholding amounts and proportions of shareholders with a shareholding ratio of more than 5% or the top ten major shareholders with shareholding ratios

March 18, 2024

Place	Name of major shareholder	Shares	Number of shares	Shareholding ratio
1	TSMC		46,687,859	34.84%
2	Investment account of SMALLCAP World Fund managed by Standard Chartered Bank Business Department		6,698,000	5.00%
3	Fubon Life Insurance Company, Ltd.		5,891,000	4.40%
4	New Labor Pension Fund		3,016,300	2.25%
5	Chunghwa Post Co., Ltd.		1,520,000	1.13%
6	Ting, Chen		1,179,000	0.88%
7	Nomura Taiwan Superior Equity Fund		1,170,000	0.87%
8	Old Labor Pension Fund		779,900	0.58%
9	Investment account of J.P. Morgan Funds managed by HSBC		764,544	0.57%
10	Iang, Bi-Jhen		685,000	0.51%

(5) Information on market price, net value, earnings and dividends per share in the most two year

Unit: NT\$; thousand shares

Year		2022	2023	As of March 18, 2024
Item				
Market Price Per Share	The Highest	822	2,015	1,880
	The Lowest	364	637	1,315
	Average	542.43	1,363.35	1,572.45
Net Value Per Share	Before distribution	60.15	72.24	(Note 6)
	After distribution	46.15	58.24 (Note 1)	(Note 6)
Earnings per share	Weighted average shares	134,011	134,011	(Note 6)
	Earnings per share	27.69	26.18	(Note 6)
Dividend Per Share	Cash dividends	Retained Shares Distribution	14	14 (Note 1)
		Capital reserve	0	0 (Note 6)
	Free-Gratis Dividends	Retained Shares Distribution	0	0 (Note 6)
		Capital reserve shares distribution	0	0 (Note 6)
	Unpaid-for dividends (Note 2)		0	0 (Note 6)
Return on Investment Analysis	Price-to-Earnings Ratio (Note 3)		19.59	52.08 (Note 6)
	Price-to-Dividend Ratio (Note 4)		38.75	97.38 (Note1) (Note 6)
	Cash Dividend Yield Rate (Note 5)		2.58%	1.03% (Note1) (Note 6)

Note 1: The distribution is subject to the resolution of the 2024 Shareholders' Meeting.

Note 2: If the conditions of the equity issuance require that dividends not yet distributed for the year be accumulated and paid out in a later year with positive earnings, the dividends that have been accumulated up to the current year and not yet distributed should be disclosed separately.

Note 3: Price-to-Earnings Ratio = Average Share Price of the Year / Earnings per Share

Note 4: Price-to-Dividend Ratio = Average Share Price of the Year / Cash Dividend per Share

Note 5: Cash Dividend Yield Rate = Cash Dividend per Share / Average Share Price of the Year

Note 6: The current year has not ended; no relevant information is available.



## (6) Dividend policy and implementation status

- The Company's dividend policy is formulated by the board of directors based on the Company's operating conditions, capital needs, capital expenditure budget, changes in the overall internal/external environment, and the consideration of shareholders' interests. Unless other special circumstances are considered, in principle, 50% to 90% of the current year's after-tax earnings shall be distributed.
- Dividend policy stipulated in the Company's Articles of Incorporation
  - The Company must not pay dividends or bonuses if no surplus earnings are provided.  
When distributing the surplus earnings of each fiscal year, the Company shall first offset the losses accumulated over the years, and distribute the remaining earnings in the following order of priority:
    - 10% shall be appropriated as legal reserve; however, this limit shall not apply if the legal reserve accumulation has reached the Company's total amount of capital stock.
    - Special reserve can be appropriated in accordance with relevant laws or competent authorities' regulations based on shareholders' meeting resolutions.
    - The remaining amount can be used as shareholders' dividends, and be distributed based on the proportion of the total number of shares in accordance with shareholders' meeting resolutions.
 All or part of the reserve can be appropriated in accordance with relevant laws or competent authorities' regulations if there are no surplus earnings for distribution, or the surplus earnings available are much lower than the Company's distributed earnings in the previous year, or when factors in relation to the Company's finance, business, operation status are considered.
  - The Company's dividend distribution shall be determined based on future expansion plans and capital needs for investment. For a year when there are surplus earnings for distribution, the proportion of cash dividend shall not be less than 60% of the total dividend amount.
- Proposed distribution of dividend at this year's Shareholders' Meeting  
The Company proposed that NT\$1,876,166,754 (NT\$14.0 per share) shall be appropriated from 2023 distributable surplus earnings for shareholders' dividends this time, and all dividends shall be paid in cash.

## (7) The effect of bonus share distribution proposed at this shareholders' meeting on the Company's 2023 operating performance and earnings per share: Not applicable as no bonus shares were distributed this year.

## (8) Remuneration for employees and directors

- The percentage or scope of remuneration for employees and directors as stated in the Company's Articles of Incorporation:  
Article 26 of the Articles of Incorporation:  
The Company should allocate no less than 2% of a given year's earnings as employees' compensation, and allocate no more than 2% of the given year's earnings as directors' compensation. However, the said directors' compensation is not applicable to the directors concurrently serving as managers, and the Company's accumulated losses, if any, should be offset first.  
Employees' compensation can be given in stock or cash, and those eligible for the stocks or cash can include employees of subordinate companies if they meet certain criteria.  
The earnings of the given year mentioned in the first paragraph refer to the given year's pretax profit before distribution of employees' and directors' compensation.  
The distribution of employees' and directors' compensation should be determined by the Board of Directors through a majority vote at a meeting attended by over two-thirds of the directors, and the resolution should be reported to Shareholders' Meeting.

- The current year's estimation basis for employees' and directors' compensation, the calculation basis for number of shares distributed as employees' compensation, and the accounting treatment adopted when the actual distribution amount is different from the estimated amount:  
The compensation amount payable to employees and directors is estimated based on the likely amount obtained on the Company's past experiences. 23% of the pretax profit before distribution of employees' cash bonuses & compensation and directors' compensation was estimated as the total amount for 2023 employees' bonuses and compensation, and 0.81% of the pretax profit before distribution of employees' compensation and directors' compensation was estimated as the total amount of directors' compensation and remuneration. If the actual distribution amount is different from the estimated amount, the difference shall be treated as "changes in accounting estimates", and shall be credited to corresponding accounts in the distribution year as an adjustment.
- Remuneration distribution approved by the board of directors:
  - The allocated cash compensation for employees is NT\$1,271,103,097, which was not different from the amount estimated when the expenses were recognized.
  - The director's compensation is NT\$45,000,000, which was not different from the amount estimated when the expenses were recognized.
  - The stock compensation amount for employees, the percentage such compensation accounts for the net income as specified in the parent company only financial reports of the current year, and the percentage such compensation accounts for total employee compensation: Since all the compensation for employees approved by the Company's board of directors was given in cash, the stock compensation amount for employees, the percentage such compensation accounts for the net income as specified in the parent company only financial reports of the current year, and the percentage such compensation accounts for total employee compensation were all zero.
- Previous year's actual compensation distributed for employees and directors (including number of shares and amount being distributed and the stock price); if there is a difference between the actual compensation and the originally recognized employees' and directors' compensation, the discrepancy, reason(s) and status of treatment should be clearly stated:  
In 2022, the cash compensation for employees was NT\$1,336,547,702, and that for directors was NT\$45,000,000. There was no difference between the actual distribution and the proposed distribution originally approved by the board of directors.

## (9) Repurchase of Company shares: None.

## 2. Status of Corporate Bond: None.

## 3. Status of Preferred Stocks: None.

## 4. Status of GDR/ADR: None.

## 5. Status of Employee Stock Option Plan: None.

## 6. Status of New Employee Restricted Stock Issuance: None.

## 7. Status of New Shares Issuance in Connection with Mergers and Acquisitions: None.

## 8. Financial Plans and Implementation: None.





# CHAPTER 5

## Operational Highlights

- Business Activities
- Overview of Market and Sales
- Human Capital
- Environmental protection expenditure information
- Labor-management relations
- Maintenance of Shareholder and Investor Relations
- Information-Communication Security Management
- Important Contracts



Operational Highlights

1. Description of the business

1. Scope of business

1. GUC’s major lines of business

- (1) Engaging in research & development, production, testing and sales of:
  - A. Embedded memory, logic, and analog components for application ICs;
  - B. Cell libraries for application ICs; and
  - C. EDA tools for application ICs.
  - D. Customization, design, tech support, and licensing of intellectual property (IP).
- (2) Providing technological support and consulting services related to the aforementioned products.

2. Revenue breakdown by category

Units: NT\$ Thousand

Sales breakdown	2022		2023	
	Amount	%	Amount	%
ASIC & Wafers	16,880,240	70.22%	18,980,971	72.34%
NRE	6,312,933	26.26%	6,763,015	25.77%
Others	846,498	3.52%	496,728	1.89%
Total	24,039,671	100.00%	26,240,714	100.00%

3. Primary products and services

- (1) ASIC & wafers: Providing complete design, wafer manufacturing, packaging, and testing services.
- (2) NRE (non-recurring engineering): Providing circuit design cell library and IPs required in the process of product design; providing circuit layouts needed for mask-making; subcontracting mask-making, wafer-manufacturing, dicing, and packaging to vendors; conducting final testing to get prototype samples to clients for their production testing.
- (3) MPW (multiple-project wafer): MPW integrates multiple design projects from different clients within a single mask and a single engineer run. It is an effective and fast time-to-market chip verification service that spreads out masking and engineering costs. MPW allows design engineers, before the phase of mass production, to verify their prototype designs using advanced process technologies, in a timely way, and at much lower costs.
- (4) IP (intellectual property): These are silicon-verified reusable IC designs with specific functions. With the rapid advancement of semiconductor processing technologies, the design industry is trending toward multi-functional chips and even SoC (System on a Chip). GUC provides reusable IPs to help clients reduce investment of time and resources into design.

4. Products and services planned for development

GUC is not only continuing the development of advanced IPs at 7nm, 6nm, 5nm, 3nm and 2nm, including our GLink/UCIe chip interconnection IP, HBM2/2E/3/4 controller and PHY, high-speed ADC/DAC and more. We are also continuing to migrate key components, such as our power management solutions and clock generators, to the latest advanced processing nodes. GUC’s R&D team has also developed in-house memory IPs (TCAM, SRAM) and customized standard cell libraries that enrich our IP/library portfolio of competitive IP and subsystem solutions.

(2) Industry overview

1. Current status and future development of the industry

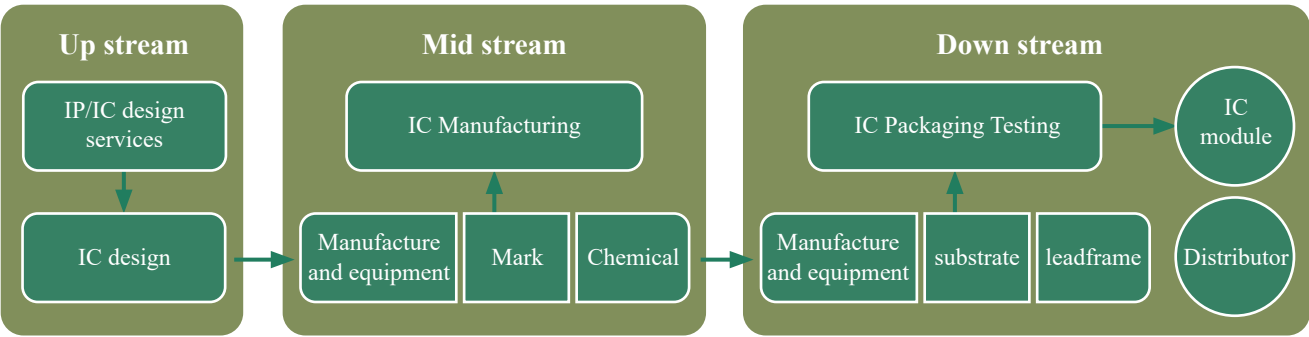
As semiconductor processes advance, IC design and mask costs continue to rise. In addition, the trend toward incorporating multiple functions on a single chip continues to grow. Chip design projects are thus expected to experience a minor downward trend in terms of numbers each year. However, thanks to the market growth in artificial intelligence/ machine learning (AI/ML), data centers, 5G networking, the Internet of Things, advanced driver-assistance systems (ADAS) and virtual reality/augmented reality (VR/AR) applications, the decline trend in ASIC and ASSP is being alleviated.

Consolidation is currently sweeping across the global semiconductor industry. Taiwan is also faced with challenges from Mainland China’s full support for its semiconductor industry, poaching of top Taiwanese semiconductor talent, and M&A activity among IC design companies as they seek to strengthen their product lines, minimize costs, and expand their economies of scale. This changing landscape is driven by user demand for advanced semiconductor technologies that will help them maintain market share. Although clients may have fewer vendor choices in the future, there is still demand for product diversity. Standard products can no longer create the unique features and characteristics that clients demand, so a growing number of the world’s leading companies are seeking to customize their IC designs. For GUC, this means more future opportunities.

To keep pace with rapidly changing client demand and a rapidly changing semiconductor industry, GUC’s Advanced ASIC Services include a robust IP portfolio and design service. Our Advanced ASIC Services assist clients at every step in the semiconductor supply chain, from product conception, spec definitions, development, and verification, to mass production. Advanced ASIC Services cover three core elements: IP solutions; chip implementation; and ASIC manufacturing. Precisely-targeted IP and attentive client service reduces design time and costs, while giving clients the customized ICs they want. GUC has formed a close chip implementation partnership for advanced process technology with TSMC, to help clients move to high yield mass production and achieve strong market competitiveness. GUC also offers ASIC manufacturing that provides clients with ideal coordination between foundry, testing, and packaging services.

2. Links between the upstream, midstream, and downstream segments of the supply chain

The upstream, midstream, and downstream of Taiwan’s semiconductor industry supply chain is divided into four major segments: Design; manufacturing; packaging; and testing services.





3. Development trends and competition for GUC products

The smartphone market has been the largest application in recent years, both in terms of growth and in terms of absolute numbers, as leading smartphone manufacturers attempt to highlight their unique brand personalities. However, more and more smartphone manufacturers are designing and manufacturing proprietary application processors (AP). This means shrinking space for ASIC designers to make their mark in this market.

With all the development and creativity in data center, IoT, automotive, drone, and robotics applications in recent years, the technologies and business models necessary for these applications have taken shape. These are the primary source of business for ASIC design service companies at present. In terms of emerging market trends, AI/ML, 5G networking, ADAS, and AR/VR has been widely discussed. Although still in the early stages of development, these areas are likely to be the driving forces for the future technology and business growth.

To accommodate the expected increase in ASIC demand, GUC is providing industry-leading design service and 2.5D/3D advanced packaging technologies for clients using TSMC 7nm, 6nm, 5nm and 3nm process nodes. With proven design expertise and a track record of superior manufacturing results, and by meeting our clients’ demands for high-performance, low-power ASIC products, GUC will maintain a leading position in the fiercely competitive ASIC design service market.

(3) Overview of GUC’s technologies and R&D work

1. Research and development expenses during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report

Unit: NT\$ Thousand

Item \ Year	2023	2024
R&D expenditures	3,116,402	-

Note: Numbers for Q124 is not available by printing date.

2. Technologies and products successfully developed during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report

2023	1. 3nm, 5/4nm, 6nm, and 7nm design flows are in place. 2. GLink-2.5D 3nm, 5nm, 6nm and 7nm chip interconnection IPs are silicon-proven. 3. GLink-3D 5nm and 6nm IP test chips for 3D SoIC applications are silicon-proven. 4. HBM3 3nm, 5nm and 7nm PHY & controller with TSMC CoWoS are silicon-proven. 5. UCIe, GLink-2.5D and HBM3 3nm PHY & controller total solutions are available.
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(4) Long- and short-term business development plans

1. Short-term

- (1) Develop total solutions by bundling GUC in-house IP with advanced process technologies and packaging design through multiple-project wafer (MPW) test-chip verification to significantly lower clients’ barriers to entry and mitigate their risks.
- (2) Consolidate the current client base using 28nm/22nm, 16nm/12nm and 7nm/6nm technologies; proactively work with new clients on 5nm, and 3nm ASIC design using advanced process technologies.
- (3) Enhance domain knowledge by working closely with leading clients on specialized targeted applications.
- (4) Collaborate with upstream and downstream vendors/partners to create open client possibilities.
- (5) Provide competitive and complete application-based platform solutions incorporating IP portfolios, system design integration know-how, and SoC manufacturability.

2. Long-term

- (1) Strengthen our leading-edge 7nm, 6nm, 5nm, 4nm and 3nm design service capability to deepen technical differentiation and raise competitive barriers to entry.
- (2) Increase worldwide market share by engaging with market-leading clients in selected applications that best fit and promote GUC’s brand.
- (3) Seize business opportunities with IDMs (integrated device manufacturers) transitioning to fab-lite business models.
- (4) Forge a closer relationship with GUC’s exclusive foundry partner to develop leading-edge “total solution” design service platforms and 2.5D/3D advanced packaging technologies that require complex system integration know-how.
- (5) Cultivate solid partnerships with global system companies to collaborate on core technology development projects.
- (6) Foster long-term strategic collaboration relationships with third-party IP suppliers.
- (7) Enhance front-end SoC design capabilities that will help develop lead time-reducing platforms for system design verification and expedite client time-to-market.
- (8) Continue to expand market share in emerging AI/ML, 5G networking, HPC (high-performance computing), AR/VR, ADAS, and robotics applications.

## 2. Analysis of the market, and the production and marketing situation

### (1) Market Analysis

#### 1. Geographic areas where GUC's main products/services are provided

In 2023, the Company's largest market for sales (calculated based on business regions) was Asia, accounting for 70% of the Company's turnover; the second largest market was North America, accounting for 26%; and the European market, accounting for 4%.

#### 2. Market share, and future market demand and supply conditions

##### (1) Market share

GUC is the leading design service company in Taiwan and ranks among the top pure ASIC design service companies in the word in terms of revenue.

##### (2) Future market demand and supply conditions

According to research by the World Semiconductor Trade Statistics (WSTS), the severe decline in demand for smartphones, personal computers (NB/PC) and consumer electronics, and the adjustment of manufacturers' high inventory caused the global semiconductor market in 2023 to decrease by 9.4% compared with 2022, the amount came to US\$520 billion. Looking forward to 2024, due to the end of inventory adjustment and the recovery of demand, the global semiconductor market will resume growth, with an expected growth rate of 13.1%. (See Appendix 1)

In addition, the TSIA survey showed that the output value of Taiwan's IC industry will reach NT\$4.342 trillion (USD\$139.2B) in 2023, a decrease of 10.2% from 2022. Among them, the output value of the IC design industry is NT\$1.096 trillion (USD\$35.1B), a decrease of 11.0% compared with 2022. (See Appendix 2)

With the rise of generative AI applications, the number of AI ASIC design service request from major international companies is expected to continue. The demand for advanced process technology and advanced packaging technology from major brand customers is still strong. In addition, the construction expansion of 5G communication network infrastructure will continue to drive the development of related applications such as unmanned driving, drones, smart factories, smart medical care, smart agriculture, smart cities, etc. It is expected that the global ASIC market will continue to have business opportunities.

#### Appendix 1

Year	Amount (US\$B)			YoY Growth (%)		
	2022	2023	2024 (E)	2022	2023	2024 (E)
Global semiconductor market	574.1	520.1	588.4	3.3	-9.4	13.1

Note: E = Estimate; source: WSTS (Feb. 2024).

#### Appendix 2: 2020–2024 Taiwan IC Industry Revenues

Unit: NT\$ billion

	2020	YoY	2021	YoY	2022	YoY	2023	YoY	2024(E)	YoY(E)
IC Industry Revenue	3,222.2	20.9%	4,082.0	26.7%	4,837.0	18.5%	4,342.8	-10.2%	5,011.6	15.4%
IC Design	852.9	23.1%	1,214.7	42.4%	1,232.0	1.4%	1,096.5	-11.0%	1,257.0	14.6%
IC Manufacturing	1,820.3	23.7%	2,228.9	22.4%	2,920.3	31.0%	2,662.6	-8.8%	3,103.8	16.6%
IC packaging	377.5	9.0%	435.4	15.3%	466.0	7.0%	393.1	-15.6%	436.2	11.0%
IC Testing	171.5	11.1%	203.0	18.4%	218.7	7.0%	190.6	-12.8%	214.6	12.6%

Sources: TSIA, ISTI/ITRI (February 2024)

#### (3) Market growth potential:

Clients for mainstream applications (e.g., consumer electronics, storage devices, IoT, automotive electronics, drones, robots, etc.) will continue to integrate more functions into a single SoC, in pursuit of cost reductions and added features. We expect chip design projects from this type of client to grow continuously.

As process technologies advance, the chip design costs sharply increase. In an effort to focus on their core businesses and reduce costs, some IDMs have been outsourcing chip design to design service providers. Meanwhile, system companies also been leaning toward designing their own ASIC chips with competitive PPA (power, performance, area) as a way to differentiate themselves. These two trends are creating potential business opportunity for design service companies such as GUC with advanced platform solutions. GUC has provided 7nm, 6nm and 5/4nm design and mass production services to clients, and continuously invested in 3nm and 2nm and advanced design flow technologies. We are confident in our ability to not only satisfy clients' demands for design services and silicon IPs, but also to lead the growth momentum in the semiconductor industry.

The 5G specifications were formulated in 2019. The deployment of 5G base stations has been expanded around the world; major mobile phone manufacturers have continued to roll out their new generations of 5G mobile phones. Apple's latest iPhone has also boosted the transformation of mobile communications. 5G networking provides performance ten times better or more than existing 3G/4G systems, and supports a wide variety of different scenarios and applications that demand low latency and high-bandwidth transmission, such as AI, AR/VR, 8K video, and the Internet of Vehicles. In the future, service providers for these applications will also need more cloud data centers and larger data storage, which will drive growth in related chips such as CPUs, AI accelerators, switches, and storage chips.

AI ASICs are custom chips dedicated to performing specific operations (application scenarios) requiring significant power efficiency and cost effectiveness over application-specific standard product (ASSP) chips. The generative AI technologies are booming, and application scenarios are becoming a part of everyday life, so many market research institutions forecast a positive outlook for AI ASIC business opportunities and demand for both ASIC design services and IP. From AI cloud training/inference accelerators to end-point/edge devices, we foresee a sustained growth trend in the future that will drive demand for ASIC design services and silicon IPs.

The announcement of UCle for die-to-die interface standardization in March 2022 paves the way for the chiplet era. Its motivation is to establish a platform for packaging and align industry around an open platform, enabling chiplet-based solutions. Chiplet market momentum is expected to ramp up when the ecosystem becomes complete in the next few years.

To meet growing ASIC demand from the system companies, and to maintain its position as the leading advanced ASIC design service, GUC has developed world-class system-design platforms that span IP sub-systems, design methodology, system integration, 2.5D and 3D advanced packaging technologies, as well as manufacturing and supply chain management to help clients develop their own chips. We expect that the advanced ASIC application market will continue to boost in the future.

#### 3. GUC's competitive niche, positive and negative factors for future development, and GUC's response to such factors

##### (1) Competitive niche

###### A. Advanced design flow and 2.5D/3D advanced packaging technologies

GUC works closely with TSMC on the development of advanced process technologies and their design flows. GUC also strives to excel in chip/packaging design methodology innovation and IP quality assurance, expediting client time-to-market. In addition to mature technologies, GUC has successfully achieved production tape-outs for 7nm, 6nm and 5/4nm projects, as well as collaborated with strategic partners to provide 3nm and 2nm design eco-system solutions. In the meantime, GUC has also invested heavily in the development of industry-leading 2.5D and 3D advanced packaging technologies. Our deep hands-on expertise in Advanced ASIC design and production service is the strongest backing for clients' success.

###### B. Technology-leading R&D team

GUC is dedicated to developing in-house technologies. Over the years, GUC has formed a world-class R&D team that has successfully turned clients' designs into competitive products.

###### C. Profound IP development and integration experience

GUC has successfully developed a competitive IP portfolio that has been licensed to IC design houses and system companies worldwide, as well as being integrated into numerous products for production.

#### D. Mature, robust design and verification processes

GUC's well-developed and comprehensive processes serve to shorten the time needed for IC verification while also reducing IC design risks. This helps clients complete product designs within the shortest possible timeframes.

#### E. Silicon IP partnerships

GUC provides a comprehensive, best-in-class IP ecosystem platform by developing selected in-house IPs, and by collaborating with the top semiconductor IP vendors, such as Alphawave, Analog Bits, Aragio, ARM, Arteris, Cadence, CAST, Ceva, Comcores, Credo, Chips&Media, Dolphin Design, eMemory, Imagination, M31, NSCore, proteanTecs, Silicongate, Silicon Creations, Synopsys, TCI, and TSMC.

#### F. Diversified service models

GUC provides one-stop-shop services to clients through our complete SoC solutions, and supports clients "from concept to market". Clients can choose services and delivery methods to suit their technology capacity and needs.

#### G. Providing SIP trading services through the SIP Mall

GUC offers a trading platform for our IP providers and users. Clients thus have accesses to information and services of the types of IP they need, as well as the verification information and quality assurance of these IPs through a single contact window.

### (2) Positive and negative factors for future development, and GUC's response to such factors

#### A. Positive factors

##### a. The world's top foundry and advanced process technology

TSMC is the world's largest foundry, with a global market share of more than 50%, and is located in Taiwan. It is the top leader in advanced manufacturing processes. The technology and services provided by Taiwanese companies have earned a world-wide reputation. Companies in Taiwan can always provide a complete and competitive solution to their clients, no matter whether they choose to work directly with foundries for production or cooperate with design service providers. With the close cooperation between IC foundries and designer service providers, Taiwan has become an indispensable partner and production stronghold for the semiconductor industry.

##### b. Booming new technologies and new startups

From personal computers, system-on-a-chip SoC, analog mobile communications, to 5G technology, new applications and services have always been the driving force of industrial progress. With the rapid development in artificial intelligence, high-speed computing, and data center cloud services, many start-up companies are investing in new technologies and products to realize ideas and applications. Because of resource and labor limitations, startups have to collaborate with design service providers and utilize the silicon-proven IPs to quickly implement their ideas in their products. New technologies and startups form positive feedback loops, providing strong momentum for growth of the semiconductor industry.

##### c. The trend of IDM Fab-lite and labor division of IC design and design service

In order to focus on the core businesses and save large-scale capacity investment in advanced process nodes, IDMs throughout the world are moving toward the Fab-lite trend; they are starting to outsource projects to design services providers. For system companies and IC design houses, products require advanced processes to achieve greater performance. This means larger investments in engineering teams and advanced hardware/software equipment. Further, with the high cost of masks for advanced process nodes, such huge investments are not affordable by the average companies. With the support from design service providers, system and chip companies are able to concentrate on the front-end function development and circuit design. They can outsource their back-end physical implementation (floor-planning, P&R, layout, production, packaging, and testing) and the development of silicon intellectual property integration to design service companies. This allows them to complete cutting-edge chip development in a fast, efficient, reliable way.

#### B. Negative factors, and GUC's response to such factors

##### a. Lack of key IPs with respect to certain product applications

Some of GUC's client applications are in uses such as data centers, AI, and high speed switch applications. These require key IPs, such as chip interconnection IP, HBM, TCAM, customized SRAM, and SerDes. These key IPs are critical in the client's decision-making process.

##### Countermeasures

GUC has a professional R&D team that is specialized in developing and customizing key IPs, such as chip interconnect IP GLink and UCIe, HBM2/2E/3 PHY & controller, TCAM, and SRAM. GUC also works with the world's top-tier IP partners to provide comprehensive IP solutions.

##### b. Specialized industry data is essential for diversified client applications

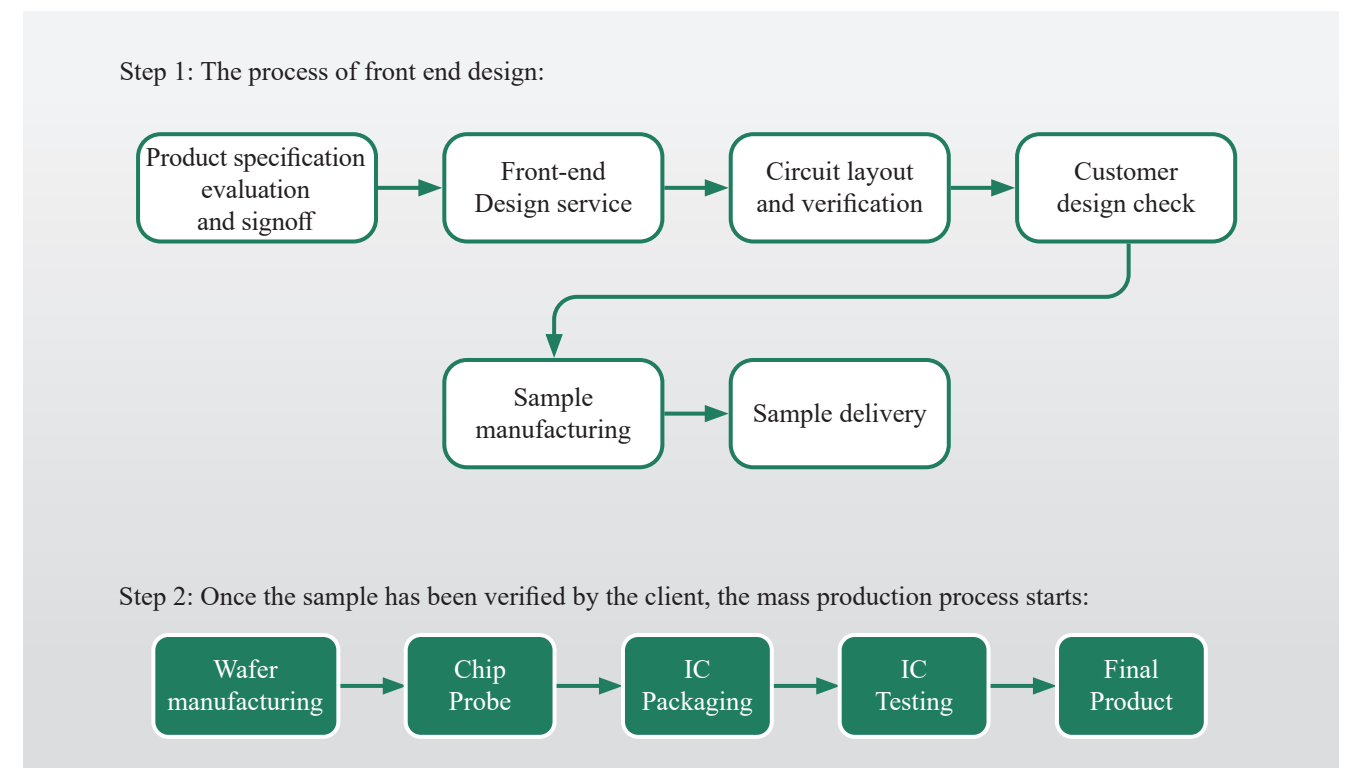
Applications vary from one client to another. GUC needs to gain more comprehensive understandings of different applications and to provide high-quality services.

##### Countermeasures

Before entering new markets and exploring different applications, GUC conducts a thorough study. This process allows GUC to leverage our strengths and offer the best service to clients. In addition to attracting professionals from different domains, GUC also works closely with TSMC to provide robust, specialized service to clients.

### (2) Usage and manufacturing processes for GUC's main products

The company's production flow includes two major steps: Front-end design service, and mass production.



### (3) Supply situation for GUC's major raw materials

GUC's product materials are wafers. The only supplier is TSMC, the world's foundry leader. Since TSMC is GUC's largest shareholder, a long-term cooperative relationship has been well-established. Therefore, the supply of raw materials is stable.



(4) Customers that constituted more than 10% of net purchases (sales) in any of the last two years

1. Customers that constituted more than 10% of net sales in any of the last two years

Unit: NT\$ Thousand

2022				2023			
Client’s Name	Amount	Percentage of annual net sales	Relationship with the issuer	Client’s Name	Amount	Percentage of annual net sales	Relationship with the issuer
A	2,960,064	12%	None	A	5,676,864	22%	None
B	Note	Note	None	B	3,688,240	14%	None

Note: The customers were not disclosed as the sales to them did not reach more than 10% of the Company’s net operating revenue of the year.

2. The names of customers that have accounted for 10% or more of the net purchases in any of the most recent 2 years

Unit: NT\$ Thousand

2022				2023			
Client’s Name	Amount	Percentage of annual net purchase	Relationship with the issuer	Client’s Name	Amount	Percentage of annual net purchase	Relationship with the issuer
TSMC	8,761,346	80%	(note 1)	TSMC	6,395,587	70%	(note 1)
TSMC-NA	2,021,946	18%	(note 2)	TSMC-NA	2,495,246	27%	(note 2)

Note 1: An investing company that adopts the “equity method evaluation” for the Company.  
Note 2: A subsidiary 100% owned by TSMC.  
Explanation: The Company’s major suppliers are foundries, and the main raw materials purchased are wafers.

(5) Production volume table for the most recent 2 years

Units: Thousand Chip/Piece ; NT\$ Thousand

Main products	2022		2023	
	Production output	Amount	Production output	Amount
ASIC & Wafers	221,629	12,625,874	176,439	14,836,727
NRE	(note)	4,088,945	(note)	3,950,094
Others	(note)	71,771	(note)	163,819
Total	221,629	16,786,590	176,439	18,950,640

Note: The main business of design service is to provide various services related to IC design commissioned by customers. Since the contracting specifications, committed costs, etc. differ from case to case, and the Company does not have its own fab capacity, the capacity for general manufacturing is not applicable yet.

(6) Sales volume table for the most recent 2 years

Units: Thousand Chip/Piece; NT\$ Thousand

Year Sales volume/ Main products	2022				2023			
	Domestic sales		Export sales		Domestic sales		Export sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
ASIC & Wafers	18,841	2,974,828	145,032	13,905,412	6,927	1,615,906	180,917	17,365,065
NRE	(Note)	1,078,044	(Note)	5,234,889	(Note)	892,324	(Note)	5,870,691
Others	(Note)	36,417	(Note)	810,081	(Note)	12,550	(Note)	484,178
Total	18,841	4,089,289	145,032	19,950,382	6,927	2,520,780	180,917	23,719,934

Note: The main business of design service is to provide various services related to IC design commissioned by customers. Since the business is contracted on a case-by-case basis, the sales for general manufacturing is not applicable yet.

3.Human Capital

Year		2022	2023	As of March 18, 2024
Number of employees	Managerial officer	8	7	7
	Professionals	826	852	854
Total		834	859	861
Average age		38.7	39.4	39.5
Average years of seniority		6.1	6.5	3.7
Educational level	Ph. D	2.2%	2.3%	2.3%
	Master	61.9%	61.1%	61.1%
	Bachelor	35.6%	36.2%	36.2%
	High School	0.4%	0.3%	0.3%

Note 1: The above information was presented based on consolidated statements.  
Note 2: The above information did not include fixed-term contract employees.

4. Environmental protection expenditure information

The total amount of losses (including compensation) and penalties due to environmental pollution in the most recent year up to the publication date of this annual report; and explanation of countermeasures to be taken in the future (including improvement measures) and the likely expenditures (including estimated amounts of possible losses, penalties and compensation if countermeasures are not taken; if the amount cannot be reasonably estimated, the facts resulting in the failure for not being able to give a reasonable estimation should be stated): None.

## 5. Labor-management relations

### (1) The Company's employee benefits, further education, training, retirement system and the implementation status as well as status of labor-management agreements and measures taken to preserve employee rights and interests

#### 1. Employee Benefits

The Company's "Employee Welfare Committee" has been set up since December 20, 1999, and was approved by Hsinchu Science Industrial Park Administration. Funds are allocated on a monthly basis for organizing regular activities to enhance employees' welfare. Detailed benefits programs and budget planning are carried out every year, including gift vouchers for festivals, health-promotion and leisure activities for employees, family days, local/overseas tours, wedding and funeral subsidies, hospitalization subsidies for employees and their families, birthday parties, prizes for year-end parties, health check, labor/health/group insurance, etc. In addition, the Company also provides the following benefits:

- (1) From the date of employment, employees are entitled to special leaves that are better than those stipulated in Labor Standards Act.
- (2) To cater to the employees' dietary needs, GUC provides a generous meal subsidy, facilitating access to balanced meals at the employee cafeteria and coffee bar.
- (3) Provide free parking for cars and motorcycles to meet employees' parking needs.
- (4) Set up outdoor basketball courts for employees to exercise.
- (5) A gym with professional equipment as well as basketball shooting machines and video game consoles are provided to create a sports space that is not affected by the weather.
- (6) Employees can enjoy professional massage and stress-relieving services in the Company at a discount price, and meanwhile help the visually impaired workers from "Hsinchu County Blind Welfare Association", achieving two purposes (stress relief and charity) at the same time.
- (7) Collaborate with Hsinchu City Lifeline Association to offer employees comprehensive consultation service programs. Employees can make phone calls or appointments to consult with professional personnel about issues related to career/work, family/parenting, interpersonal relationships, love problems, physical/mental stress, etc.
- (8) Discount offer for various tickets or vouchers such as Vieshow Cinemas tickets and department store gift vouchers.
- (9) Organize various activities and year-end banquets to show appreciation for employees' efforts over the past year.

- (10) Organize GUC Family Day for employees' family to learn more about GUC and to shorten the distance between the family and the Company.
- (11) Organize local day trips, encouraging employees to get close to Nature.
- (12) Provide high allowances for employees' local/overseas tours and club activities to help employees enjoy a balanced life after work.

#### 2. Further education and training

With the aim of responding to the rapid changes in industrial technologies and ensuring employees' capability and career development to achieve the Company's operating goals, employee learning and development is considered a priority for the Company's human resource management. The educational training is planned based on core competency and extended from the Company's operational strategies to connect with the Professional Training Roadmap. In addition, diverse training approaches and the combination of virtual e-classrooms, knowledge management systems, physical courses, blended courses and workshop design are employed to promote various training activities and talent training programs. Moreover, the Company also provides a variety of training options and opportunities as well as abundant training resources to support employees' in-service training, externally-held professional upgrading training, and language learning. The achievements of the Company's educational training in the most recent year are as follows:

Course category	Sessions	Total participants	Total hours	Total expenditure (NT\$)
Professional Training	108	1,975	4,671.8	2,095,890
Management Capabilities	11	157	882.5	
General Training	37	736	1,997.5	
New Employee Training	18	230	454.5	
Language Learning	5	5	123	
Self-inspiration	80	102	734	
Digital Learning	37	2,281	798.4	
Total	296	5,486	9,661.7	

Learning platforms have been introduced to provide the best learning environment for employees. In addition to learning in physical classrooms, the Company has also constructed virtual e-classrooms, developed e-learning and knowledge management systems, and established a mechanism for Online Teaching Satisfaction Survey. Dedicated personnel are designated to plan and promote

various learning/training activities and talent development programs, in which unit heads' active participation is also encouraged and invited. Through effective operations, GUC has created the following courses:

- (1) New Employee Orientation (NEO): This course helps new employees know the past, present and future of GUC in hope that through the in-service supervisors' experience sharing and the introduction to the rights and obligations for individuals, new employees can quickly adapt to the environment.
- (2) Professional Training Roadmap: The Professional Training Roadmap is developed based on employees' positions, tenures, job levels, etc., and various professional training courses are provided to help employees acquire the professional skills required for their jobs.
- (3) Personal Effectiveness Training (PET): This is a course available for all employees, which aims at assisting employees in improving work effectiveness, e.g. communication skills, time management, etc.
- (4) Management Development Program (MDP): This program aims to strengthen supervisors' leadership management skills through various courses such as performance management, team leadership, etc. for junior and middle managerial personnel.
- (5) Executive Leadership Forum (ELF): This management learning forum is set up for senior managerial personnel to enhance their various leadership skills through the sharing and exchange of practical experiences.
- (6) Self-Development (SD): The Company provides scholarships/grants to support employees pursuing their degrees, and language learning grants to encourage language proficiency improvement.
- (7) Dept. Learning Workshop: The Company plans and organizes tailored learning activities based on the needs of each department.

To promote the Company's sustainable operations and growth, GUC actively cultivates high-quality talents and skills. Employee education, training, and growth are closely linked to the Company's sustainable development strategy and employee capability enhancement plan. The Company has established dedicated units to design and provide appropriate training and learning resources for employees and supervisors of all levels and positions. By enhancing employee and supervisor competencies and helping them advance their careers, the Company has become an industry leader while ensuring sustainable operations and growth. "Learning makes GUC better." With this philosophy of continuous improvement and steadfast progress, GUC aims to ceaselessly provide all employees with the highest quality and most effective learning and growth opportunities.

#### 3. Retirement System

In order to help employees secure their post-retirement life, for employees under the old pension system regulated by Labor Standards Act, pension fund is allocated on a monthly basis in accordance with Labor Standards Act. The fund is supervised by the Company's Employee Pension Supervisory Committee, and is deposited in the name of the Committee in Bank of Taiwan for receiving/paying, custody and utilization. For employees under the new pension system regulated by Labor Pension Act, the Company shall follow the Monthly Contribution Classification Table approved by the Executive Yuan to make pension contributions for employees at a minimum rate of 6% every month in accordance with Labor Pension Act, and deposit the fund in employees' Individual Retirement Account kept in the Bureau of Labor Insurance.

#### 4. Status of labor-management agreements and employee communication

The Company regularly holds labor-management meetings to extensively collect employees' opinions, showing the Company's emphasis on communication and improvement of labor-management relations. The Quarterly Employee Communication Meeting also provides opportunities for employees to communicate with their supervisors. The specific communication methods are listed as follows:

- The Company's general announcements (on an irregular basis)
- Quarterly Employee Communication Meeting
- Quarterly Labor-management Meeting
- Annual Engagement survey
- Mailbox for Employee Complaint and Everyday Services
- Employee Service Center

#### 5. Measures for Employee Stock and Employee Stock Ownership Trust

By connecting with the Company's operating goals, the Employee Profit Sharing Plan allows employees to share the Company's operating results based on their actual commitment. As stipulated in the Company's Articles of Incorporation, if there are surplus earnings at the end of a fiscal year, the earnings should be first used for tax payment, offset for losses accumulated over the years, and 10% of the earnings should be appropriated as legal reserve; then no less than 2% of the remaining earnings shall be appropriated as the entire employees' compensation. In the event of cash capital increase, the Company can offer a certain percentage of capital increase for employee share ownership, which gives an opportunity for the entire employees to purchase the Company's stock based on their wishes. In addition, if employees allocate a certain percentage of their salaries every month to their trust accounts for company stock purchase, the Company



will also appropriate a certain percentage of the amount allocated by the employees to the employees’ trust accounts for them to buy the Company’s stock, thereby encouraging employees’ saving and enhancing company cohesion.

6. Employee Conduct or Ethics Rules

The Company has formulated “Operating Procedures for Ethical Management & Business Code of Ethics”, based on which all GUC’s employees, both inside and outside the Company, are required to maintain a high level of personal conduct and business ethics. The Company’s personnel should clearly understand and abide by the following principles:

- (1) One should perform one’s duties with honesty, conscientiousness and respect.
- (2) One should be loyal to one’s job without being involved in any illegal or inappropriate activities;
- (3) One should avoid any conflicts of interest between the individual and the Company.
- (4) One must not conduct oneself in a way that may disgrace the Company.
- (5) The scope of such compliance is not limited to laws and regulations; the more important is self-discipline and self-judgment without going against common rationality.

When engaging in everyday work and business, employees should strictly abide by the Company’s business code of ethics to maintain the Company’s reputation, and to earn respect and trust from customers, suppliers and the public. The main contents are:

- (1) Employees should be aware of and abide by the business code of ethics and the principle of personal integrity.
- (2) Employees should avoid any conflict between their personal and the Company’s interests, or any possible impact on the Company.
- (3) The highest-standard business code of ethics should be maintained when interacting with suppliers, contractors, customers, and other people from all walks of life related to the Company’s business (including government agencies). It is prohibited to offer or accept any improper benefits, or to give any presents, cash gifts or entertainment, by which the normal business relationship and judgment might be affected. Bribery of any kind should be absolutely prohibited.
- (4) Prohibition on intellectual property infringement, prohibition on unfair competition, prevention from damage by products or services to stakeholders, proprietary information protection, prohibition on proprietary information disclosure and insider trading, confidentiality agreements, etc.

The Company follows and declares the Ethical Management Policy. Ethical Management Evaluation is conducted before business relationships are established. The Ethical Management Policy is clearly explained to business partners, and the ethical management principles are specified in all contracts/agreements, through which dealing with dishonest firms/companies is avoided. All employees are responsible for the compliance with this policy and relevant procedures. Supervisors of all levels should implement the policy with all efforts and ensure that their subordinates understand, accept and abide by relevant regulations.

7. Work environment safety and employee safety protection measures

Protecting employees’ safety has been the first consideration since the Company designed the hard & soft services facilities of its office environment, ensuring that employees can receive the best protection at work. Swipe-card devices for access control are set at all entrances/exits of the Company. Emergency buttons are set in car parks and ladys’ toilets. The office areas are equipped with AED rescue kits, and qualified first-aiders are designated for each floor. The main entrances/exits are also guarded by security personnel 24 hours a day to protect employees’ safety.

GUC understands the importance of workplace and employee personal safety measures. The Company has obtained certification through the ISO 45001 Occupational Health and Safety Management System, which effectively ensures workplace safety for employees. Additionally, the Company conducts office environment monitoring every 6 months, environmental disinfection twice a year, building public safety inspections and reporting operations every 2 years in compliance with regulations, regular monthly maintenance of fire safety equipment, and annual inspection and reporting of fire safety equipment in accordance with regulations, monthly maintenance and testing of high and low voltage electrical equipment, monthly automatic inspection and maintenance of plant facilities, etc. All equipment undergoes regular maintenance and inspection to ensure that it is in optimal condition at all times, thereby providing a safe and healthy work environment for employees.

The Company is committed to promoting environmental, safety and health policies, with zero occupational accidents as its safety goal. Every six months, we invite firefighting authorities to conduct fire prevention drills. In order to develop employees’ concepts of disaster prevention measures and response, we set up an employee self-defense and firefighting team within the company, and implement emergency evacuation drills every year on a regular basis to ensure that all employees can respond correctly and quickly when they encounter unexpected situations.

The Company cares for the health of its employees and arranges annual health checkups (surpassing governmental regulations). The Company has established a health classification system and conducts employee health

management, providing on-site physician services at least once every 2 months to safeguard employee health. In 2023, GUC organized multiple practical and diverse health promotion seminars and activities and periodically updated its website with health education information to ensure employee access to comprehensive health management services and resources.

The Company has implemented a variety of plans to reduce the occurrence of occupational diseases and mitigate company risks, including the “Abnormal Workload Induced Illness Prevention Plan”, the “Maternal Health Protection Plan”, the “Human Factors Hazard Prevention Plan”, and the “Prevention Plan for Incidents of Illegal Acts in the Performance of Duties”. Each of these plans was formulated with reference to the guidelines for workplace safety related preventive measures issued by the Occupational Safety and Health Administration of the Ministry of Labor.

The Company’s efforts in work environment safety and employee safety protection have been recognized by Ministry of Labor, making the Company one of the “Friendly Workplace Award” winners. In addition, the Company has been recognized with the Badge of Accredited Healthy Workplace – Health Promotion issued by the Health Promotion Administration, Ministry of Health and Welfare.

**(2) The losses suffered by the company due to labor disputes in the most recent year up to the publication date of this annual report; and disclosure of the amounts incurred at present and in the future as well as the countermeasures being taken; if the amounts cannot be reasonably estimated, the facts resulting in the failure for not being able to give a reasonable estimation should be stated: None.**

6. Maintenance of Shareholder and Investor Relations

GUC management team has formulated management guidelines based on feedback received from relationship maintenance, which has also been incorporated into everyday work schedules or annual plans. Effectiveness of the management guidelines is regularly reviewed and evaluated to construct an important basis for the Company to develop sustainable business strategies. Different degrees of interactions are carried out based on the significance of stakeholders to effectively utilize the Company’s resources and create a win-win relationship for mutual benefits. The major communication methods are as follows:

- Holding Shareholders’ Meeting in May each year
- Issuing the Sustainability Report every year, and publishing the Annual Report before Shareholders’ Meeting

- Communicating with shareholders by means of phone calls or E-mails
- Holding two investor briefings every year
- Quarterly financial reports
- Participating in investor forums or investor briefings held by domestic/international investment institutions and securities firms
- Receiving visits from corporate shareholders, domestic/ international investment institutions and securities firms on an irregular basis
- Announcing information in the Market Observation Post System and on the Company’s official website

The information about the number of investor meeting sessions and participants from 2017~2023 is as follows:

Year	2017	2018	2019	2020	2021	2022	2023
Number of meeting sessions	115	181	127	81	82	124	214
Number of meeting participants	594	1,158	860	749	971	1,647	1,959
Average number of participants per session	5.17	6.40	6.77	9.25	11.84	13.28	9.15

7. Information-Communication Security Management

**(1) Information-communication security risk management framework, Information-communication security policy, specific management programs and resources invested in information-communication security management:**

- 1. Information security governance systems, goals and strategies

GUC aims at building a tight and effective information security defense network as its information security vision. With consistency in information security governance, the Company is gradually improving its comprehensive protection capabilities, and hopes to become an enterprise with outstanding performance and maturity in information security governance. The Information Security Department is in overall charge of the information security system and relevant compliance. It also promotes the implementation of relevant operations to continue the improvement of information security awareness and professional capabilities. Through the application of technologies, the information security risks and weaknesses are identified,



for which effective reinforcement measures are taken to build up a sound governance system and comprehensive information security protection capabilities, and meanwhile to cultivate employees' information security awareness.

2. Implementation of information security policy

- (1) Formulate information security management guidelines in line with regulatory and customers' requirements.
- (2) Build a consensus on the comprehensive implementation of information security protection through all employees' awareness.
- (3) Protect the confidentiality, completeness, availability and legal compliance of the Company's and customers' information.

3. Organizations for information security

(1) Security Committee

The "Information Security Committee" is responsible for the management and planning of information operations security, and the establishment and maintenance of information security management systems. As the top information security supervisors, they oversee the execution of the company's entire information security operations and the efficacy of the information security risk management mechanism, report to the chief financial officer and responsible governance supervisors, update the progress in the management meeting of senior executives each quarter, and present the execution outcome of the overall information security management organization related information security operation and system to the Board of Directors each year. A "meeting of information security representatives" is held at least once per year and the meeting participants cover the responsible personnel of relevant information systems and external information security consultants in a number exceeding 13 persons to review the information security development plans and implementation results, and to announce policies related to information security and implementation focuses.

(2) Proprietary Information Protection (PIP) Committee

PIP Committee: The PIP is constituted by the representatives designated by supervisors of the respective divisions of the entire company (including its branches throughout the world). The committee has a total of 20 colleague members including the chairperson; the executives at the vice general manger level holds quarterly meetings, responsible for the research/discussion, establishment, audit, promotion, etc. of all the Company's proprietary information control operations. Protecting proprietary information is GUC's commitment to customers, shareholders and the Company's employees. GUC understands that proprietary information protection is closely related to the Company's current and future competitive advantages. Thus, the Proprietary Information Protection (PIP) Policy has been formulated

to clearly define the Company's proprietary information protection management procedures and regulations, by which the Company can properly control its trade secrets and undisclosed confidential information related to GUC to ensure the best interests of the Company, shareholders, employees, customers and suppliers. GUC's proprietary information protection is carried out based on the management cycle of Plan-Do-Check-Act (PDCA), which continuously strengthens the ability to protect proprietary information, and enhances personnel's correct concept about and vigilance over proprietary information protection, thereby reducing the risk of proprietary information leakage. GUC has also formulated management measures to incorporate information security and ethical management within employee performance evaluations.

- (2.1) Inspections are conducted on a quarterly basis to ensure the implementation of the Company's proprietary information protection measures.
- (2.2) Raise the awareness of proprietary information and the rules to follow through everyday work and various occasions.
- (2.3) Conduct educational training to improve employees' information security awareness and capability. In addition to listing proprietary information control as a mandatory topic for new employees' training, all employees should also be re-trained twice every year to continuously strengthen and enhance their information security awareness.

PIP training	2021	2022	2023
Total number of employees in the prevailing year	757	759	819
Ratio of employees who completed the training	100%	100%	100%

- (2.4) Regarding PIP violations, management measures have been formulated, and reporting mechanisms have been established to assess responsibility and administer penalties. Relevant punishments and required corrections have been made in accordance with the cause of the violation and the degree of the impact, and dissemination as well as educational training has continued. The PIP violations occurring over the years are listed as follows:

The total number of violations resulting from employee's failure to comply with the proprietary information protection procedure in 2023 accounts for 0.122% of the number of employees.

PIP violation condition	2021	2022	2023
Number of violations by colleagues	6	1	1
Number of violations by outsourcing suppliers	0	0	0

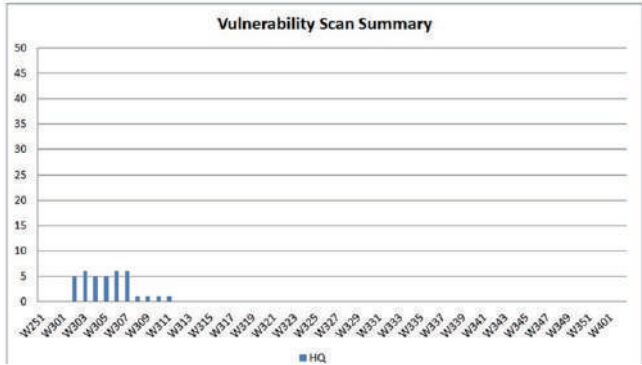
4. Security risk management framework countermeasures

- (1) Information security defense capability reinforcement and maturity evaluation:

Conduct regular information security tests for system strengthening, and continue the implementation of business continuity drills. Develop cybersecurity incident response plans, and take corresponding reporting and recovery actions. Carry out risk analysis based on objective verification results and threats information concluded by third-party agencies to upgrade and strengthen the information security management systems.



The frequency of External Vulnerability Scan has been increased from once per week to currently once per day. Any high-risk vulnerability being identified can be fixed at once.



To further reinforce its anti-hacking capabilities, the Company engaged a locally-renowned white hat hacker team to simulate offensive and defensive assessments with a Red Team. Apart from taking the initiative to understand hacker's thinking and strengthening employees' anti-hacking awareness, such experience has been used to continue to improve the intranet automatic joint defense system.

- (2) Information security management procedures upgrade: GUC has been ISO 27001 certified, and is improving through annual reviews. GUC continued to pass the 2nd review of ISO 27001 for 2022, whereas, to respond to the criteria of ISO/IEC 27001:2022 officially published by the International Organization for Standardization (ISO) on October 25, 2022, GUC has prepared for its ISMS version transfer and is expected to finish the new version authentication operation in 2024. GUC continued to pass the 2nd review of ISO 27001 for 2023, whereas, to respond to the criteria of ISO/IEC 27001:2022 officially published

by the International Organization for Standardization (ISO) on October 25, 2022, GUC has prepared for its ISMS version transfer and is expected to finish the new version authentication operation in Oct 2024.



(3) Risk management

The major risks concluded from the analysis of various possible combinations of threats and weaknesses assessed in annual risk assessments are as follows:

- (3.1) Fraudsters use fake emails to trick company's employees into sending money or transactions.
- (3.2) Those who commit industrial espionage or a company's competitors use hacking techniques to continuously hack into the company's internal hosts and steal the company's internal information.
- (3.3) Crime groups work with hackers to distribute contents with malicious links through emails, text messages, social software, and communication software. A victim's computer data may be encrypted and kidnapped, and a high ransom will then be asked for the recovery.
- (3.4) Hackers launch a large number of connection requests through the Internet, interrupting the normal operations of a company's network.
- (3.5) Internal employees use illegal software, or copy the company's confidential and sensitive information to portable storage devices, which may lead to information leakage if the devices are lost, stolen or sold.
- (3.6) Information software/hardware may be damaged due to natural or man-made disasters, resulting in service interruption or data loss.
- (3.7) The evaluation suggests that likely losses resulting from the overall information security risk is still low and falls within the range of self-protection. The results of annual evaluations are also reported to the Board of Directors.
- (3.8) Currently no Information Security Insurance has been taken out; however, for the above-mentioned risk concerns, several measures such as the application of information security management

principles, introduction of technological solutions, and reinforcement of information security educational training are concurrently employed to establish fortified information security management mechanisms. The key measures are as follows:

- (3.8.1) Perform regular internal/external audits, pass and maintain ISO 27001: 2013 certification, and upgrade the operations of information security management systems.
- (3.8.2) Two social engineering attack simulation exercises are conducted every year. Employees who fail an exercise or who fail two consecutive exercises are required to then attend information security reinforcement training. Such training enhances employees’ sense of alertness against email fraud.

social engineering attack simulation	2021	2022	2023
Total number of employees in the prevailing year	757	759	819
Ratio of employees who completed the simulation	100%	100%	100%

- (3.8.3) Install antivirus and EDR (Endpoint Detection and Response) protection systems on the client side to provide real-time anomaly detection and alerting as well as forensic analysis and endpoint recovery functions. Block USB storage device connection and stop users from installing software. Moreover, provide Backup File Server for users to back up important data.
- (3.8.4) With respect to the network layer, incorporate the use of firewalls to control network traffic and applications. Develop a security monitoring and management mechanism for intranet protection and database access.
- (3.8.5) Employ the DRM (Digital Right Management) confidential and sensitive document management system and disk encryption technologies to protect the confidentiality of documents.
- (3.8.6) Adopt mail filtering and auditing systems and Anti-APT solutions to reduce the risks arising from email usage.
- (3.8.7) Introduce fingerprint identification systems and swipe-card systems in gateway management to meet the physical security requirements of two-factor authentication.
- (3.8.8) Centralize the management of hosts and establish environmental control and alarm mechanisms for the data center. Perform regular data backups and carry out emergency recovery drills on a yearly basis.
- (3.8.9) The multi-factor authentication mechanism has been compulsorily used for the remote access, so as to reduce the risk of password theft and credential stuffing attack. In addition, full video-taping has also been made to effectively record the use behavior and establish the audit track.

- (3.9) An important information system’s disaster recovery drill has been performed twice per year to ensure timely response when system abnormalities occur, reduce system downtime, and lower the impact on the company’s operations.
- (3.10) The Red Team Assessment was conducted in 2022 to simulate an invasion attack while not affecting the company’s operations so as to authenticate information security detection and response abilities and grasp the potential risk condition. The eight information security leaks found in the assessment have all been promptly improved upon and protection measures have been adopted.
- (3.11) The responsible persons of respective information systems have been weekly convened to discuss current week’s information security incidents and adopt required protection measures.

(4) Educational training

The Information Security Department also conducts Information Security Awareness-raising Educational Training for all employees on a quarterly basis. The topics are determined based on the encountered internal/external threats. The topic for each quarter of 2023 is listed as follows:

2023 Information Security Awareness-raising Educational Training	
Quarter	Topic
Quarter 1	Did you know that browser extensions can spy on personal data?
Quarter 2	Business Email Compromise scams
Quarter 3	Watch out for fake ChatGPT apps
Quarter 4	QR Code phishing attacks

(5) Resources invested for information security

The Company keeps investing resources in information security related fields. Resources being invested in improving the fundamental structure for governance and technology, strengthening the equipment for information security defense, information/data monitoring and analysis, incident response drills, educational training, etc. to comprehensively enhance the information security capabilities.

(6). Information security incidents

A specific information security reporting and handling process has been established to report and handle information security incidents. Information security incidents are accepted and graded by the reporting point of contact of the information unit. If the incident is a major information security incident, it will be reported to the risk management panel, and the information unit shall eliminate and solve the incident within the scheduled time limit, and

conduct a root cause analysis and adopt remedy measures after the incident is fully handled, so as to prevent a repeat occurrence.

Cyber security incidents	2021	2022	2023
Material cyber security incidents	1	0	0
Number of data leaks	0	0	0
Number of employee and customer’s personal information leaks	0	0	0
Amount of penalties resulting from information security incidents	0	0	0

**(2) The losses suffered by the company due to major information-communication security incidents in the most recent year up to the publication date of this annual report, the possible impact, and the countermeasures being taken:**

The Company did not suffer any losses due to major information-communication security incidents in 2023 and up until the publication date of this annual report.

8. Important Contracts

**(1) License and Transfer Contract**

Contract period: From December 1, 2003 to December 1, 2008. Unless one of the parties provides the other party with written non-extension notice, the contract shall be automatically extended for one year from its expiration date, and the same rules shall be followed when the extension expires.

Contract party: Taiwan Semiconductor Manufacturing Co., Ltd.

Contract content/restriction clauses: The two parties reached an agreement on the license and transfer of specific intellectual properties. For part of the license, GUC should pay license fee to Taiwan Semiconductor Manufacturing Co., Ltd.

**(2) License Agreement**

Contract period: Effective from September 1, 2007

Contract party: Taiwan Semiconductor Manufacturing Co., Ltd.

Contract content/restriction clauses: The two parties reached an agreement on specific license that GUC should pay license fee to Taiwan Semiconductor Manufacturing Co., Ltd.

**(3) License Contract**

Contract period: From March 20, 2020 to March 19, 2023

Contract party: A certain company

Contract content/restriction clauses: The two parties reached an agreement on the license of the certain company’s intellectual property that GUC should pay license fee to the company.

**(4) License Contract**

Contract period: From April 27, 2020 to April 26, 2023

Contract party: A certain company

Contract content/restriction clauses: The two parties reached an agreement on the license of the certain company’s intellectual property that GUC should pay license fee to the company.

**(5) License Contract**

Contract period: From September 30, 2020 to September 29, 2023

Contract party: A certain company

Contract content/restriction clauses: The two parties reached an agreement on the license of the certain company’s intellectual property that GUC should pay license fee to the company.

**(6) License Contract**

Contract period: From September 30, 2020 to September 29, 2023

Contract party: A certain company

Contract content/restriction clauses: The two parties reached an agreement on the license of the certain company’s intellectual property that GUC should pay license fee to the company.

**(7) License Contract**

Contract period: From October 27, 2020 to October 26, 2023

Contract party: A certain company

Contract content/restriction clauses: The two parties reached an agreement on the license of the certain company’s intellectual property that GUC should pay license fee to the company.



(8) License Contract

Contract period: From October 30, 2020 to October 29, 2023

Contract party: A certain company

Contract content/restriction clauses: The two parties reached an agreement on the license of the certain company’s intellectual property that GUC should pay license fee to the company.

(9) License Contract

Contract period: From December 30, 2020 to December 29, 2023

Contract party: A certain company

Contract content/restriction clauses: The two parties reached an agreement on the license of the certain company’s intellectual property that GUC should pay license fee to the company.

(10) License Contract

Contract period: From March 27, 2021 to March 26, 2024

Contract party: A certain company

Contract content/restriction clauses: The two parties reached an agreement on the license of the certain company’s intellectual property that GUC should pay license fee to the company.

(11) License Contract

Contract period: From May 30, 2021 to May 29, 2024

Contract party: A certain company

Contract content/restriction clauses: The two parties reached an agreement on the license of the certain company’s intellectual property that GUC should pay license fee to the company.

(12) License Contract

Contract period: From July 1, 2021 to June 30, 2023

Contract party: A certain company

Contract content/restriction clauses: The two parties reached an agreement on the license of the certain company’s intellectual property that GUC should pay license fee to the company.

(13) License Contract

Contract period: From November 24, 2021 to November 23, 2024

Contract party: A certain company

Contract content/restriction clauses: The two parties reached an agreement on the license of the certain company’s intellectual property that GUC should pay license fee to the company.

(14) License Agreement

Term of the Agreement: from March 29 2022 until March 28, 2025.

Agreement object: a company

Agreement content/restriction clauses: In accordance with the agreement between the two parties on the authorization of a company’s relevant intellectual property rights, Global Unichip Corp. shall pay a royalty fee to the company.

(15) License Agreement

Term of the Agreement: from March 31, 2022 until March 30, 2025

Agreement object: a company

Agreement content/restriction clauses: In accordance with the agreement between the two parties on the authorization of a company’s relevant intellectual property rights, Global Unichip Corp. shall pay a royalty fee to the company.

(16) License Agreement

Term of the Agreement: from April 29, 2022 until April 28, 2025

Agreement object: a company

Agreement content/restriction clauses: In accordance with the agreement between the two parties on the authorization of a company’s relevant intellectual property rights, Global Unichip Corp. shall pay a royalty fee to the company.

(17) License Agreement

Term of the Agreement: The Agreement has come into effect from June 30, 2022.

Agreement object: a company

Agreement content/restriction clauses: In accordance with the agreement between the two parties on the authorization of a company’s relevant intellectual property rights, Global Unichip Corp. shall pay a royalty fee to the company.

(18) Long-term Supply Agreement

Term of Agreement: From June 30, 2021, to March 31, 2028.

Counterparty to Agreement: a company

Agreement content/restriction clauses: Both parties have reached an agreement regarding the long-term supply of a company’s product in accordance with its production capacity, and Global Unichip Corp. shall pay a security deposit to the company.

(19) Long-Term High-End Packaging Production Guarantee Contract

Term of the Agreement: November 7, 2022 to December 31, 2035.

Contracting party: Taiwan Semiconductor Manufacturing Company.

Contract stipulations/restrictions: The two parties reached an agreement regarding a long-term guarantee of packaging capacity; GUC shall pay a guarantee bond to said company.

(20) License Contract

Term of the Agreement: July 28, 2023 to July 27, 2036.

Agreement object: a company

Agreement content/restriction clauses: The two parties reached an agreement on the license of said certain company’s intellectual property that GUC shall pay a license fee to the company.

(21) License Contract

Term of the Agreement: Takes effect August 23, 2023.

Agreement object: a company

Agreement content/restriction clauses: The two parties reached an agreement on the license of said certain company’s intellectual property that GUC shall pay a license fee to the company.

(22) License Contract

Term of the Agreement: February 1, 2024 to January 31, 2027.

Agreement object: a company

Agreement content/restriction clauses: The two parties reached an agreement on the license of said certain company’s intellectual property that GUC shall pay a license fee to the company.

(23) License Contract

Term of the Agreement: December 30, 2023 to December 28, 2026.

Agreement object: a company

Agreement content/restriction clauses: The two parties reached an agreement on the license of said certain company’s intellectual property that GUC shall pay a license fee to the company.

(24) License Contract

Term of the Agreement: October 28, 2023 to October 27, 2026.

Agreement object: a company

Agreement content/restriction clauses: The two parties reached an agreement on the license of said certain company’s intellectual property that GUC shall pay a license fee to the company.





# CHAPTER 6

## Financial Information

- Condensed Balance Sheets and Statements of Comprehensive Income
- Five-Year Financial Analysis
- Audit Committee's Review Report
- Financial Statements and Independent Auditors' Report –the Company & Subsidiaries
- Financial Statements and Independent Auditors' Report – Parent Company
- The Impact on the Company's Financial Status in Cases where the Company or its Affiliates have Financial Difficulties



Financial Information

1. Condensed balance sheets and statements of comprehensive income for the past 5 fiscal years

(1) Condensed balance sheets and statements of comprehensive income - IFRS

1. Condensed balance sheet

		Unit: NT\$ Thousand				
		Year				
		Financial information for the past 5 fiscal years (note 1)				
Item		2019	2020	2021	2022	2023
Current assets		6,615,928	8,218,112	13,627,617	19,557,917	19,436,285
Property, plant and equipment		982,487	778,354	564,391	646,035	558,637
Intangible assets		412,047	443,885	317,888	541,432	587,286
Other non-current assets		330,253	305,461	347,763	442,155	491,724
Total assets		8,340,715	9,745,812	14,857,659	21,187,539	21,073,932
Current liabilities	Before distribution	3,638,237	4,892,132	9,202,793	12,598,477	10,953,865
	After distribution	4,308,297	5,562,192	10,140,876	14,474,644	(note 2)
Non-current liabilities		389,504	366,696	391,537	527,864	438,508
Total liabilities	Before distribution	4,027,741	5,258,828	9,594,330	13,126,341	11,392,373
	After distribution	4,697,801	5,928,888	10,532,413	15,002,508	(note 2)
Equity attributable to owners of the parent		4,312,974	4,486,984	5,263,329	8,061,198	9,681,559
Share capital		1,340,119	1,340,119	1,340,119	1,340,119	1,340,119
Capital surplus		32,578	32,618	32,641	32,676	32,801
Retained earnings	Before distribution	2,961,022	3,136,400	3,929,040	6,706,637	8,342,646
	After distribution	2,290,962	2,466,340	2,990,957	4,830,470	(note 2)
Other equity		(20,745)	(22,153)	(38,471)	(18,234)	(34,007)
Treasury share		0	0	0	0	0
Non-controlling interest		0	0	0	0	0
Total equity	Before distribution	4,312,974	4,486,984	5,263,329	8,061,198	9,681,559
	After distribution	3,642,914	3,816,924	4,325,246	6,185,031	(note 2)

Note 1: The above financial information has been audited and attested by CPAs.  
Note 2: The proposal regarding 2023 surplus earnings distribution is subject to the resolution of Shareholders’ Meeting.

2. Condensed Statements of Comprehensive Income

Unit: NT\$ Thousand

		Year				
		Financial information for the past 5 fiscal years (note 1)				
Item		2019	2020	2021	2022	2023
Operating revenue		10,710,068	13,569,441	15,107,915	24,039,671	26,240,714
Gross operating profit		3,530,011	4,070,877	5,229,954	8,334,985	7,975,695
Operating profit or loss		697,229	963,933	1,673,892	4,098,933	3,968,770
Non-operating revenue and expenses		85,873	37,630	67,413	245,840	186,510
Net profit before tax		783,102	1,001,563	1,741,305	4,344,773	4,155,280
Net profit of continued operations for the year		633,467	850,007	1,460,149	3,710,442	3,507,885
Loss of discontinued operations		0	0	0	0	0
Net profit (loss) for the year		633,467	850,007	1,460,149	3,710,442	3,507,885
Other comprehensive income for the year (profit after tax)		(16,372)	(5,977)	(13,767)	25,475	(11,482)
Total comprehensive income for the year		617,095	844,030	1,446,382	3,735,917	3,496,403
Net profit attributable to owners of the parent		633,467	850,007	1,460,149	3,710,442	3,507,885
Net profit attributable to non-controlling interest		0	0	0	0	0
Comprehensive income attributable to owners of the parent		617,095	844,030	1,446,382	3,735,917	3,496,403
Comprehensive income attributable to non-controlling interest		0	0	0	0	0
Earnings per share		4.73	6.34	10.90	27.69	26.18

Note 1: The above financial information has been audited and attested by CPAs.

(2) Condensed balance sheets and Statements of Comprehensive Income - Parent Company only

1. Condensed balance sheets - Parent Company only

Unit: NT\$ Thousand

Year		Financial information for the past 5 fiscal years (note 1)				
		2019	2020	2021	2022	2023
Item						
Current assets		6,285,666	7,514,595	13,014,006	18,804,145	18,796,487
Property, plant and equipment		961,415	759,457	546,301	628,152	538,510
Intangible assets		411,954	443,866	317,888	541,432	587,286
Other non-current assets		625,977	721,554	868,369	1,081,685	1,274,684
Total assets		8,285,012	9,439,472	14,746,564	21,055,414	21,196,967
Current liabilities	Before distribution	3,636,710	4,625,004	9,175,324	12,573,547	11,166,190
	After distribution	4,306,770	5,295,064	10,113,407	14,449,714	(note 2)
Non-current liabilities		335,328	327,484	307,911	420,669	349,218
Total liabilities	Before distribution	3,972,038	4,952,488	9,483,235	12,994,216	11,515,408
	After distribution	4,642,098	5,622,548	10,421,318	14,870,383	(note 2)
Equity attributable to owners of the parent		4,312,974	4,486,984	5,263,329	8,061,198	9,681,559
Share capital		1,340,119	1,340,119	1,340,119	1,340,119	1,340,119
Capital surplus		32,578	32,618	32,641	32,676	32,801
Retained earnings	Before distribution	2,961,022	3,136,400	3,929,040	6,706,637	8,342,646
	After distribution	2,290,962	2,466,340	2,990,957	4,830,470	(note 2)
Other equity		(20,745)	(22,153)	(38,471)	(18,234)	(34,007)
Treasury share		0	0	0	0	0
Non-controlling interest		0	0	0	0	0
Total equity	Before distribution	4,312,974	4,486,984	5,263,329	8,061,198	9,681,559
	After distribution	3,642,914	3,816,924	4,325,246	6,185,031	(note 2)

Note 1: The above financial information has been audited and attested by CPAs.

Note 2: The proposal regarding 2023 surplus earnings distribution is subject to the resolution of Shareholders’ Meeting.

2. Condensed Statements of Comprehensive Income - Parent Company only

Unit: NT\$ Thousand

Year		Financial information for the past 5 fiscal years (note 1)				
		2019	2020	2021	2022	2023
Item						
Operating revenue		10,710,068	13,448,967	14,983,822	23,995,308	26,240,714
Gross operating profit		3,164,347	3,719,569	5,156,735	8,288,769	7,960,709
Operating profit or loss		645,661	892,931	1,555,060	4,001,852	3,897,675
Non-operating revenue and expenses		115,256	85,969	156,917	320,133	233,902
Net profit before tax		760,917	978,900	1,711,977	4,321,985	4,131,577
Net profit of continued operations for the year		633,467	850,007	1,460,149	3,710,442	3,507,885
Loss of discontinued operations		0	0	0	0	0
Net profit (loss) for the year		633,467	850,007	1,460,149	3,710,442	3,507,885
Other comprehensive income for the year (profit after tax)		(16,372)	(5,977)	(13,767)	25,475	(11,482)
Total comprehensive income for the year		617,095	844,030	1,446,382	3,735,917	3,496,403
Net profit attributable to owners of the parent		633,467	850,007	1,460,149	3,710,442	3,507,885
Net profit attributable to non-controlling interest		0	0	0	0	0
Comprehensive income attributable to owners of the parent		617,095	844,030	1,446,382	3,735,917	3,496,403
Comprehensive income attributable to non-controlling interest		0	0	0	0	0
Earnings per share		4.73	6.34	10.90	27.69	26.18

Note 1: The above financial information has been audited and attested by CPAs.

(3) Condensed balance sheets and Income Statement-R.O.C. Financial Accounting Standards: Not applicable.

(4) The names of CPA conducting financial audits in the most recent five years and their audit opinions

Year	Names of CPAs	Audit opinions
2019	Deloitte & Touche-Yi-Hsin Kao, Yu-Feng Huang	Unmodified opinion
2020	Deloitte & Touche-Yi-Hsin Kao, Yu-Feng Huang	Unmodified opinion
2021	Deloitte & Touche- Ming-Hui Chen, Su-Li Fang	Unmodified opinion
2022	Deloitte & Touche- Ming-Hui Chen, Su-Li Fang	Unmodified opinion
2023	Deloitte & Touche- Ming-Hui Chen, Su-Li Fang	Unmodified opinion



2. Five-Year Financial Analysis

(1) Financial Analysis – IFRS

Items for Analysis		Year	Financial Analysis for the past 5 fiscal years (note 1)				
			2019	2020	2021	2022	2023
Financial structure	Debt-asset ratio (%)		48.29	53.96	64.57	61.95	54.06
	Ratio of long-term capital to property, plant and equipment (%)		478.63	623.58	1,001.94	1,329.50	1,811.56
Solvency	Current ratio (%)		181.84	167.99	148.08	155.24	177.44
	Quick ratio (%)		117.78	118.59	100.31	84.38	108.74
	Interest coverage ratio		235.67	277.29	377.66	985.99	755.96
Operating ability	Receivables turnover rate (times)		9.20	10.47	11.24	10.65	10.52
	Average collection days for receivables		40	35	32	34	35
	Inventory turnover rate (times)		4.70	5.50	4.43	3.36	3.20
	Payables turnover rate (times)		5.20	7.32	6.79	6.50	7.82
	Average days for sale		78	66	82	109	114
	Property, plant and equipment turnover (times)		10.34	15.41	22.50	39.72	43.56
	Total asset turnover rate (times)		1.30	1.50	1.23	1.33	1.24
	Return on assets (%)		7.73	9.43	11.90	20.61	16.62
	Return on equity (%)		14.60	19.32	29.95	55.69	39.54
Profitability	Ratio of net profit before tax to paid-in capital (%)		58.44	74.74	129.94	324.21	310.07
	Net profit ratio (%)		5.91	6.26	9.66	15.43	13.37
	Earnings per share (NT\$) (note 2)		4.73	6.34	10.90	27.69	26.18
	Cash flow ratio (%)		2.97	67.25	45.97	12.66	41.16
	Cash flow adequacy ratio (%)		76.47	106.98	121.65	77.41	105.62
Cash flows	Cash flow reinvestment ratio (%)		(9.44)	40.96	47.51	6.17	21.54
	Operating leverage		10.28	8.76	5.86	4.20	5.15
	Financial leverage		1	1	1	1	1
Explain the reasons for changes in various financial ratios in the last two years. (If the increase/decrease change range does not reach 20%, the analysis can be exempted)							
1. The increase in the ratio of long-term capital to real estate, factory buildings, and equipment was mainly due to the increase in the total equity amount.							
2. The increase in the quick ratio was mainly due to the decrease in current liabilities.							
3. The decrease in the times interest earned was mainly due to the decrease in the current period’s net profit (before taxes and interest expenses).							
4. The increase in the payables turnover ratio was mainly due to the increase in the cost of goods sold.							
5. The decrease in the return on equity was mainly due to the decrease in net profit (after taxes).							
6. The increase in cash flow-related ratios was mainly due to the increase in net cash flow from operating activities and the reduction of current liabilities.							
7. The increase in the degree of operating leverage was mainly due to the decrease in operating income.							

Note 1: The above financial information has been audited and attested by CPAs.  
Note 2: The EPS was calculated based on the retrospective weighted average number of shares.

(2) Financial ratio - IFRS (Parent company only)

Items for Analysis		Year	Financial Analysis for the past 5 fiscal years (note 1)				
			2019	2020	2021	2022	2023
Financial structure	Debt-asset ratio (%)		47.94	52.47	64.31	61.71	54.33
	Ratio of long-term capital to property, plant and equipment (%)		483.49	633.94	1,019.81	1,350.29	1,862.69
Solvency	Current ratio (%)		172.84	162.48	141.84	149.55	168.33
	Quick ratio (%)		111.16	115.61	94.32	79.33	101.29
	Interest coverage ratio		346.56	455.46	878.49	2,434.55	2,494.41
Operating ability	Receivables turnover rate (times)		9.20	10.38	11.16	10.63	10.52
	Average collection days for receivables		40	35	33	34	35
	Inventory turnover rate (times)		4.94	6.01	4.63	3.36	3.20
	Payables turnover rate (times)		5.43	8.17	7.32	6.49	7.46
	Average days for sale		74	61	79	109	114
	Property, plant and equipment turnover (times)		10.59	15.63	22.95	40.86	44.98
	Total asset turnover rate (times)		1.31	1.52	1.24	1.34	1.24
	Return on assets (%)		7.74	9.61	12.09	20.74	16.61
	Return on equity (%)		14.60	19.32	29.95	55.69	39.54
Profitability	Ratio of net profit before tax to paid-in capital (%)		56.78	73.05	127.75	322.51	308.30
	Net profit ratio (%)		5.91	6.32	9.74	15.46	13.37
	Earnings per share (NT\$) (note 2)		4.73	6.34	10.90	27.69	26.18
	Cash flow ratio (%)		0.97	65.82	44.47	11.93	40.79
	Cash flow adequacy ratio (%)		73.17	99.80	110.83	70.87	99.10
Cash flows	Cash flow reinvestment ratio (%)		(10.82)	37.54	46.27	5.36	24.02
	Operating leverage		11.91	10.21	6.54	4.54	5.38
Leveraging	Financial leverage		1	1	1	1	1
Explain the reasons for changes in various financial ratios in the last two years. (If the increase/decrease change range does not reach 20%, the analysis can be exempted)							
1. The increase in the ratio of long-term capital to real estate, factory buildings, and equipment was mainly due to the increase in the total equity amount.							
2. The decrease in the return on assets was mainly due to the decrease in net profit (after taxes) and the increase in total average assets.							
3. The decrease in the return on equity was mainly due to the decrease in net profit (after taxes).							
4. The increase in cash flow-related ratios was mainly due to the increase in net cash flow from operating activities and the reduction of current liabilities.							

Note 1: The above financial information has been audited and attested by CPAs.  
Note 2: The EPS was calculated based on the retrospective weighted average number of shares.

Formulas:

1. Financial structure
- (1) Debt-asset ratio = Total liabilities / Total assets

(2) Ratio of long-term capital to property, plant and equipment = (Total equity + Non-current liabilities) / Net worth of property, plant and equipment
2. Solvency
- (1) Current ratio = Current assets / Current liabilities

(2) Quick ratio = (Current assets – Inventory – Prepaid expenses) / Current liabilities

Interest coverage ratio = Income before income tax and interest expenses / Interest expenses for the period
3. Operating ability
- (1) Receivables (including accounts receivable and notes receivable arising from business operations) Turnover rate = Net sales / Average receivables (including accounts receivable and notes receivable arising from business operation) for each period

(2) Average collection days for receivables = 365 / Receivables turnover rate

(3) Inventory turnover rate = Cost of goods sold / Average inventory

(4) Payables (including accounts payable and notes payable arising from business operations) Turnover rate = Cost of goods sold / Average payables (including accounts payable and notes payable arising from business operations) for each period

(5) Average days for sale = 365 / Inventory turnover rate

(6) Property, plant and equipment turnover rate = Net sales / Average net worth of property, plant and equipment

(7) Total asset turnover rate = Net sales / Average total assets
4. Profitability
- (1) Return on assets = [Net income + Interest expenses × (1 – Tax rate)] / Average total assets

(2) Return on equity = Net income / Average total equity

(3) Net profit ratio = Net income / Net sales

(4) Earnings per share = (Profit and loss attributable to owners of the parent – Dividends on special shares) / Weighted average number of issued shares
5. Cash flows
- (1) Cash flow ratio = Net cash flow from operating activities / Current liabilities

(2) Net cash flow adequacy ratio = Net cash flow from operating activities for the most recent five fiscal years / (Capital expenditures + Inventory increase + Cash dividend) for the most five fiscal years

(3) Cash flow reinvestment ratio = (Net cash flow from operating activities – Cash dividend) / (Gross value of property, plant and equipment + Long-term investment + Other non-current assets + Working capital)
6. Leveraging:
- (1) Operating leverage = (Net operating revenue – Variable operating costs and expenses) / Operating revenue

(2) Financial leverage = Operating revenue / (Operating revenue – Interest expenses)

(3) Financial Analysis-R.O.C. Financial Accounting Standards: Not applicable



### 3. Audit Committee's Review Report

#### Audit Committee Review Report

The Company's 2022 financial statements approved by the Audit Committee and resolved by the Board of Directors has been audited by Deloitte & Touche appointed by the Board, and an Audit Report has been issued when Deloitte & Touche completed the audit.

As for the Company's 2023 business reports and the proposal regarding earnings distribution prepared and submitted by the Board, the Audit Committee, after completing relevant audits, considers that the said reports and proposal comply with provisions stipulated in Company Act. Thus, this report is hereby issued in accordance with Article 14-4 of Securities and Exchange Act and Article 219 of Company Act, and submitted for your Honor to approve.

To:

Global Unichip Corp. 2024 Regular Shareholders' Meeting



Audit Committee Convener: Jesse Ding



January 31, 2024

4. The most recent year's CPA audited and certified financial reports: Please refer to page 150~204 of this annual report.
5. The most recent year's CPA audited and certified corporate parent company only financial reports: Please refer to page 205~258 of this annual report.
6. The impact on the company's financial status in cases where the company or its affiliates have financial difficulties: None.





# 7

## CHAPTER

### Operating Results and Status of Risk Management

- Financial Status
- Operating Results
- Cash Flow Analysis
- Major Capital Expenditure
- Investment Policies
- Risk Management
- Other Material Events

208.87

1,235.01

0.00

25,187.70

7,645.05

12,411.80

27,752.93



Operating Results and Status of Risk Management

1. Financial status

Unit: NT\$ Thousand

Item	Year	2023	2022	Variation	
				Amount	%
Current assets		19,436,285	19,557,917	(121,632)	(0.62)
Property, plant and equipment		558,637	646,035	(87,398)	(13.53)
Intangible assets		587,286	541,432	45,854	8.47
Other non-current assets		491,724	442,155	49,569	11.21
Total assets		21,073,932	21,187,539	(113,607)	(0.54)
Current liabilities		10,953,865	12,598,477	(1,644,612)	(13.05)
Non-current liabilities		438,508	527,864	(89,356)	(16.93)
Total liabilities		11,392,373	13,126,341	(1,733,968)	(13.21)
Share capital		1,340,119	1,340,119	0	0.00
Capital surplus		32,801	32,676	125	0.38
Retained earnings		8,342,646	6,706,637	1,636,009	24.39
Other equity		(34,007)	(18,234)	(15,773)	86.50
Total equity		9,681,559	8,061,198	1,620,361	20.10
Description:					
1. The decrease in real estate, factory buildings, and equipment was mainly due to adding NT\$100,295,000 and amortizing the depreciation of NT\$187,025,000.					
2. The decrease in current liabilities and gross liabilities was mainly due to the decrease in payables.					
3. The decrease in non-current liabilities was mainly due to the decrease in lease liabilities and other long-term payables.					
4. The increase in retained earnings and the total equity amount was mainly due to the net profit of NT\$3,507,885,000 in 2023 and the cash dividend of \$1,876,167,000 distributed for 2022.					
5. The increase in other negative equity amounts was mainly due to the exchange difference in the conversion of financial statements from foreign operating institutions.					

2. Operating Results

Unit: NT\$ Thousand

Item	Year	2023	2022	Increase (decrease) amount	Change percentage (%)
Operating revenue		26,240,714	24,039,671	2,201,043	9.16
Operating cost		18,265,019	15,704,686	2,560,333	16.30
Gross operating profit		7,975,695	8,334,985	(359,290)	(4.31)
Operating expenses		4,006,925	4,236,052	(229,127)	(5.41)
Net operating profit		3,968,770	4,098,933	(130,163)	(3.18)
Non-operating revenue and expenses		186,510	245,840	(59,330)	(24.13)
Net profit before tax		4,155,280	4,344,773	(189,493)	(4.36)
Income tax expense		647,395	634,331	13,064	2.06
Net profit of this period		3,507,885	3,710,442	(202,557)	(5.46)
Other comprehensive income for the year		(11,482)	25,475	(36,957)	(145.07)
Total comprehensive income for the year		3,496,403	3,735,917	(239,514)	(6.41)
Analysis of increase/decrease changes:					
1. The increase in operating income was mainly due to the increase in wafer product revenue.					
2. The increase in operating costs was mainly due to the increase in operating income.					
3. The decrease in non-operating income and expenditures was mainly due to the loss on exchange.					
4. The increase in the current period's other comprehensive losses was mainly due to the exchange difference in the conversion of financial statements from foreign operating institutions.					

3. Cash flows Analysis

(1) Analysis of cash flow changes in the recent most year

Unit: NT\$ Thousand

Item \ Year	2023	2022	Increase (decrease) amount	Change percentage (%)
Operating activities	4,508,191	1,594,536	2,913,655	182.73
Investment activities	(742,897)	(346,574)	(396,323)	114.35
financing activities	(1,961,513)	(1,007,081)	(954,432)	94.77
Total	1,803,781	240,881	1,562,900	648.83
Analysis description: 1. The increase in net cash inflow from operating activities was mainly due to the increase in cash inflow from inventory. 2. The increase in net cash outflow for investment activities was mainly due to increased investment in financial assets at fair value through profit or loss. 3. The increase in net cash outflow for financing activities was mainly due to the increase in the release of cash dividends.				

(2) Analysis of liquidity

Item \ Year	2023	2022	Increase (decrease) ratio %
Cash flow ratio (%)	41.16	12.66	225.12
Cash flow adequacy ratio (%)	105.62	77.41	36.44
Cash flow reinvestment ratio (%)	21.54	6.17	249.11
Analysis description: 1. The increase in the cash flow ratio was mainly due to the increase in net cash flow from operating activities and the decrease in current liabilities. 2. The increase in the cash flow adequacy ratio was mainly due to the increase in net cash flow from operating activities. 3. The increase in the cash flow reinvestment ratio was mainly due to the increase in net cash flow from operating activities.			

(3) Analysis of cash liquidity for the next year

Unit: NT\$ Thousand

Beginning of year cash balance (1)	Expected annual net cash inflow from operating activities (2)	Expected annual net cash outflow (3)	Cash surplus (deficit) (1)+(2)-(3)	Remediation measures against expected cash flow deficit	
				Investment plans	Wealth management
7,637,809	2,960,359	2,607,855	7,990,313	0	0
1. Analysis of changes in cash flows: Operating activities: The 2024 net cash inflow is expected to mainly depend on the 2024 net profit (before taxes). Investment activities: The 2024 net cash outflow is expected to mainly be due to the purchase of equipment and software. Financing activities: The 2024 net cash outflow will mainly be due to the release of cash dividends. 2. The remedy measures and liquidity analysis of expected cash deficiency: None.					

4. Impacts of major capital expenditures on finance and business in the most recent year: No such condition

5. The company’s investment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year.

Investee \ Description	Reinvestment Policy	2023 Investment profit/loss (NT\$1,000)	Main reason for profit or loss	Improvement Plan	Investment plan for the coming year
Global Unichip Corp.-NA	The main purpose is to help expand the US market, and to directly provide product design, technical support and consulting services for customers on a local basis.	10,980	The main profit source is the stable revenue from product design, technical support and consulting services	N/A	None
Global Unichip Japan Co., Ltd.	The main purpose is to help expand the Japanese market, and to directly provide product consulting services for customers on a local basis.	13,260	The main profit source is the stable revenue from product design, technical support and consulting services	N/A	None
Global Unichip Corp. Europe B.V.	The main purpose is to help expand the European market, and to directly provide product consulting services for customers on a local basis.	1,475	The main profit source is the stable revenue from consulting services	N/A	None
Global Unichip (Shanghai) Co., Ltd.	The main purpose is to help expand the Mainland China market, and to directly provide product consulting services for customers on a local basis.	6,210	The main profit source is the stable revenue from consulting services	N/A	None
Global Unichip Corp. Korea	The main purpose is to help expand the Korean market, and to directly provide product consulting services for customers on a local basis.	250	The main profit source is the stable revenue from consulting services	N/A	None
Global Unichip Nanjing Co., Ltd.	The main purpose is to help expand the Mainland China market, and to directly provide product consulting services for customers on a local basis.	89,432	The main profit source is the stable revenue from technical support and consulting services	N/A	The principle of long-term strategic investing shall still be upheld through ongoing and prudent investment evaluations.
Global Unichip Vietnam Co., Ltd.	Assist in technical support, and consulting services for GUC.	905	The main profit source is the stable revenue from technical support and consulting services	N/A	None



## 6. Risks being identified in the most recent year up to the publication date of this annual report

### (1) Impact of interest/exchange rate changes and inflation on the company's profit/loss, and the countermeasures to be taken in the future:

#### 1. Impact of interest rate changes on the company's profit/loss, and the countermeasures to be taken in the future:

The Company's interest revenue was NT\$98,173 thousand, and interest expense was NT\$5,504 thousand in 2023, both of which accounted for a low percentage of annual operating revenue and profit/loss. It is expected that changes in interest rates in the future will not have a significant impact on the Company's overall operations and profit/loss.

The Company's interest rate risk is mainly derived from its investment positions and lease liabilities. Changes in interest rates can affect the interest income accrued from company's cash, cash equivalents, financial assets at fair value through profit or loss and the interest expense paid for lease liabilities. The Company's cash and cash equivalents, including time deposit investments at a fixed interest rate and financial assets at fair value through profit or loss, can all bear a certain degree of interest rate risk. The interest income of cash, cash equivalents and financial assets at fair value through profit or loss at a floating rate may be lower than expected as a result of the decline in the interest rate. According to a sensitivity analysis conducted on the Company's fixed income investment on the close day of the reporting period, assuming that an increase of 0.1% of the interest rate occurred on the interest of different periods of time, the before-tax net profit in 2023 would increase by NT\$9,739 thousand.

For the Company's lease liabilities, floating interest rates are adopted for the discount rate, so any rise in interest rates may accrue a higher interest expense than expected. According to a sensitivity analysis conducted on the Company's lease liabilities on the close day of the reporting period, assuming that an increase of 0.1% of the interest rate occurred to the interest of different periods of time, the before-tax net profit in 2023 would decrease by NT\$251 thousand.

#### 2. Impact of exchange rate changes on the company's profit/loss, and the countermeasures to be taken in the future:

The Company's main operating activities are foreign currency transactions, so it is exposed to the risk of fluctuations in foreign exchange rates. To avoid future volatility in cash flows resulting from changes in exchange rates, the Company adopts economic hedge measures to maintain the balance of its net assets and liabilities of foreign currencies. Regarding the sensitivity analysis of the foreign currency exchange rate risk, foreign monetary items are mainly calculated on the close day of the reporting period. If the New Taiwan Dollar has appreciated 10% against relevant foreign currencies, the Company's before-tax net profit in 2023 would decrease by NT\$11,556 thousand.

The Company's losses on currency exchanges in 2023 was NT\$3,127 thousand, accounting for a low percentage of the annual operating revenue and net income. Since export accounts for a considerable percentage of the Company's revenue, changes in TWD to USD exchange rate may have an impact on the Company's profit/loss. Thus, the Company has been paying attention to the exchange rate fluctuations in the global market, and continues the implementation of the following countermeasures:

- (1) By paying the accounts payable of foreign currency arising from purchasing materials with the foreign currency cash received from selling products in overseas markets, most of the currency risks can be hedged through natural hedging strategies. Only the risks of exchange rate changes in relation to net assets (liabilities) in foreign currency need to be hedged through financial instruments in a timely manner in response to exchange rate fluctuations.
- (2) The finance department maintains close contact with the foreign exchange department of financial institutions, and collects real-time exchange rate information to stay on top of the exchange rate trends and changes in the global market and actively respond to the negative impact of exchange rate fluctuations.
- (3) The finance department makes an internal evaluation report on the net asset (liability) positions in foreign currency that need to be hedged on a monthly basis, which shall be submitted to the Company's managerial personnel for deciding the hedging measures to be taken.
- (4) The Company has formulated "Handling Procedures for Assets Acquisition or Disposal" in accordance with regulations set by Securities and Futures Bureau of Financial Supervisory Committee. Moreover, strict operating procedures for financial derivative transactions, risk management, supervision and auditing have also been formulated for the Company to strengthen risk control/management when using financial derivative instruments for exchange rate risk hedging.

#### 3. Impact of inflation on the company's profit/loss, and the countermeasures to be taken in the future:

Since prices of the raw materials required for the Company's production are relatively stable, short-term inflation will not have significant impact on the Company's future income.

### (2) Policies for activities involving high risks, highly leveraged investments, fund lending, endorsements/guarantees and derivatives trading, the main reasons for profit or loss, and the countermeasures to be taken in the future

The Company does not engage in any activities involving high risks, highly leveraged investments, fund lending, endorsements/guarantees or derivatives trading. With the formulation of "Operating Procedures for Fund Lending", "Operating Procedures for Endorsement/Guarantee" and "Handling Procedures for Assets Acquisition or Disposal", if any of the above transactions shall be taken in the future, relevant regulations and corresponding measures will be followed to preserve the best interests of the Company.

### (3) Research and development work to be carried out in the future, and further expenditures expected for research and development work

To meet the growing ASIC demand for high-performance computing (e.g., 5G networking, AI/machine learning, and servers), GUC will continue to develop leading-edge system design solutions and invest in 2nm, 3nm, 5nm, 6nm, and 7nm R&D, with emphasis on high-speed interface and memory IP development, such as our GLink & UCIE chip interconnect IP, HBM PHY & controller, high speed ADC, and TCAM. GUC plans to invest over NT\$1.5 billion into R&D over the next two years. The plans are as follows.

R&D Area	Test Chip Tape-out Schedule/Development Status	System Validation Schedule
3nm HBM3 controller & PHY	Taped out in Jan. 2023	Silicon-proving to be completed Q1, 2024
3nm HBM4 controller & PHY	To be taped out in Q1, 2025	Silicon-proveing to be completed Q4, 2025
3nm PLL, THM, Process Monitor	Taped out in Nov. 2023	Silicon-proving to be completed Q4, 2024
2nm PLL, THM, Process Monotor	To be taped in Oct. 2024	Silicon-proving to be completed Q3, 2025
GLink 2.3 3nm chip interconnection IP PHY	Taped out in Jan. 2023	Silicon-proving to be completed Q1, 2024
3nm UCIE IP	Taped out in Nov. 2023	Silicon-proving to be completed Q4, 2024
2nm UCIE LP IP	To be taped in Q1, 2025	Silicon-proving to be completed in Q1, 2026
3nm UCIE LP IP	To be taped in Q4, 2024	Silicon-proving to be completed in Q4, 2025
5nm UCIE LP IP	To be taped in Q1, 2025	Silicon-proving to be completed in Q1, 2026
GLink-3D 6nm and 5nm chip interconnection IP PHY	Completed	Silicon-proving is completed Q1, 2024
3nm design flow	N3P V0.9 design flow completed	N3P V1.0 design flow to be completed in H1 2024
2nm design flow	N2 V0.9 PPA benchmark	N2 V0.9 design flow to be completed in H1 2024 N2P V0.9 design flow to be completed in H2 2024
2.5D/3D Advanced Package design flow	Completed CoWoS-S & CoWoS-R design flow	CoWoS-L design flow to be completed in H2 2024

### (4) Impact of changes in critical domestic/foreign policies and laws on the company's finance/business, and the countermeasures to be taken

All business of the Company is operated in accordance with laws and regulations set by the competent authorities. The Company's finance/business has not been impacted by changes in critical domestic/foreign policies and laws in the most recent year up to the publication date of this annual report.

**(5) Impact of technological development and industrial changes on the company's finance/business, and the countermeasures to be taken**

The Company has been putting emphasis on the enhancement of research and development capabilities, and actively establishes strategic partnership with TSMC to jointly promote the progress of advanced technologies. In addition to continuing R&D investment, the Company also maintains stable and flexible financial management to meet the challenges of technological change. In terms of information security risk control/management, the Company has established and implemented information security management systems, and has formulated documents in relation to information security policies to regulate the Company's information security operations. Moreover, Information Security Risk Assessment and Internal/External Information Security Cycle Audit are conducted every year to ensure the effectiveness and regulatory compliance of the management systems. For the Company's information security management, please refer to the Company's website and page 114~118 of this annual report. Besides, the Company has been promoting intellectual property management plans since 2000. Please refer to the Company's website for the implementation status.

**(6) Impact of corporate image change on the company's crisis management, and the countermeasures to be taken: No such condition**

**(7) Expected benefits, possible risks, and the countermeasures to be taken for M&A: No such condition**

**(8) Expected benefits, possible risks, and the countermeasures to be taken for plant expansion: No such condition**

**(9) Risks arising from concentration of purchase or sales, and the countermeasures to be taken**

Since the Company's major supplier is a world-renowned foundry, and also the Company's major shareholder holding stakes more than 10%, the purchase-related risk is still low. There is no concern about concentration of product sales in the Company.

**(10) Impact and risks of the transfer of stakes held by directors or major shareholders holding stakes over 10 %, and the countermeasures to be taken: No such condition**

**(11) Impact and risks of changes in ownership of the company, and the countermeasures to be taken: No such condition**

**(12) Litigious or non-litigious events: It is necessary to list the major adjudicated or pending litigious/non-litigious or administrative dispute events in which the company or any of the company's directors, president, de facto responsible person, any of the major shareholders holding stakes over 10%, or any of the subordinate companies is involved. For events whose consequences may have a material impact on shareholders' equity or the price of securities, it is necessary to disclose the disputed facts at issue, the claim amount, the litigation start date, and the main parties involved as well as the processing status up until the publication date of this annual report:**

As is the case with many companies in the semiconductor industry, the Company has received from time to time communications from third parties asserting that its technologies, its manufacturing processes, or the design of the semiconductors made by TSMC or the use of those semiconductors by its customers may infringe upon their patents or other intellectual property rights. These assertions have at times resulted in litigation by or against the Company and settlement payments by the Company. Irrespective of the validity of these claims, the Company could incur significant costs in the defense thereof or could suffer adverse effects on its operations. The Company is also subject to antitrust compliance requirements and scrutiny by governmental regulators in multiple jurisdictions. Any adverse results of such

proceeding or other similar proceedings that may arise in those jurisdictions could harm TSMC's business and distract its management, and thereby have a material adverse effect on its results of operations or prospects, and subject the Company to potential significant legal liability.

Currently, TSMC's material legal proceeding is as follows:


In September 2022, Daedalus Prime LLC ("Daedalus") filed complaints in the U.S. International Trade Commission ("ITC") and the U.S. District Court for the Eastern District of Texas alleging that TSMC, TSMC North America, and other companies infringe four U.S. patents. The ITC instituted an investigation in October 2022. In June 2023, Daedalus dropped two of the asserted patents in the ITC. Also in June 2023, Daedalus filed another complaint in the Eastern District of Texas alleging that TSMC infringes five U.S. patents. In September 2023, the ITC granted the parties' joint motion to suspend the procedural schedule while the parties finalize the settlement agreement and then request termination of the ITC Investigation and related litigations. In October 2023, the parties jointly requested the ITC to terminate the investigation and Eastern District of Texas to dismiss the related litigations. In November 2023, the ITC investigation was terminated and the related litigations in the Eastern District of Texas were dismissed.

Other than the matter described above, as of the date of this Annual Report, TSMC is not currently a party to any other material legal proceedings.

**(13) Other important risks and countermeasures: None**

**7. Other material matters: None**





# CHAPTER 8

## Special Disclosure

- Summary of Affiliated Companies
- Private Placement Securities
- Holding or Disposition of the Company Stocks by Subsidiaries
- Other Necessary Supplement



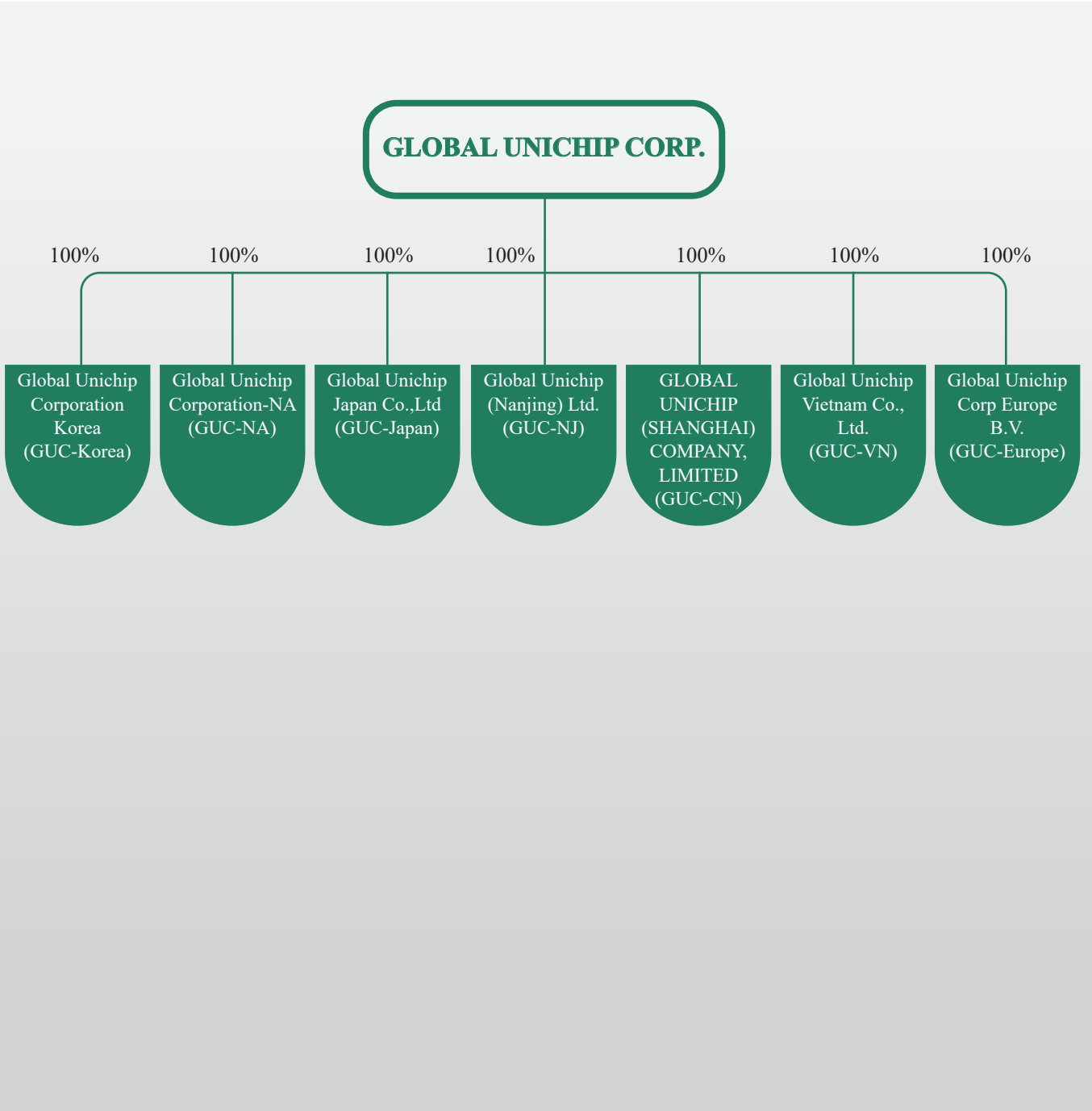
Special Disclosure

1. Summary of affiliated companies

(1) Affiliated companies’ consolidated business report

1. Organizational chart of the company’s affiliated companies

December 31, 2023



2. Profiles of the Company’s affiliated companies

Name of enterprise	Date of establishment	Address	Paid-in Capital	Main business or production items
GUC-NA	2004.02.02	2841 Junction Ave. Suite 201 San Jose, CA 95134, USA	USD800,000	Assist in product design, technical support, and consulting services for GUC’s North American market.
GUC-Japan	2005.06.16	Yokohama Landmark Tower 16F, 2-2-1, Minatomirai, Nishiku, Yokohama, 220-8116, Japan	YEN55,000,000	Assist in product design, technical support, and consulting services for GUC’s Japan market.
GUC-Europe	2008.05.09	World Trade Center, Tower H - 6th Floor, Zuidplein 58, 1077 XV Amsterdam.	EUR200,000	Assist in consulting services for GUC’s Europe market.
GUC-CN	2009.11.04	Room 2305, No. 1350, Sichuan North Road, Hongkou District, Shanghai	USD1,000,000	Assist in technical support, and consulting services for GUC’s Mainland China market.
GUC-Korea	2016.11.21	3F, 208 Teheran-ro, Gangnam-gu, Seoul	KRW220,000,000	Assist in consulting services for GUC’s Korea market.
GUC-NJ	2017.07.24	14th Floor, Block C, Fuying Building, No. 99, Tuanjie Road, Pukou District, Nanjing City	USD6,000,000	Assist in technical support, and consulting services for GUC’s Mainland China market.
GUC-VN	2023.02.20	7th Floor, No. 71 Hoang Van Thai, Tan Phu Ward, District 7, Ho Chi Minh City, Vietnam	USD1,000,000	Assist in technical support, and consulting services for GUC.

3. Information on overlap shareholders of companies deemed to have controlling and subordinate relationships: None.

4. The industries covered by the business of the overall affiliated enterprises:  
Businesses operated by the Company and its affiliates include IC R&D, production, sales, and relevant consulting services.



5. Profiles of Directors, Supervisors and Presidents of the Company’s affiliates:

Name of enterprise	Title	Name or Representative	Number of shares	
			Number of shares	Shareholding ratio
GUC-NA	Director and CEO	Patrick Wang	GUC holds 800,000 shares	100%
	Director	Louis Lin, Jeffrey Chan		
GUC-Japan	Director and CEO	Alex Huang	GUC holds 1,100 shares	100%
	Director	Patrick Wang		
GUC-Europe	Director	Patrick Wang, Alex Huang	GUC holds 100% shares	100%
GUC-CN	Director and President	Patrick Wang	GUC holds 100% shares	100%
	Director	Louis Lin, Brad Chou		
	Supervisor	Daniel Chien		
GUC-Korea	Director and Representative	Yung-Chi Hsu	GUC holds 44,000 shares	100%
	Director	Patrick Wang		
GUC-NJ	Director and President	Brad Chou	GUC holds 100% shares	100%
	Director	Louis Lin, Patrick Wang		
	Supervisor	Daniel Chien		
GUC-VN	Director and President	Logan Tsai	GUC holds 100% shares	100%
	Director	Louis Lin, Chris Chen		

6. Operation overview of the Company’s affiliates

December 31, 2023 Unit: unless otherwise specified, NT\$1,000

Name of enterprise	Paid-up capital	Total assets	Total liabilities	Net worth	Operating revenue for current period	Operating profit for current period	Profit or loss for current period (After tax)	Earnings per share (NT\$) (After tax)
GUC-NA	USD 800,000	232,179	61,254	170,925	230,755	15,360	10,980	13.72
GUC-Japan	YEN 55,000,000	135,199	54,379	80,820	290,571	19,184	13,260	12,054.39
GUC-Europe	EUR 200,000	38,945	22,544	16,401	25,536	1,868	1,475	Not applicable
GUC-CN	USD 1,000,000	70,734	11,342	59,392	117,490	7,848	6,210	Not applicable
GUC- Korea	KRW 220,000,000	9,594	2,124	7,470	8,377	659	250	5.68
GUC-NJ	USD 4,000,000	575,911	18,717	557,194	476,965	24,422	89,432	Not applicable
GUC-VN	USD 1,000,000	37,844	7,387	30,457	21,293	1,754	905	Not applicable

1. The exchange rates adopted in Balance Sheet are as follows:

USD 1= TWD30.705, JPY 1=TWD0.2172  
EUR 1= TWD33.98, KRW 1= TWD0.02391  
RMB 1= TWD4.3270, VND1= TWD0.00125

2. The exchange rates adopted in Income Statement were the average buying/selling exchange rates of the current month and current period announced by Bank of Taiwan in 2023.

(2) Consolidated Financial Statements with Affiliates:

Declaration for consolidated financial statements of affiliates

The companies to be included in the consolidated financial reports of affiliates pursuant to the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, and the companies to be included in the consolidated financial reports pursuant to IFRS 10 in 2023 (From January 1 to December 31, 2023) are the same for the Company. Furthermore, since the information to be disclosed in the consolidated financial reports of affiliates has been disclosed in the aforesaid consolidated financial reports, the consolidated financial reports of affiliates will not be prepared in addition.

Global Unichip Corp.

Chairman: F.C. Tseng



January 31, 2024

(3) Affiliation reports

- 1. Overview of the relationship between the subordinate company and the controlling company: N/A.
- 2. Transaction/Interaction
  - (1) Purchase (sales) transactions: N/A.
  - (2) Property transactions: None
  - (3) Fund financing: None
  - (4) Asset leasing: None
  - (5) Other important transactions/interactions: None
- 3. Endorsement/guarantee: None
- 4. Derivatives trading: None

(4) The Company’s affiliates do not engage in any activities involving endorsements/guarantees, fund lending, or derivatives trading.

2. Private placement of securities in the most recent year and up to the date of publication of the annual report: None

3. Subsidiaries’ holding or disposal of the Company’s shares in the most recent year and up to the date of publication of the annual report: None

4. Other necessary supplementary notes:

(1) Occurrence of events that have a significant impact on shareholders’ equity or the price of securities as specified in Article 36, Paragraph 3, Subparagraph 2 of Securities and Exchange Act in the most recent year up to the publication date of this annual report: None.

(2) Personnel’s license acquisition in the Company’s Finance/Accounting Department and Audit Department:

- 1. CPA: One in Finance/Accounting Department and one in Audit Department
- 2. Certified Securities Investment Analyst (CSIA): One in Finance/Accounting Department
- 3. Certified Public Bookkeeper: One in Finance/Accounting Department
- 4. Certified Information Systems Auditor( CISA): One in Audit Department
- 5. ISO 27001 Lead Auditor Two in Audit Department



勤業眾信

勤業眾信聯合會計師事務所  
110016 台北市信義區松仁路100號20樓

Deloitte & Touche  
20F, Taipei Nan Shan Plaza  
No. 100, Songren Rd.,  
Xinyi Dist., Taipei 110016, Taiwan

Tel :+886 (2) 2725-9988  
Fax:+886 (2) 4051-6888  
www.deloitte.com.tw

INDEPENDENT AUDITORS’ REPORT

The Board of Directors and Shareholders  
Global Unichip Corp.

Opinion

We have audited the accompanying consolidated financial statements of Global Unichip Corp. and its subsidiaries (the “Company”), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of inventory

Due to the current rapid changes in technology and the high level of competition in the business environment, the prices of products are fluctuating quickly; consequently, the changes in the net realizable value of inventory could have a material impact on the financial statements. As of December 31, 2023 the carrying amount of inventory was NT\$4,850,717 thousand, which accounted for 23% of the total assets in the consolidated balance sheet. Please refer to Notes 4, 5 and 8 to the consolidated financial statements for the details of the information and accounting policy about inventory. The Company’s primary business is rendering of services and producing and selling of products in the semiconductor industry. The rapid technological changes in the semiconductor



industry require management to timely estimate possible loss on inventory that is expected to be scrapped or disposed of according to the Company's inventory control and accounting policy and the clients' orders. As uncertainty exists in management's judgment when determining loss on inventory, the valuation of inventory has been identified as a key audit matter.

Our key audit procedures performed in respect of this area included the following:

1. We obtained an understanding of the design of the key controls over the valuation of inventory.
2. We obtained the inventory aging report, and we verified the accuracy and completeness of the report by agreeing the age interval, quantity, and amount to the supporting documents of inbound inventory. We assessed the reasonableness of allowance for inventory loss by recalculating the amount in accordance with the stated valuation policy for the inventory.
3. We performed a retrospective review of past estimates to determine the reasonableness of the past judgments with reference to actual amounts of inventory loss.

#### Other Matter

We have also audited the parent company only financial statements of Global Unichip Corp. as of and for the years ended December 31, 2023 and 2022 on which we have issued an unmodified opinion.

#### Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

#### Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 the Standards on Auditing of the Republic of China 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 consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated 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.
2. 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 Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. 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 Company'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 consolidated 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 Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence on the financial information of components constituting the Company 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 those charged with governance 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 those charged with governance with statements 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 those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2023, and are therefore the key audit matters. We describe these matters in our auditors' 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.

The engagement partners on the audit resulting in this independent auditors’ report are Ming-Hui Chen and Su-Li Fang.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

January 31, 2024

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the independent auditors’ report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors’ report and consolidated financial statements shall prevail.

GLOBAL UNICHIP CORP. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2023		December 31, 2022		December 31, 2023		December 31, 2022	
	Amount	%	Amount	%	Amount	%	Amount	%
CURRENT ASSETS								
Cash and cash equivalents (Note 27)	\$ 7,637,809	36	\$ 5,848,557	28	\$ 6,250,159	30	\$ 6,349,476	30
Financial assets at fair value through profit or loss (Note 7)	2,080,000	10	1,780,000	8	1,174,487	6	1,512,480	7
Accounts receivable, net (Notes 6 and 16)	1,967,388	9	2,981,616	14	513,654	2	1,470,933	7
Receivables from related parties (Note 27)	22,040	-	18,617	-				
Inventories (Note 8)	4,850,717	23	6,562,722	31	1,454,645	7	740,818	3
Other financial assets (Note 27)	3,862	-	1,531	-	16,416	-	17,452	-
Other current assets (Notes 12 and 27)	2,874,469	14	2,364,874	11	261,573	1	592,932	3
Total current assets	19,436,285	92	19,557,917	92	78,372	-	68,808	-
					1,204,559	6	1,845,578	9
NON-CURRENT ASSETS					10,953,865	52	12,598,477	59
Property, plant and equipment (Note 9)	558,637	3	646,035	3				
Right-of-use assets (Note 10)	236,721	1	270,017	1	127,918	1	116,463	1
Intangible assets (Note 11)	587,286	3	541,432	3	172,196	1	214,981	1
Deferred income tax assets (Note 21)	15,655	-	19,322	-	112,618	-	165,659	1
Prepayments for business facilities	1,244	-	1,036	-	22,312	-	27,287	-
Refundable deposits (Note 27)	215,904	1	129,580	1	3,464	-	3,474	-
Pledged time deposits (Notes 27 and 28)	22,200	-	22,200	-				
Total non-current assets	1,637,647	8	1,629,622	8	438,508	2	527,864	3
					11,392,373	54	13,126,341	62
EQUITY (Note 15)								
Share capital					1,340,119	6	1,340,119	6
Capital surplus					32,801	-	32,676	-
Retained earnings								
Appropriated as legal reserve					1,428,010	7	1,056,442	5
Appropriated as special reserve					18,234	-	38,471	-
Unappropriated earnings					6,896,402	33	5,611,724	27
Others					(34,007)	-	(18,234)	-
Total equity					9,681,559	46	8,061,198	38
TOTAL	\$21,073,932	100	\$21,187,539	100	\$21,073,932	100	\$21,187,539	100

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



GLOBAL UNICHIP CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
NET REVENUE (Notes 16 and 27)	\$ 26,240,714	100	\$ 24,039,671	100
COST OF REVENUE (Notes 23 and 27)	<u>18,265,019</u>	<u>70</u>	<u>15,704,686</u>	<u>65</u>
GROSS PROFIT	<u>7,975,695</u>	<u>30</u>	<u>8,334,985</u>	<u>35</u>
OPERATING EXPENSES				
Sales and marketing (Notes 23 and 27)	393,573	1	381,394	2
General and administrative (Notes 23 and 27)	496,950	2	564,931	2
Research and development (Notes 23 and 27)	<u>3,116,402</u>	<u>12</u>	<u>3,289,727</u>	<u>14</u>
Total operating expenses	<u>4,006,925</u>	<u>15</u>	<u>4,236,052</u>	<u>18</u>
INCOME FROM OPERATIONS	<u>3,968,770</u>	<u>15</u>	<u>4,098,933</u>	<u>17</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Notes 17 and 27)	98,173	1	42,195	-
Other income (Notes 10 and 18)	74,367	-	78,238	-
Other gains and losses (Note 19)	19,474	-	129,818	1
Finance costs (Notes 20 and 27)	<u>(5,504)</u>	<u>-</u>	<u>(4,411)</u>	<u>-</u>
Total non-operating income and expenses	<u>186,510</u>	<u>1</u>	<u>245,840</u>	<u>1</u>
INCOME BEFORE INCOME TAX	4,155,280	16	4,344,773	18
INCOME TAX EXPENSE (Note 21)	<u>647,395</u>	<u>3</u>	<u>634,331</u>	<u>3</u>
NET INCOME	<u>3,507,885</u>	<u>13</u>	<u>3,710,442</u>	<u>15</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans (Note 14)	4,291	-	5,238	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations (Note 15)	<u>(15,773)</u>	<u>-</u>	<u>20,237</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(11,482)</u>	<u>-</u>	<u>25,475</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 3,496,403</u>	<u>13</u>	<u>\$ 3,735,917</u>	<u>15</u>
EARNINGS PER SHARE (Note 22)				
Basic earnings per share	<u>\$ 26.18</u>		<u>\$ 27.69</u>	
Diluted earnings per share	<u>\$ 26.02</u>		<u>\$ 27.47</u>	

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

GLOBAL UNICHIP CORP. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

	Share Capital - Common Stock		Capital Surplus		Legal Reserve		Retained Earnings		Others	
	Share (In Thousands)	Amount	Amount	Special Reserve	Unappropriated Earnings	Total	Foreign Currency Translation Reserve	Total Equity		
BALANCE, JANUARY 1, 2022	134,011	\$ 1,340,119	\$ 32,641	\$ 910,172	\$ 22,153	\$ 2,996,715	\$ 3,929,040	\$ 5,263,329		
Appropriation and distribution of prior year's earnings	-	-	-	146,270	-	(146,270)	-	-		
Legal reserve	-	-	-	-	16,318	(16,318)	-	-		
Special reserve	-	-	-	-	-	(938,083)	-	(938,083)		
Cash dividends to shareholders - NT\$7.00 per share	-	-	-	146,270	-	(1,100,671)	-	(938,083)		
Total	-	-	35	-	-	-	-	35		
Dividends from claims extinguished by prescription	-	-	-	-	-	3,710,442	-	3,710,442		
Net income in 2022	-	-	-	-	-	5,238	20,237	25,475		
Other comprehensive income in 2022, net of income tax	-	-	-	-	-	3,715,680	20,237	3,735,917		
Total comprehensive income in 2022	-	-	-	-	-	5,611,724	6,706,637	8,061,198		
BALANCE, DECEMBER 31, 2022	134,011	1,340,119	32,676	1,056,442	38,471	5,611,724	(18,234)	8,061,198		
Appropriation and distribution of prior year's earnings	-	-	-	371,568	-	(371,568)	-	-		
Legal reserve	-	-	-	-	(20,237)	20,237	-	-		
Reversal of special reserve	-	-	-	-	-	(1,876,167)	-	(1,876,167)		
Cash dividends to shareholders - NT\$14.00 per share	-	-	-	371,568	(20,237)	(2,227,498)	-	(1,876,167)		
Total	-	-	50	-	-	-	-	50		
Donations from shareholders	-	-	75	-	-	-	-	75		
Dividends from claims extinguished by prescription	-	-	-	-	-	3,507,885	-	3,507,885		
Net income in 2023	-	-	-	-	-	4,291	4,291	(11,482)		
Other comprehensive income in 2023, net of income tax	-	-	-	-	-	3,512,176	(15,773)	3,496,403		
Total comprehensive income in 2023	-	-	-	-	-	6,896,402	8,342,646	9,681,559		
BALANCE, DECEMBER 31, 2023	134,011	\$ 1,340,119	\$ 32,801	\$ 1,428,010	\$ 18,234	\$ 6,896,402	\$ 8,342,646	\$ 9,681,559		

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

## GLOBAL UNICHIP CORP. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 4,155,280	\$ 4,344,773
Adjustments for:		
Depreciation	266,989	318,014
Amortization	347,745	333,986
Gain on financial assets at fair value through profit or loss	(22,551)	(10,884)
Finance costs	5,504	4,411
Interest income	(98,173)	(42,195)
Gain on disposal of property, plant and equipment, net	(110)	-
Loss (gain) on foreign exchange, net	(29,423)	22,126
Gain on lease modification	-	(5)
Changes in operating assets and liabilities:		
Accounts receivable, net (including related parties)	1,010,805	(1,487,183)
Inventories	1,712,005	(3,774,150)
Other current assets	(833,740)	(514,003)
Contract liabilities	(99,317)	1,035,526
Accounts payable (including related parties)	(973,754)	898,427
Accrued employees' compensation and remuneration to directors	713,827	441,323
Accrued expenses and other current liabilities	(685,447)	274,308
Net defined benefit liabilities	(684)	(863)
Cash generated from operations	5,468,956	1,843,611
Income tax paid	(960,765)	(249,075)
Net cash generated from operating activities	<u>4,508,191</u>	<u>1,594,536</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of:		
Financial assets at fair value through profit or loss	(2,380,000)	(2,030,000)
Property, plant and equipment	(101,565)	(320,057)
Intangible assets	(376,185)	(359,745)
Proceeds from disposal of:		
Financial assets at fair value through profit or loss	2,102,551	2,390,884
Property, plant and equipment	163	-
Refundable deposits paid	(86,758)	(72,470)
Refundable deposits refunded	3,055	3,368
Interest received	<u>95,842</u>	<u>41,446</u>
Net cash used in investing activities	<u>(742,897)</u>	<u>(346,574)</u>

(Continued)

## GLOBAL UNICHIP CORP. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	2023	2022
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Guarantee deposits received	\$ 48	\$ 314
Guarantee deposits refunded	(50)	(57)
Repayment of the principal portion of lease liabilities	(79,965)	(64,879)
Cash dividends paid	(1,876,167)	(938,083)
Interest paid	(5,504)	(4,411)
Donations from shareholders	50	-
Dividends from claims extinguished by prescription reclassified to capital surplus	<u>75</u>	<u>35</u>
Net cash used in financing activities	<u>(1,961,513)</u>	<u>(1,007,081)</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<u>(14,529)</u>	<u>20,444</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	1,789,252	261,325
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>5,848,557</u>	<u>5,587,232</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 7,637,809</u>	<u>\$ 5,848,557</u>

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)



GLOBAL UNICHIP CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022  
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. GENERAL

Global Unichip Corp. (GUC), a Republic of China (R.O.C.) corporation, was incorporated on January 22, 1998. GUC is engaged mainly in researching, developing, producing, testing and selling of embedded memory and logic components for various application ICs, cell libraries for various application ICs, and EDA tools for various application ICs. On November 3, 2006, GUC’s shares were listed on the Taiwan Stock Exchange (TWSE). The address of its registered office and principal place of business is No. 10 Li-Hsin 6<sup>th</sup> Rd., Hsinchu Science Park, Taiwan. GUC together with its consolidated subsidiaries are hereinafter referred to collectively as the “Company”.

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorized by GUC’s Audit Committee and Board of Directors for issue on January 31, 2024.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRS Accounting Standards”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, the initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have a material impact on the Company’s accounting policies:

Amendments to IAS 12 “International Tax Reform - Pillar Two Model Rules”

The amendments introduce a temporary exception to the requirements in IAS 12 by stipulating that the Company should neither recognize nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. The amendments also require the Company to disclose that it has applied the exception and separately disclose its current tax expense (income) related to Pillar Two income taxes. In addition, for periods in which Pillar Two legislation is enacted or substantively enacted but not yet in effect, the Company should disclose qualitative and quantitative information that helps users of financial statements understand the Company’s exposure to Pillar Two income taxes. The requirement that the Company apply the exception and the requirement to disclose that fact are applied immediately and retrospectively upon issuance of the amendments. The remaining disclosure requirements apply for annual reporting periods beginning on or after January 1, 2023, but not for any interim period ending on or before December 31, 2023.

- b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2024

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

Note 1: Unless stated otherwise, the above IFRS Accounting Standards are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Note 3: The amendments provide some transition relief regarding disclosure requirements.

- c. New IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note 2)

Note 1: Unless stated otherwise, the above IFRS Accounting Standards are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The Company shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the Company recognizes any effect as an adjustment to the opening balance of retained earnings. When the Company uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

As of the date the consolidated financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of above standards and interpretations will have on the Company’s financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

For the convenience of readers, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the R.O.C. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language consolidated financial statements shall prevail.

Material accounting policies are summarized as follows:

### Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS Accounting Standards as endorsed and issued into effect by the FSC.

### Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets, as explained in the accounting policies below.

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

### Basis of Consolidation

#### Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of GUC and entities controlled by GUC (its subsidiaries). Control is achieved where GUC has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies consistent with those used by GUC.

All intercompany transactions, balances, income and expenses are eliminated in full upon consolidation.

#### The subsidiaries in the consolidated financial statements

The detail information of the subsidiaries at the end of reporting period is as follows:

Name of Investor	Name of Investee	Main Businesses and Products	Establishment and Operating Location	<u>Percentage of Ownership</u> <u>December 31</u>		Remark
				2023	2022	
GUC	Global Unichip Corp.-NA (GUC-NA)	Products consulting, design and technical support service	U.S.A.	100%	100%	Note 1
	Global Unichip Japan Co., Ltd. (GUC-Japan)	Products consulting, design and technical support service	Japan	100%	100%	Note 1
	Global Unichip Corp. Europe B.V. (GUC-Europe)	Products consulting, design and technical support service	Netherlands	100%	100%	Note 1
	Global Unichip Corp. Korea (GUC-Korea)	Products consulting, design and technical support service	Korea	100%	100%	Note 1
	Global Unichip (Nanjing) Ltd. (GUC-Nanjing)	Products consulting, design and technical support service	Nanjing, China	100%	100%	Note 1
	Global Unichip (Shanghai) Company, Limited (GUC-Shanghai)	Products consulting, design and technical support service	Shanghai, China	100%	100%	Note 1
	Global Unichip Vietnam Company Limited (GUC-Vietnam)	Products consulting, design and technical support service	Vietnam	100%	-	Notes 1 & 2

Note 1: The subsidiaries are not significant subsidiaries. Except for GUC-NA and GUC-Nanjing, other subsidiaries' financial statements have not been audited.

Note 2: Upon the approval of the Board of the Directors on October 27, 2022, GUC-Vietnam was established by GUC in February 2023.

### Foreign Currencies

The financial statements of each individual consolidated entity were expressed in the currency, which reflected its primary economic environment (functional currency). The functional currency of GUC and the presentation currency of the consolidated financial statements are both New Taiwan Dollars (NT\$). In preparing the consolidated financial statements, the operating results and financial position of each consolidated entity are translated into NT\$.

In preparing the financial statements of each individual consolidated entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations are translated into NT\$ using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity.

### Classification of Current and Non-current Assets and Liabilities

Current assets include:

- Assets held primarily for the purpose of trading;
- Assets expected to be realized within twelve months after the reporting period; and
- Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

- Liabilities held primarily for the purpose of trading;
- Liabilities due to be settled within twelve months after the reporting period; and
- Liabilities for which the Company does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

### Cash Equivalents

Cash equivalents, for the purpose of meeting short-term cash commitments, consist of highly liquid time deposits and investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.



## Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and liabilities are initially recognized at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

### Financial Assets

All regular way purchases or sales of financial assets are recognized and derecognized on a settlement date basis.

#### a. Measurement category

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss (FVTPL) and financial assets at amortized cost.

##### 1) Financial assets at FVTPL

Financial assets at FVTPL include financial assets that are mandatorily classified as at FVTPL, which include investments in equity instruments which are not designated as at fair value through other comprehensive income (FVOCI) and debt instruments that do not meet the amortized cost criteria or the FVOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends, interest earned and remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 26: Financial Instruments.

##### 2) Financial assets at amortized cost

Financial assets that meet the following 2 conditions are subsequently measured at amortized cost:

- a) The financial asset is held within a business model whose objective is collecting contractual cash flows; and
- b) 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.

Subsequent to initial recognition, financial assets at amortized cost (including cash and cash equivalents, notes and accounts receivable (including related parties) and other receivables), are measured at amortized cost, which equals gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

#### b. Impairment of financial assets and contract assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable) and contract assets.

The Company always recognizes lifetime Expected Credit Losses (ECLs) for accounts receivable. For all other financial instruments, the Company recognizes lifetime ECLs 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 Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For poor credit rating customers that have accounts receivable balances past due over 90 days, the Company recognizes loss allowance at full amount.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

#### c. Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

## Financial Liabilities and Equity Instruments

#### a. Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### b. Equity instruments

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

#### c. Financial liabilities

Financial liabilities are subsequently measured at amortized cost using effective interest method.

Financial liabilities other than those held for trading purposes and designated as at FVTPL are subsequently measured at amortized cost at the end of each reporting period.

#### d. Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

## Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process. Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made on an item-by-item basis, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling

price of inventories less all estimated costs of completion and necessary selling costs. Inventories are recorded at the weighted-average cost on the balance sheet date.

### Property, Plant and Equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment. Costs include any incremental costs that are directly attributable to the construction or acquisition of the item of property, plant and equipment.

Depreciation is recognized so as to write off the cost of the assets less their residual values over their useful lives, and it is computed using the straight-line method over the following estimated useful lives:

Buildings	50 years
Machinery and equipment	7 years
Research and development equipment	4 years
Transportation equipment	4 to 5 years
Office equipment	5 to 10 years
Miscellaneous equipment	2 to 10 years

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

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

### Leases

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

#### a. The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

When the Company subleases a right-of-use asset, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Company, as a lessee, has accounted for applying recognition exemption, the sublease is classified as an operating lease.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

#### b. The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments and variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate.

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, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

### Intangible Assets

Intangible asset with definite useful life is initially recorded at the purchase cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized using the straight-line method over the following estimated useful lives:

Software	2 to 5 years
Patents	Economic lives of the patents

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

Expenditure on research activities is recognized as an expense when incurred. An internally-generated intangible asset arising from development activities is capitalized and then amortized on a straight-line basis over its useful life if the recognition criteria for an intangible asset have been met; otherwise, the development expenditure is recognized as an expense when incurred.

### Impairment of Tangible and Intangible Assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell or value in use. In assessing value in use, the estimated future cash flows 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 for which the estimates of future cash flows have not been adjusted.



If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset or a cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

### Revenue Recognition

The Company identifies the contract with the customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied. Revenue from sale of goods is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

#### Revenue from sale of goods

Revenue is recognized when a customer obtains control of promised goods, at which time the goods are delivered to the customer's specific location and performance obligation is satisfied.

#### Rendering of Non-Recurring Engineering (NRE) services

Revenue is recognized when the NRE service is completed and the qualifications in the contract with the customer have been met. If each performance obligation can be measured reasonably by completion stages, the contract is restricted for another use, and the customer would compensate the company to recover the costs incurred plus a reasonable profit margin whenever the contract is terminated by the customer, revenue from the contract service is recognized over time.

### Retirement Benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost and net interest on the net defined benefit liability are recognized as employee benefits expense in the period they occur. Remeasurement is recognized in other comprehensive income in the period in which it occurs, and it is reflected in retained earnings immediately and will not be reclassified to profit or loss.

Net defined benefit liability represents the actuarial deficit in the Company's defined benefit plan.

### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

#### Current tax

According to the Income Tax Act, an additional income tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

Income taxes of the Company are calculated based on tax laws of various countries and jurisdictions where respective subsidiary companies are incorporated. Income tax returns are filed by each entity separately and not on a combined basis. Income tax expense of the Company is the sum of the income taxes of the entities comprising the Company.

#### Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, provided it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and such temporary differences are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. The deferred tax assets which were originally not recognized are also reviewed at the end of each reporting period and recognized to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

The Company has applied the exception from the recognition and disclosure of deferred tax assets and liabilities related to Pillar Two income taxes. Accordingly, the Company neither recognizes nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

#### Current tax and deferred tax for the period

Current tax and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

### Government Grants

Government grants are recognized when the Company complies with the conditions attached to them and that the grants will be received.

## 5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 4, the directors are required to make judgments, 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.

When developing material accounting estimates, the Company considers the possible impact of climate change and related government policies and regulations on the cash flow projection, growth rates, discount rates, profitability and other relevant material estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

## **MATERIAL ACCOUNTING JUDGMENTS**

### **Revenue recognized at gross or net amount**

The Company determines whether the nature of its performance obligation is to provide the specified goods or services itself (i.e. the Company is a principal) or to arrange for the other party to provide those goods or services (i.e. the Company is an agent) based on the transaction model and its economic substance. The Company is a principal if it controls a promised good or service before it transfers the good or service to a customer. The Company recognizes revenue at gross amount of consideration to which it expects to be entitled in exchange for those goods or services transferred. The Company is an agent if its performance obligation is to arrange for the provision of goods or services by another party. The Company recognizes revenue at the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the other party to provide its goods or services.

### **Timing of revenue recognition**

The Company evaluates whether its performance obligation is satisfied over time or at a point in time in accordance with the respective contract with a customer and applicable regulation when the conditions described in Note 4 are satisfied.

The Company also records a provision for estimated future allowance in the same period the related revenue is recorded. Provision for estimated sales allowance is generally made and adjusted based on management judgment, historical experience and any known factors that would significantly affect the allowance; the management periodically reviews the adequacy of the allowance.

## **KEY SOURCES OF ESTIMATION AND UNCERTAINTY**

### **Impairment of Financial Assets**

The provision for impairment of accounts receivable is based on assumptions about probability of default and loss given default. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience, existing market conditions as well as forward looking estimates at the end of each reporting period. Please refer to Note 6 for the details of the key assumptions and inputs used. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

### **Realization of Deferred Income Tax Assets**

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which those deferred tax assets can be utilized. Assessment of the realizability of deferred tax assets requires the Company's subjective judgment and estimation, including the future revenue growth and profitability, tax holidays, the amount of tax credits that can be utilized and feasible tax planning strategies. Any changes in the global economic environment, the industry trends and relevant laws and regulations could result in significant adjustments to deferred tax assets.

### **Valuation of Inventory**

Inventories are stated at the lower of cost or net realizable value. The Company estimates the net realizable value of inventory at the end of each reporting period.

Due to the rapid technological changes, the Company estimates the net realizable value of inventory for obsolescence and unmarketable items at the end of reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of inventory is mainly determined based on assumptions of future demand within a specific time horizon.

### **Lessees' Incremental Borrowing Rates**

In determining a lessee's incremental borrowing rate used in discounting lease payments, a risk-free rate for the same currency and relevant duration is selected as a reference rate, and the lessee's credit spread adjustments and lease specific adjustments (such as asset type, secured position, etc.) are also taken into account.

## **6. ACCOUNTS RECEIVABLE, NET**

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
At amortized cost		
Accounts receivable	<u>\$ 1,967,388</u>	<u>\$ 2,981,616</u>

In principle, the payment term granted to customers is due 30 days from the invoice date or 30 days from the end of the month the invoice is issued.

The Company measures the loss allowance for accounts receivable at an amount equal to lifetime expected credit losses. The expected credit losses on accounts receivable are estimated using a provision matrix prepared by reference to the past account aging records of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor and an assessment of the gross domestic product growth rate, unemployment rate and industrial indicators at the reporting date. The Company estimates expected credit losses based on the number of days that receivables are past due. As the Company's historical credit losses experience does not show significantly different loss patterns for different customer segments, the provision for losses based on past due status of receivables is not further distinguished between the Company's different customer base; poor credit rating customers that have accounts receivable balances past due over 90 days are provided with full amount of loss allowance.

The Company writes off an account receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery of the receivable. For accounts receivable that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables which are due. Where recoveries are made, these are recognized in profit or loss.

### Aging analysis of accounts receivable

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
No past due	\$ 1,590,921	\$ 2,672,067
Past due		
Past due within 1-30 days	319,825	299,538
Past due within 31-60 days	<u>56,642</u>	<u>10,011</u>
	<u>\$ 1,967,388</u>	<u>\$ 2,981,616</u>



**7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	December 31	
	2023	2022
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	\$ 2,080,000	\$ 1,780,000

**8. INVENTORIES**

	December 31	
	2023	2022
Finished goods	\$ 1,030,815	\$ 455,658
Work in process	2,643,946	4,842,177
Raw materials	1,175,956	1,264,887
	<u>\$ 4,850,717</u>	<u>\$ 6,562,722</u>

Write-down of inventories to net realizable value was included in the cost of revenue; the amounts were as follows:

	Years Ended December 31	
	2023	2022
Write-down of inventories	\$ 17,192	\$ 2,398

**9. PROPERTY, PLANT AND EQUIPMENT**

	Buildings	Machinery and Equipment	Research and Development Equipment	Transportation Equipment	Office Equipment	Miscellaneous Equipment	Total
<u>Cost</u>							
Balance at January 1, 2023	\$ 242,923	\$ 109,805	\$ 1,846,188	\$ 1,375	\$ 34,067	\$ 459,544	\$ 2,693,902
Additions	-	2,280	63,116	1,450	1,770	31,679	100,295
Disposals	-	-	(118,338)	-	(2,212)	(13,880)	(134,430)
Effect of exchange rate changes	-	-	(3)	-	(310)	(1,346)	(1,659)
Balance at December 31, 2023	<u>\$ 242,923</u>	<u>\$ 112,085</u>	<u>\$ 1,790,963</u>	<u>\$ 2,825</u>	<u>\$ 33,315</u>	<u>\$ 475,997</u>	<u>\$ 2,658,108</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2023	\$ 87,628	\$ 39,558	\$ 1,515,711	\$ 1,220	\$ 29,264	\$ 374,486	\$ 2,047,867
Depreciation	4,766	15,973	133,816	276	1,782	30,412	187,025
Disposals	-	-	(118,285)	-	(2,212)	(13,880)	(134,377)
Effect of exchange rate changes	-	-	(31)	-	(158)	(855)	(1,044)
Balance at December 31, 2023	<u>\$ 92,394</u>	<u>\$ 55,531</u>	<u>\$ 1,531,211</u>	<u>\$ 1,496</u>	<u>\$ 28,676</u>	<u>\$ 390,163</u>	<u>\$ 2,099,471</u>
Carrying amount at December 31, 2023	<u>\$ 150,529</u>	<u>\$ 56,554</u>	<u>\$ 259,752</u>	<u>\$ 1,329</u>	<u>\$ 4,639</u>	<u>\$ 85,834</u>	<u>\$ 558,637</u>
<u>Cost</u>							
Balance at January 1, 2022	\$ 242,923	\$ 98,467	\$ 1,582,217	\$ 1,375	\$ 32,821	\$ 447,453	\$ 2,405,256
Additions	-	11,338	302,830	-	1,239	16,711	332,118
Disposals	-	-	(40,299)	-	(300)	(4,988)	(45,587)
Effect of exchange rate changes	-	-	1,440	-	307	368	2,115
Balance at December 31, 2022	<u>\$ 242,923</u>	<u>\$ 109,805</u>	<u>\$ 1,846,188</u>	<u>\$ 1,375</u>	<u>\$ 34,067</u>	<u>\$ 459,544</u>	<u>\$ 2,693,902</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2022	\$ 82,862	\$ 24,393	\$ 1,356,462	\$ 955	\$ 26,418	\$ 349,775	\$ 1,840,865
Depreciation	4,766	15,165	198,521	265	2,861	29,403	250,981
Disposals	-	-	(40,299)	-	(300)	(4,988)	(45,587)
Effect of exchange rate changes	-	-	1,027	-	285	296	1,608
Balance at December 31, 2022	<u>\$ 87,628</u>	<u>\$ 39,558</u>	<u>\$ 1,515,711</u>	<u>\$ 1,220</u>	<u>\$ 29,264</u>	<u>\$ 374,486</u>	<u>\$ 2,047,867</u>
Carrying amount at December 31, 2022	<u>\$ 155,295</u>	<u>\$ 70,247</u>	<u>\$ 330,477</u>	<u>\$ 155</u>	<u>\$ 4,803</u>	<u>\$ 85,058</u>	<u>\$ 646,035</u>

**10. LEASE ARRANGEMENTS**

## a. Right-of-use assets

	Land	Buildings	Transportation Equipment	Total
<u>Cost</u>				
Balance at January 1, 2023	\$ 59,238	\$ 429,290	\$ 5,934	\$ 494,462
Additions	-	46,829	1,579	48,408
Lease expired	-	(4,539)	(1,627)	(6,166)
Effect of exchange rate changes	-	(4,353)	-	(4,353)
Balance at December 31, 2023	<u>\$ 59,238</u>	<u>\$ 467,227</u>	<u>\$ 5,886</u>	<u>\$ 532,351</u>
<u>Accumulated depreciation</u>				
Balance at January 1, 2023	\$ 6,456	\$ 215,496	\$ 2,493	\$ 224,445
Depreciation	1,620	77,112	1,232	79,964
Lease expired	-	(4,539)	(1,627)	(6,166)
Effect of exchange rate changes	-	(2,613)	-	(2,613)
Balance at December 31, 2023	<u>\$ 8,076</u>	<u>\$ 285,456</u>	<u>\$ 2,098</u>	<u>\$ 295,630</u>
Carrying amount at December 31, 2023	<u>\$ 51,162</u>	<u>\$ 181,771</u>	<u>\$ 3,788</u>	<u>\$ 236,721</u>
<u>Cost</u>				
Balance at January 1, 2022	\$ 58,995	\$ 358,084	\$ 3,475	\$ 420,554
Additions	243	64,095	3,840	68,178
Lease expired	-	(3,608)	-	(3,608)
Lease modification	-	-	(1,381)	(1,381)
Effect of exchange rate changes	-	10,719	-	10,719
Balance at December 31, 2022	<u>\$ 59,238</u>	<u>\$ 429,290</u>	<u>\$ 5,934</u>	<u>\$ 494,462</u>
<u>Accumulated depreciation</u>				
Balance at January 1, 2022	\$ 4,838	\$ 153,105	\$ 2,254	\$ 160,197
Depreciation	1,618	64,239	1,176	67,033
Lease expired	-	(3,608)	-	(3,608)
Lease modification	-	-	(937)	(937)
Effect of exchange rate changes	-	1,760	-	1,760
Balance at December 31, 2022	<u>\$ 6,456</u>	<u>\$ 215,496</u>	<u>\$ 2,493</u>	<u>\$ 224,445</u>
Carrying amount at December 31, 2022	<u>\$ 52,782</u>	<u>\$ 213,794</u>	<u>\$ 3,441</u>	<u>\$ 270,017</u>
			<b>Years Ended December 31</b>	
			2023	2022
Income from the subleasing of right-of-use assets (presented in other income)			\$ 300	\$ 149

## b. Lease liabilities

	December 31	
	2023	2022
<u>Carrying amount</u>		
Current	\$ 78,372	\$ 68,808
Non-current	\$ 172,196	\$ 214,981

Range of discount rates for lease liabilities was as follows:

	December 31	
	2023	2022
Land	1.62%	1.62%
Buildings	0.589%-6.19%	0.589%-4.75%
Transportation equipment	0.671%-1.57%	0.589%-0.925%

## c. Material leasing activities and terms

The Company leases land and buildings for the use of plants and offices with lease terms of 1 to 37 years. The lease contract for land located in the R.O.C. specifies that lease payments will be adjusted on the basis of changes in announced land value prices and other factors at any time. The Company does not have bargain purchase option to acquire the leasehold land and buildings at the end of the lease terms. In addition, the Company is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

## d. Subleases

The other sublease transaction is set out below.

Sublease of right-of-use assets

The Company subleased its leasehold parking lot under operating lease with lease term of 1 year and 6 months.

The maturity analysis of lease payments receivable under operating subleases was as follows:

	December 31	
	2023	2022
Year 1	\$ 150	\$ 300
Year 2	-	150
	<u>\$ 150</u>	<u>\$ 450</u>

## e. Other lease information

	Years Ended December 31	
	2023	2022
Expenses relating to short-term leases	\$ 8,915	\$ 6,150
Expenses relating to low-value asset leases	\$ 30	\$ 25
Total cash outflow for leases	<u>\$ (94,557)</u>	<u>\$ (75,650)</u>

The Company's leases for certain buildings, and miscellaneous equipment qualify as short-term leases and leases for certain office equipment and miscellaneous equipment qualify as low-value asset leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

## 11. INTANGIBLE ASSETS

	Software	Patents	Total
<u>Cost</u>			
Balance at January 1, 2023	\$ 1,162,117	\$ 519	\$ 1,162,636
Additions	393,599	-	393,599
Disposals	(299,567)	-	(299,567)
Effect of exchange rate changes	(4)	-	(4)
Balance at December 31, 2023	<u>\$ 1,256,145</u>	<u>\$ 519</u>	<u>\$ 1,256,664</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2023	\$ 620,685	\$ 519	\$ 621,204
Amortization	347,745	-	347,745
Disposals	(299,567)	-	(299,567)
Effect of exchange rate changes	(4)	-	(4)
Balance at December 31, 2023	<u>\$ 668,859</u>	<u>\$ 519</u>	<u>\$ 669,378</u>
Carrying amount at December 31, 2023	<u>\$ 587,286</u>	<u>\$ -</u>	<u>\$ 587,286</u>
<u>Cost</u>			
Balance at January 1, 2022	\$ 1,049,207	\$ 519	\$ 1,049,726
Additions	557,530	-	557,530
Disposals	(444,624)	-	(444,624)
Effect of exchange rate changes	4	-	4
Balance at December 31, 2022	<u>\$ 1,162,117</u>	<u>\$ 519</u>	<u>\$ 1,162,636</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2022	\$ 731,329	\$ 509	\$ 731,838
Amortization	333,976	10	333,986
Disposals	(444,624)	-	(444,624)
Effect of exchange rate changes	4	-	4
Balance at December 31, 2022	<u>\$ 620,685</u>	<u>\$ 519</u>	<u>\$ 621,204</u>
Carrying amount at December 31, 2022	<u>\$ 541,432</u>	<u>\$ -</u>	<u>\$ 541,432</u>



**12. OTHER CURRENT ASSETS**

	December 31	
	2023	2022
Prepayment for purchases	\$ 2,274,363	\$ 1,703,985
Prepaid license fees	363,190	330,000
VAT tax receivable	200,349	290,572
Prepaid expenses	33,114	32,926
Prepaid income tax	3,453	7,205
Temporary payments	-	186
	<u>\$ 2,874,469</u>	<u>\$ 2,364,874</u>

**13. OTHER LIABILITIES**

	December 31	
	2023	2022
<u>Current</u>		
License fees payable	\$ 283,380	\$ 238,952
Payable for salaries and bonuses	232,934	843,937
Payable for royalties	23,043	30,235
Others	<u>665,202</u>	<u>732,454</u>
	<u>\$ 1,204,559</u>	<u>\$ 1,845,578</u>
<u>Non-current</u>		
License fees payable	<u>\$ 112,618</u>	<u>\$ 165,659</u>

The license fees payable is primarily attributable to several agreements that GUC entered into for certain technology license and software.

**14. RETIREMENT BENEFIT PLANS****a. Defined contribution plans**

The pension mechanism under the Labor Pension Act is deemed a defined contribution retirement plan. Pursuant to the Act, GUC makes monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts. Furthermore, GUC-NA, GUC-Japan, GUC-Korea, GUC-Shanghai and GUC-Nanjing make monthly contributions at certain percentages of the salary of their employees. Accordingly, the Company recognized expenses of NT\$72,918 thousand and NT\$67,120 thousand in the consolidated statements of comprehensive income for the years ended December 31, 2023 and 2022, respectively.

**b. Defined benefit plans**

GUC has a defined benefit plan under the Labor Standards Act, which provides benefits based on an employee's length of service and average monthly salary of the last six months prior to retirement. GUC contributes an amount equal to 2% of salaries paid each month to a pension fund (the Fund), which is administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the Committee's name in the Bank of Taiwan. Before the end of each year, GUC assesses

the balance in the Fund. If the amount of the balance in the Fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, GUC is required to fund the difference in one appropriation that should be made before the end of March of the next year. The Fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); GUC has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2023	2022
Present value of defined benefit obligation	\$ 75,873	\$ 77,747
Fair value of plan assets	<u>(53,561)</u>	<u>(50,460)</u>
Net defined benefit liabilities	<u>\$ 22,312</u>	<u>\$ 27,287</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2022	<u>\$ 78,457</u>	<u>\$ (45,069)</u>	<u>\$ 33,388</u>
Service cost			
Current service cost	940	-	940
Net interest expense (income)	<u>508</u>	<u>(298)</u>	<u>210</u>
Recognized in profit or loss	<u>1,448</u>	<u>(298)</u>	<u>1,150</u>
Remeasurement			
Return on plan assets	-	(3,441)	(3,441)
Actuarial loss - changes in demographic assumptions	155	-	155
Actuarial gain - changes in financial assumptions	(6,426)	-	(6,426)
Actuarial loss - experience adjustments	<u>4,474</u>	<u>-</u>	<u>4,474</u>
Recognized in other comprehensive (income) loss	<u>(1,797)</u>	<u>(3,441)</u>	<u>(5,238)</u>
Contributions from the employer	<u>-</u>	<u>(2,013)</u>	<u>(2,013)</u>
Benefits paid	<u>(361)</u>	<u>361</u>	<u>-</u>
Balance at December 31, 2022	<u>77,747</u>	<u>(50,460)</u>	<u>27,287</u>
Service cost			
Current service cost	987	-	987
Net interest expense (income)	<u>1,043</u>	<u>(689)</u>	<u>354</u>
Recognized in profit or loss	<u>2,030</u>	<u>(689)</u>	<u>1,341</u>
Remeasurement			
Return on plan assets	-	(387)	(387)
Actuarial loss - changes in demographic assumptions	(240)	-	(240)
Actuarial gain - changes in financial assumptions	407	-	407
Actuarial loss - experience adjustments	<u>(4,071)</u>	<u>-</u>	<u>(4,071)</u>
Recognized in other comprehensive (income) loss	<u>(3,904)</u>	<u>(387)</u>	<u>(4,291)</u>
Contributions from the employer	<u>-</u>	<u>(2,025)</u>	<u>(2,025)</u>
Balance at December 31, 2023	<u>\$ 75,873</u>	<u>\$ (53,561)</u>	<u>\$ 22,312</u>

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	Years Ended December 31	
	2023	2022
General and administrative expenses	\$ <u>1,341</u>	\$ <u>1,150</u>

Through the defined benefit plan under the Labor Standards Act, GUC is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2023	2022
Discount rate	1.30%	1.35%
Expected rate of salary increase	3.00%	3.00%
Turnover rate	1.77%	1.82%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2023	2022
Discount rate		
0.25% increase	\$ <u>(1,990)</u>	\$ <u>(2,133)</u>
0.25% decrease	\$ <u>2,067</u>	\$ <u>2,221</u>
Expected rate of salary increase		
0.25% increase	\$ <u>2,024</u>	\$ <u>2,177</u>
0.25% decrease	\$ <u>(1,960)</u>	\$ <u>(2,103)</u>
Turnover rate		
10% increase	\$ <u>(290)</u>	\$ <u>(381)</u>
10% decrease	\$ <u>302</u>	\$ <u>394</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2023	2022
The expected contributions to the plan for the next year	\$ <u>2,203</u>	\$ <u>2,168</u>
The average duration of the defined benefit obligation	10 years	11 years

The maturity analysis of undiscounted pension benefit is as follows:

	December 31	
	2023	2022
Later than 1 year and not later than 5 years	\$ 12,116	\$ 14,008
Later than 5 years	<u>74,436</u>	<u>75,526</u>
	\$ <u>86,552</u>	\$ <u>89,534</u>

## 15. EQUITY

### a. Share capital

	December 31	
	2023	2022
Authorized	\$ <u>1,800,000</u>	\$ <u>1,800,000</u>
Issued	\$ <u>1,340,119</u>	\$ <u>1,340,119</u>

As of December 31, 2023 and 2022, GUC was authorized to issue 180,000 thousand shares, with par value of \$10; each share is entitled to the right to vote and to receive dividends, and a total of 134,011 thousand shares have been paid and issued.

### b. Capital surplus

	December 31	
	2023	2022
From merger	\$ 16,621	\$ 16,621
Additional paid-in capital	13,232	13,232
Donations	2,710	2,660
Dividends from claims extinguished by prescription	<u>238</u>	<u>163</u>
	\$ <u>32,801</u>	\$ <u>32,676</u>

Under the Company Law, the capital surplus generated from the excess of the issuance price over the par value of capital stock (including the stock issued for new capital and mergers) and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be appropriated as cash dividends or stock dividends, which are limited to a certain percentage of GUC's paid-in capital. The capital surplus recognized from dividends with claims extinguished by prescription may be used to offset a deficit.



## c. Retained earnings and dividend policy

According to GUC's Articles of Incorporation when allocating the net profits of each fiscal year, GUC shall first offset its losses in previous years before making appropriations to the following items:

- 1) Legal reserve at 10% of the remaining profit. However, when the legal reserve amounts to the authorized capital, this shall not apply;
- 2) Special reserve in accordance with the resolution in the shareholders' meeting;
- 3) Any balance remaining shall be allocated to shareholders according to the resolution in the shareholders' meeting.

The Articles of Incorporation provide the policy about employee' compensation and remuneration to directors; refer to Note 23.

In GUC's profit distribution, the proportion of cash dividends shall not be lower than 60% of the total dividends, depending on future expansion plans and needs for cash.

The reserve may be used to offset a deficit, or be distributed as dividends and bonuses to the extent that the portion exceeds 25% of the paid-in capital if GUC incurs no loss.

A special reserve equivalent to the net debit balance of other components of shareholders' equity, such as exchange differences on the translation of foreign operations, shall be made from unappropriated earnings. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses.

The appropriations of earnings for 2022 and 2021 had been approved in the meetings of the shareholders of GUC held on May 18, 2023 and May 19, 2022, respectively. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings For the Years Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Legal reserve	\$ 371,568	\$ 146,270
Special reserve (reversal of special reserve)	\$ (20,237)	\$ 16,318
Cash dividends	\$ 1,876,167	\$ 938,083
Cash dividends per share (NT\$)	\$ 14.00	\$ 7.00

The appropriations of earnings for 2023 had been proposed by the Board of Directors of GUC on January 31, 2024. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 351,217	
Special reserve	15,773	
Cash dividends to shareholders	<u>1,876,167</u>	\$ 14.00
	<u>\$ 2,243,157</u>	

The appropriations of earnings for 2023 are to be resolved in the meeting of the shareholders of GUC which is expected to be held on May 16, 2024.

## d. Others

Changes in foreign currency translation reserve were as follows:

	<b>Years Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Balance, beginning of year	\$ (18,234)	\$ (38,471)
Exchange differences on translation of foreign operations	<u>(15,773)</u>	<u>20,237</u>
Balance, end of year	<u>\$ (34,007)</u>	<u>\$ (18,234)</u>

The exchange differences on translation of foreign operation's net assets from its functional currency to GUC's presentation currency are recognized directly in other comprehensive income and also accumulated in the foreign currency translation reserve.

## 16. NET REVENUE

The analysis of the Company's net revenue was as follows:

	<b>Years Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Revenue from customer contracts		
Net revenue from sale of goods	\$ 18,980,971	\$ 16,880,240
Net revenue from NRE service	<u>7,259,743</u>	<u>7,159,431</u>
	<u>\$ 26,240,714</u>	<u>\$ 24,039,671</u>

Revenue from sale of goods is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. The Company estimates and recognizes refund liabilities based on historical experience and the consideration of varying contractual terms; refund liabilities are classified under accrued expenses and other current liabilities.

## a. Contract balances

	<b>December 31, 2023</b>	<b>December 31, 2022</b>	<b>January 1, 2022</b>
Accounts receivable, net	\$ 1,967,388	\$ 2,981,616	\$ 1,507,550
Contract liabilities - current	<u>\$ 6,250,159</u>	<u>\$ 6,349,476</u>	<u>\$ 5,313,950</u>

The changes in the contract liability balances primarily result from the timing difference between the satisfaction of performance obligation and the customer's payment.

For the years ended December 31, 2023 and 2022, the Company recognized revenue of NT\$4,530,696 thousand and NT\$3,398,472 thousand, respectively, from the beginning balance of contract liability.

## b. Disaggregation of revenue from contracts with customers

	<b>Years Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
<b>Production</b>		
Wafer product	\$ 18,980,971	\$ 16,880,240
NRE	6,763,015	6,538,319
Others	<u>496,728</u>	<u>621,112</u>
	<u>\$ 26,240,714</u>	<u>\$ 24,039,671</u>

Region	Years Ended December 31	
	2023	2022
China	\$ 8,111,720	\$ 8,259,018
United States	6,736,886	5,442,147
Korea	5,842,269	3,581,597
Taiwan	2,483,555	4,046,174
Japan	2,121,318	1,844,207
Europe	<u>944,966</u>	<u>866,528</u>
	<u>\$ 26,240,714</u>	<u>\$ 24,039,671</u>

The Company categorized net revenue mainly based on the country of sales region.

Application Type	Years Ended December 31	
	2023	2022
Digital Consumer	\$ 11,917,365	\$ 9,877,645
Networking	6,254,088	5,340,014
Industry	2,892,247	4,038,443
AI/ML	2,007,702	2,782,193
Others	<u>3,169,312</u>	<u>2,001,376</u>
	<u>\$ 26,240,714</u>	<u>\$ 24,039,671</u>

Customer Type	Years Ended December 31	
	2023	2022
System House	\$ 18,060,718	\$ 15,406,606
Fabless	<u>8,179,996</u>	<u>8,633,065</u>
	<u>\$ 26,240,714</u>	<u>\$ 24,039,671</u>

Resolution	Year Ended December 31, 2023		Year Ended December 31, 2022	
	Net Revenue from NRE Service	Net Revenue from Sale of Goods	Net Revenue from NRE Service	Net Revenue from Sale of Goods
5-nanometer	\$ 2,279,545	\$ -	\$ 809,543	\$ -
7-nanometer	2,290,424	4,439,926	2,566,738	1,337,274
16-nanometer	1,019,824	6,891,367	1,599,390	6,132,767
28-nanometer and above	1,173,222	7,649,678	1,562,648	9,410,199
Others	<u>496,728</u>	<u>-</u>	<u>621,112</u>	<u>-</u>
	<u>\$ 7,259,743</u>	<u>\$ 18,980,971</u>	<u>\$ 7,159,431</u>	<u>\$ 16,880,240</u>

## 17. INTEREST INCOME

	Years Ended December 31	
	2023	2022
Bank deposits	\$ 98,013	\$ 41,969
Repurchase agreements collateralized by bonds	<u>160</u>	<u>226</u>
	<u>\$ 98,173</u>	<u>\$ 42,195</u>

## 18. OTHER INCOME

	Years Ended December 31	
	2023	2022
Government grants	\$ 67,644	\$ 61,865
Past due over 2 years' contract liabilities transferred to income	2,305	8,164
Rental income	300	149
Other income	<u>4,118</u>	<u>8,060</u>
	<u>\$ 74,367</u>	<u>\$ 78,238</u>

## 19. OTHER GAINS AND LOSSES

	Years Ended December 31	
	2023	2022
Gain on financial assets at fair value through profit or loss	\$ 22,551	\$ 10,884
Gain on disposal of property, plant and equipment, net	110	-
Gain on lease modification	-	5
Foreign exchange (loss) gain, net	(3,127)	118,929
Others	<u>(60)</u>	<u>-</u>
	<u>\$ 19,474</u>	<u>\$ 129,818</u>

## 20. FINANCE COSTS

	Years Ended December 31	
	2023	2022
Interest on lease liabilities	<u>\$ 5,504</u>	<u>\$ 4,411</u>

## 21. INCOME TAX

### a. Income tax expense recognized in profit or loss

Income tax expense consisted of the following:

	Years Ended December 31	
	2023	2022
Current income tax expense		
Current tax expense recognized in the current period	\$ 634,512	\$ 614,374
Adjustments to income tax of prior years	<u>(2,262)</u>	<u>(72)</u>
	<u>632,250</u>	<u>614,302</u>
Deferred income tax expense		
Temporary differences	15,211	20,029
Effect of tax rate changes	<u>(66)</u>	<u>-</u>
	<u>15,145</u>	<u>20,029</u>
Income tax expense recognized in profit or loss	<u>\$ 647,395</u>	<u>\$ 634,331</u>

A reconciliation of income before income tax and income tax expense recognized in profit or loss was as follows:

	Years Ended December 31	
	2023	2022
Income before tax	\$ 4,155,280	\$ 4,344,773
Income tax expense at the statutory rate	\$ 855,527	\$ 893,054
Tax effect of adjusting items:		
Nondeductible items in determining taxable income	(2,091)	661
Investment tax credits used	(266,360)	(277,413)
Additional income tax expense on unappropriated earnings	62,647	18,101
Adjustments to income tax of prior years	(2,262)	(72)
Effect of tax rate changes	(66)	-
Income tax expense recognized in profit or loss	\$ 647,395	\$ 634,331

b. Deferred income tax

The analysis of deferred income tax assets and liabilities in the consolidated balance sheets was as follows:

	December 31	
	2023	2022
<u>Deferred income tax assets</u>		
Temporary differences		
Write-down of inventory	\$ 5,091	\$ 1,793
Others	10,564	17,529
	\$ 15,655	\$ 19,322
<u>Deferred income tax liabilities</u>		
Temporary differences		
Share of profit of subsidiaries accounted for using equity method	\$ (127,626)	\$ (116,014)
Others	(292)	(449)
	\$ (127,918)	\$ (116,463)

Movements of deferred income tax assets and deferred income tax liabilities were as follows:

Year ended December 31, 2023

	Balance, Beginning of Year	Recognized in Profit or Loss	Effect of Exchange Rate Changes	Balance, End of Year
<u>Deferred income tax assets</u>				
Temporary differences				
Write-down of inventory	\$ 1,793	\$ 3,298	\$ -	\$ 5,091
Others	17,529	(6,965)	-	10,564
	\$ 19,322	\$ (3,667)	\$ -	\$ 15,655

Year ended December 31, 2022

	Balance, Beginning of Year	Recognized in Profit or Loss	Effect of Exchange Rate Changes	Balance, End of Year
<u>Deferred income tax assets</u>				
Temporary differences				
Write-down of inventory	\$ 5,366	\$ (3,573)	\$ -	\$ 1,793
Others	9,008	8,521	-	17,529
	\$ 14,374	\$ 4,948	\$ -	\$ 19,322

Year ended December 31, 2023

	Balance, Beginning of Year	Recognized in Profit or Loss	Effect of Exchange Rate Changes	Balance, End of Year
<u>Deferred income tax liabilities</u>				
Temporary differences				
Share of profit of subsidiaries accounted for using equity method	\$ (116,014)	\$ (11,612)	\$ -	\$ (127,626)
Others	(449)	134	23	(292)
	\$ (116,463)	\$ (11,478)	\$ 23	\$ (127,918)

Year ended December 31, 2022

	Balance, Beginning of Year	Recognized in Profit or Loss	Effect of Exchange Rate Changes	Balance, End of Year
<u>Deferred income tax liabilities</u>				
Temporary differences				
Share of profit of subsidiaries accounted for using equity method	\$ (91,332)	\$ (24,682)	\$ -	\$ (116,014)
Others	(215)	(295)	61	(449)
	\$ (91,547)	\$ (24,977)	\$ 61	\$ (116,463)

- c. Deductible temporary differences for which no deferred tax assets have been recognized in the consolidated balance sheets

As of December 31, 2023 and 2022, the aggregate deductible temporary differences for which no deferred income tax assets have been recognized amounted to NT\$6,801 thousand and NT\$3,647 thousand, respectively.

- d. Tax expense (income) related to pillar two income taxes.

The government of Netherlands, Vietnam, Korea, and Japan, where GUC-EU, GUC-VN, GUC-KR, and GUC-JP are incorporated, substantively enacted the Pillar Two income taxes legislation effective from December 31, 2023, January 1, 2024, January 1, 2024, and April 1, 2024. Since the Pillar Two legislation was not effective at the reporting date, the Company has no related current tax exposure.



Under the legislation, above subsidiaries will be required to pay top-up tax on profits of GUC and its subsidiaries that are taxed at an effective tax rate of less than 15% in their registration. The main jurisdictions in which exposures to this tax may exist include China and Korea. Approximately 2.66% of the Company's annual profits which are currently taxed at the average effective tax rate applicable to those profits of 13.37% may be subject to the tax. This information is based on the profits and tax expense determined as part of the preparation of the Company's consolidated financial statements. The Company is continuing to assess the impact of the Pillar Two income taxes legislation on its future financial performance.

e. Income tax examination

The tax authorities have examined the income tax returns of GUC through 2021.

## 22. EARNINGS PER SHARE

	Years Ended December 31	
	2023	2022
Basic EPS	\$ 26.18	\$ 27.69
Diluted EPS	\$ 26.02	\$ 27.47

EPS is computed as follows:

	Amounts (Numerator)	Number of Shares (Denominator) (In Thousands)	EPS (NTS)
<u>Year ended December 31, 2023</u>			
Basic EPS			
Net income available to common shareholders	\$ 3,507,885	134,011	\$ 26.18
Effect of dilutive potential common stock	-	806	
Diluted EPS			
Net income available to common shareholders (including effect of dilutive potential common stock)	\$ 3,507,885	134,817	\$ 26.02
<u>Year ended December 31, 2022</u>			
Basic EPS			
Net income available to common shareholders	\$ 3,710,442	134,011	\$ 27.69
Effect of dilutive potential common stock	-	1,083	
Diluted EPS			
Net income available to common shareholders (including effect of dilutive potential common stock)	\$ 3,710,442	135,094	\$ 27.47

The Company may settle the employees' compensation in cash or shares; therefore, the Company assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation

of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 23. ADDITIONAL INFORMATION OF EXPENSES BY NATURE

Net income included the following items:

	Years Ended December 31	
	2023	2022
a. Depreciation expense		
Depreciation of property, plant and equipment		
Recognized in cost of revenue	\$ 23,484	\$ 21,404
Recognized in operating expenses	163,541	229,577
	<u>187,025</u>	<u>250,981</u>
Depreciation of right-of-use assets		
Recognized in cost of revenue	4,752	4,597
Recognized in operating expenses	75,212	62,436
	<u>79,964</u>	<u>67,033</u>
	<u>\$ 266,989</u>	<u>\$ 318,014</u>
b. Amortization of intangible assets		
Recognized in cost of revenue	\$ 19,819	\$ 11,936
Recognized in operating expenses	327,926	322,050
	<u>\$ 347,745</u>	<u>\$ 333,986</u>
c. Research and development costs expensed as incurred	<u>\$ 3,116,402</u>	<u>\$ 3,289,727</u>
d. Employee benefits expense		
Post-employment benefits (Note 14)		
Defined contribution plans	\$ 72,918	\$ 67,120
Defined benefit plans	1,341	1,150
	74,259	68,270
Other employee benefits	3,186,440	3,425,429
	<u>\$ 3,260,699</u>	<u>\$ 3,493,699</u>
Employee benefits expense summarized by function		
Recognized in cost of revenue	\$ 406,735	\$ 374,389
Recognized in operating expenses	2,853,964	3,119,310
	<u>\$ 3,260,699</u>	<u>\$ 3,493,699</u>
e. Employees' compensation and remuneration to directors		

GUC shall allocate employees' compensation and remuneration to directors no less than 2% and no more than 2%, respectively, of net income before tax and before the employees' compensation and remuneration to directors. Directors who also serve as executive officers of GUC are not entitled to receive the remuneration to directors. GUC shall first offset its losses in previous years before allocating for employees' compensation and remuneration to directors. GUC may issue stock or cash

compensation to employees of an affiliated company upon meeting the conditions set by the Board of Directors.

For 2023 and 2022, the employees' compensation and remuneration to directors of GUC were approved in the meetings of the Board of Directors held on January 31, 2024 and February 2, 2023, respectively. The approved amounts were as follows:

	Years Ended December 31	
	2023	2022
Employees' compensation	\$ 1,271,103	\$ 668,274
Remuneration to directors	45,000	45,000

There was no difference between the employees' compensation approved for 2023 and 2022 and the amounts reported as expenses in 2023 and 2022. The remuneration to directors approved for 2023 was the same as the amount reported as expenses in 2023. The remuneration to directors approved for 2022 differed from the amount reported as expenses in 2022; the differences were adjusted to profit and loss for 2023.

	Year Ended December 31, 2022
The approved amounts by the Board of Directors	<u>\$ 45,000</u>
The amounts recognized in the consolidated financial statements	<u>\$ 72,544</u>

If there is a change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate.

The employees' compensation and remuneration to directors of GUC in the amounts of NT\$271,773 thousand and NT\$27,722 thousand in cash for 2021 were approved by the Board of Directors in their meeting held on January 26, 2022. The aforementioned approved amounts did not have any difference with the amounts recognized in the consolidated financial statements for the year ended December 31, 2021.

The information about appropriations of employees' compensation and remuneration to directors of GUC is available at the Market Observation Post System website.

## 24. CASH FLOW INFORMATION

Movements of liabilities with cash flows and non-cash changes:

	Balance as of January 1, 2023	Cash Flows	Non-cash Changes			Balance as of December 31, 2023
			Lease Additions	Lease Termination	Foreign Exchange Movement	
Guarantee deposits	\$ 3,474	\$ (2)	\$ -	\$ -	\$ (8)	\$ 3,464
Lease liabilities	283,789	(79,965)	48,408	-	(1,664)	250,568
	Balance as of January 1, 2022	Cash Flows	Non-cash Changes			Balance as of December 31, 2022
			Lease Additions	Lease Termination	Foreign Exchange Movement	
Guarantee deposits	\$ 2,911	\$ 257	\$ -	\$ -	\$ 306	\$ 3,474
Lease liabilities	271,227	(64,879)	68,178	(449)	9,712	283,789

## 25. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company are able to operate sustainability while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company engages in the semiconductor design services, which is closely tied with customer demand. Business is influenced by the cyclical nature of the semiconductor industry but not significantly. In consideration of the industry dynamics, the Company manages its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, capital asset purchases, research and development activities, dividend payments, debt service requirements and other business requirements associated with its existing operations over the next 12 months. Through capital management, the Company is capable of coping with changes in the industry, striving for improvement, and ultimately creating shareholder value.

## 26. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	<u>\$2,080,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,080,000</u>

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	<u>\$1,780,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,780,000</u>

There were no transfers between Levels 1 and 2 in the current and prior years.

b. Categories of financial instruments

	December 31	
	2023	2022
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 2,080,000	\$ 1,780,000
Amortized cost		
Cash and cash equivalents	7,637,809	5,848,557
Accounts receivable, net (including related parties)	1,989,428	3,000,233
Other financial assets	3,862	1,531
Refundable deposits	188,106	101,383
Pledged time deposits	<u>22,200</u>	<u>22,200</u>
	<u>\$ 11,921,405</u>	<u>\$ 10,753,904</u>

(Continued)

	December 31	
	2023	2022
<b>Financial liabilities</b>		
Amortized cost		
Accounts payable (including related parties)	\$ 1,688,141	\$ 2,983,413
Payables on machinery and equipment	16,416	17,452
Accrued expenses and other current liabilities	674,049	747,446
Other long-term payables	395,998	404,611
Guarantee deposits	3,071	3,071
	<u>\$ 2,777,675</u>	<u>\$ 4,155,993</u>
		(Concluded)

c. Financial risk management objectives and policies

The Company's objectives in financial risk management are to manage its exposure to market risk, credit risk and liquidity risk related to the operating activities. To reduce the related financial risks, the Company engages in identifying, assessing and avoiding the market uncertainties with the objective to reduce the potentially adverse effects the market uncertainties may have on its financial performance.

The plans for material treasury activities are reviewed by the Audit Committee and the Board of Directors in accordance with procedures required by relevant regulations and internal controls. During the implementation of such plans, the treasury function must comply with certain treasury procedures that provide guiding principles for overall financial risk management and segregation of duties.

d. Market risk

Foreign currency risk

The Company's operating activities are mainly denominated in foreign currency and exposed to foreign exchange risk. To protect against the volatility of future cash flows arising from changes in foreign exchange rates, the Company maintains a balance of net foreign currency assets and liabilities in hedge.

The Company's sensitivity analysis to foreign currency risk mainly focuses on the foreign currency monetary items at the end of the reporting period. Assuming a 10% strengthening of New Taiwan Dollars against the relevant currencies, the net income before tax for the years ended December 31, 2023 and 2022 would have decreased by NT\$11,556 thousand and NT\$54,688 thousand, respectively.

e. Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company is exposed to credit risk from operating activities, primarily accounts receivable, and from investing activities primarily deposits with banks. Credit risk is managed separately for business related and financial related exposures. As of the balance sheet date, the Company's maximum credit risk exposure is mainly from the carrying amount of financial assets recognized in the consolidated balance sheet.

Business related credit risk

The Company has considerable accounts receivable from its customers worldwide. Majority of the Company's outstanding accounts receivable are not covered by collateral or credit insurance. While the Company has procedures to monitor and limit exposure to credit risk on accounts receivable, there can be no assurance such procedures will effectively limit its credit risk and avoid losses.

As of December 31, 2023 and 2022, the Company's ten largest customers accounted for 54% and 59% of accounts receivable, respectively.

Financial credit risk

The Company monitors and reviews the transaction limit applied to counterparties and adjusts the concentration limit according to market conditions and the credit standing of the counterparties regularly. The Company mitigates its exposure by selecting financial institution with high credit rating.

f. Liquidity risk management

The objective of liquidity risk management is to ensure the Company has sufficient liquidity to fund its business requirements. The Company manages its liquidity risk by maintaining adequate cash and banking facilities.

As of December 31, 2023 and 2022, the unused financing facilities of the Company amounted to NT\$1,600,000 thousand.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

Non-derivative Financial Liabilities	Less Than 1 Year	2-3 Years	4+ Years	Total
<u>December 31, 2023</u>				
Accounts payable (including related parties)	\$ 1,688,141	\$ -	\$ -	\$ 1,688,141
Payables on machinery and equipment	16,416	-	-	16,416
Accrued expenses and other current liabilities	674,049	-	-	674,049
Lease liabilities	82,331	114,516	74,725	271,572
Other long-term payables	283,380	112,618	-	395,998
Guarantee deposits	-	-	3,071	3,071
	<u>\$ 2,744,317</u>	<u>\$ 227,134</u>	<u>\$ 77,796</u>	<u>\$ 3,049,247</u>

Additional information about the maturity analysis of lease liabilities:

	Less than 4 Year	4-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 196,847</u>	<u>\$ 28,365</u>	<u>\$ 10,740</u>	<u>\$ 10,740</u>	<u>\$ 24,880</u>

Non-derivative Financial Liabilities	Less Than 1 Year	2-3 Years	4+ Years	Total
<u>December 31, 2022</u>				
Accounts payable (including related parties)	\$ 2,983,413	\$ -	\$ -	\$ 2,983,413
Payables on machinery and equipment	17,452	-	-	17,452
Accrued expenses and other current liabilities	747,446	-	-	747,446
Lease liabilities	73,060	142,066	92,810	307,936
Other long-term payables	238,952	165,659	-	404,611
Guarantee deposits	-	-	3,071	3,071
	<u>\$ 4,060,323</u>	<u>\$ 307,725</u>	<u>\$ 95,881</u>	<u>\$ 4,463,929</u>



Additional information about the maturity analysis of lease liabilities:

	Less than 4 Year	4-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	\$ 215,126	\$ 44,303	\$ 10,740	\$ 10,739	\$ 27,028

g. Fair value of financial instruments

The carrying amounts of the Company's financial assets and financial liabilities measured at amortized cost at the end of financial reporting period recognized in the consolidated financial statements approximate their fair values. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

## 27. RELATED PARTY TRANSACTIONS

Intercompany balances and transactions between GUC and its subsidiaries have been eliminated upon consolidation; therefore, those items are not disclosed in this note. The following is a summary of transactions between the Company and other related parties:

a. Related party name and category

Related Party Name	Related Party Category
Taiwan Semiconductor Manufacturing Co., Ltd. (TSMC)	An investor that accounts for its investment by using the equity method
TSMC North America (TSMC-NA)	A subsidiary of TSMC
TSMC Europe B.V. (TSMC-EU)	A subsidiary of TSMC
VisEra Technologies Co., Ltd. (VisEra)	A subsidiary of TSMC
Vanguard International Semiconductor Corporation (VIS)	An associate of TSMC
Bank SinoPac	Affiliate of GUC president's spouse

b. Operating transactions

Line Item	Related Party Name and Category	Years Ended December 31	
		2023	2022
Net revenue from sale	Investors and subsidiaries with significant influence over the Company	\$ 309,393	\$ 242,634
Purchases	Investors and subsidiaries with significant influence over the Company		
	TSMC	\$ 6,395,587	\$ 8,761,346
	TSMC-NA	2,495,246	2,021,946
		8,890,833	10,783,292
	Other related parties	-	77,802
		\$ 8,890,833	\$ 10,861,094

(Continued)

Line Item	Related Party Name and Category	Years Ended December 31	
		2023	2022
Manufacturing overhead	Investors and subsidiaries with significant influence over the Company		
	TSMC	\$ 1,322,736	\$ 1,562,568
	TSMC-NA	1,048,605	883,440
	VisEra	-	1,164
		\$ 2,371,341	\$ 2,447,172
Operating expenses	Investors and subsidiaries with significant influence over the Company	\$ 38,339	\$ 24,096

(Concluded)

The following balances were outstanding at the end of the reporting period:

Line Item	Related Party Name and Category	December 31	
		2023	2022
Receivables from related parties	Investors and subsidiaries with significant influence over the Company		
	TSMC	\$ 22,040	\$ 18,617
Other current assets	Investors and subsidiaries with significant influence over the Company		
	TSMC	\$ 1,976,424	\$ 108,130
	TSMC-NA	-	976,397
		\$ 1,976,424	\$ 1,084,527
Refundable deposits	Investors and subsidiaries with significant influence over the Company		
	VisEra	\$ 3,304	\$ 2,832
Contract liabilities	Investors and subsidiaries with significant influence over the Company	\$ -	\$ 4,497
Payables to related parties	Investors and subsidiaries with significant influence over the Company		
	TSMC	\$ 470,622	\$ 1,299,352
	TSMC-NA	43,032	171,035
	VisEra	-	12
		513,654	1,470,399
	Other related parties	-	534
		\$ 513,654	\$ 1,470,933

The terms of sales to related parties were not significantly different from those of sales to third parties. For other related party transactions, the terms of transactions were determined in accordance with mutual agreement because there were no comparable terms for third-party transactions. The payment term granted to related parties is due 30 days from the invoice date or 30 days from the end of the month when the invoice is issued, while the payment term granted to third parties is due 30 days from the invoice date or 75 days from the end of the month when the invoice is issued.

c. Lease arrangements

Line Item	Related Party Name and Category	December 31	
		2023	2022
Lease liabilities - current	Investors and subsidiaries with significant influence over the Company VisEra	\$ 19,520	\$ 19,325
Lease liabilities - non-current	Investors and subsidiaries with significant influence over the Company VisEra	\$ 19,717	\$ 39,237
Line Item	Related Party Name and Category	Years Ended December 31	
		2023	2022
Finance costs	Investors and subsidiaries with significant influence over the Company VisEra	\$ 499	\$ 600

The Company leased server room from related parties. The lease terms and prices were determined in accordance with mutual agreements. The rental expense was paid monthly.

d. Bank deposits and interest income

Line Item	Related Party Name and Category	December 31	
		2023	2022
Bank deposits	Substantive related parties Bank SinoPac	\$ 955,794	\$ 1,963,705
Other financial assets	Substantive related parties Bank SinoPac	\$ 141	\$ 390
Pledged time deposits	Substantive related parties Bank SinoPac	\$ 20,000	\$ 20,000

Range of interest rates for bank deposits was as follows:

Line Item	Related Party Name and Category	December 31	
		2023	2022
Bank deposits	Substantive related parties Bank SinoPac	0.001%-2.850%	0.001%-1.900%
Pledged time deposits	Substantive related parties Bank SinoPac	0.4575%-0.8828%	0.3180%-0.4575%

Line Item	Related Party Name and Category	Years Ended December 31	
		2023	2022
Interest income	Substantive related parties Bank SinoPac	\$ 18,142	\$ 7,176

e. Compensation of key management personnel:

The remuneration to directors and other key management personnel were as follows:

	Years Ended December 31	
	2023	2022
Short-term employee benefits	\$ 196,525	\$ 234,540
Post-employment benefits	596	585
	\$ 197,121	\$ 235,125

The remuneration to directors and other key management personnel were determined by the Compensation Committee of GUC in accordance with the individual performance and the market trends.

## 28. PLEDGED OR MORTGAGED ASSETS

As of December 31, 2023 and 2022, GUC provided pledged time deposits of NT\$20,000 thousand as collateral for customs clearance and also provided pledged time deposits of NT\$2,200 thousand as collateral for lease of a parcel of land from the Science Park Administration (SPA).

## 29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

GUC has entered into license agreements with several companies that own intellectual property rights. According to the agreements, GUC shall pay specific amounts of money to obtain licenses of their intellectual property rights or shall pay royalties at specific percentages of sales amount of identified products. Under the agreements, GUC shall pay at least US\$4,000 thousand, US\$8,200 thousand and US\$4,000 thousand to the counterparty in the period from April 2022 to April 2025, from July 2023 to July 2026 and from February 2024 to January 2027, respectively.

Under the agreement, GUC shall pay at least US\$1,500 thousand to the counterparty in the period from June 2022.

Under the agreement, GUC shall pay at least US\$1,500 thousand to the counterparty in the period from August 2023.

Under the agreement, GUC shall pay at least US\$2,100 thousand to the counterparty in the period from December 2023 to December 2026.

GUC has entered into a long-term material supply agreement with the counterparty. The contract period is from June 2021 to March 2028, and GUC should pay US\$4,060 thousand as security deposits to ensure the capacity supply in accordance with the contract. If the contract cannot be performed owing to fall short of the agreed purchase or supply quantities, the parties will pay compensation for the other side in accordance with the contract.

GUC has entered into a long-term advanced packaging capacity agreement with the counterparty. The contract service period is from July 2026 to December 2035. GUC should pay US\$37,500 thousand as security deposits to ensure the advanced packaging capacity supply in accordance with the contract, and GUC has paid US\$10,000 thousand as of December 31, 2023. The amount of the security deposits refund will be calculated based on the annual production capacity utilization rate with the contract. However, if the certain level of production capacity utilization rate will not be achieved, the security deposits will not be refunded.

### 30. EXCHANGE RATE INFORMATION OF FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES

The following information was aggregated by the foreign currencies other than functional currencies of the consolidated entities. The significant foreign-currency financial assets and liabilities were as follows:

(Unit: Foreign Currency in Thousands)			
	Foreign Currency	Exchange Rate (Note)	Carrying Amount
<u>December 31, 2023</u>			
Monetary item - financial assets			
USD	\$ 89,254	30.705	\$ 2,739,765
Monetary item - financial liabilities			
USD	83,425	30.705	2,561,565
JPY	193,573	0.2172	42,044
RMB	3,779	4.3270	16,354
VND	2,563,828	0.00125	3,205
<u>December 31, 2022</u>			
Monetary item - financial assets			
USD	143,552	30.71	4,408,396
Monetary item - financial liabilities			
USD	124,448	30.71	3,821,812
JPY	82,781	0.2324	19,238
RMB	4,212	4.4080	18,569

Note: Exchange rate represents the amount of NT\$ that can be exchanged to one unit of foreign currency.

The significant (realized and unrealized) foreign exchange gains (losses) were as follows:

Years Ended December 31				
2023		2022		
Foreign Currency	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
VND	0.00129 (VND:NTD)	\$ 128	- (VND:NTD)	\$ -
KRW	0.02407 (KRW:NTD)	12	0.02330 (KRW:NTD)	(6)
EUR	33.6972 (EUR:NTD)	(196)	31.3596 (EUR:NTD)	(108)
JPY	0.2221 (JPY:NTD)	(201)	0.2275 (JPY:NTD)	1,518
RMB	4.3954 (RMB:NTD)	(1,009)	4.4219 (RMB:NTD)	(1,309)
USD	31.1548 (USD:NTD)	(6,703)	29.8044 (USD:NTD)	132,548
USD	1,293.0297 (USD:KRW)	(69)	1,277.3737 (USD:KRW)	(2)
USD	7.0424 (USD:RMB)	5,243	6.6972 (USD:RMB)	(13,712)
USD	23,858 (USD:VND)	(332)	- (USD:VND)	-
		<u>\$ (3,127)</u>		<u>\$ 118,929</u>

### 31. OPERATING SEGMENT INFORMATION

The Company operates in a single industry and viewed by the Company's chief operating decision maker as one segment when reviewing information in order to allocate resources and assess performance. The basis for the measurement of the operating segment profit (loss), assets and liabilities is the same as that for the preparation of financial statements. Refer to the consolidated financial statements for the related operating segment information and Note 16 for information about disaggregation of revenue.

#### a. Geographic information

	Non-current Assets December 31	
	2023	2022
Taiwan	\$ 1,245,587	\$ 1,314,076
United States	54,343	67,751
Japan	27,350	39,602
China	20,895	15,830
Europe	20,453	20,679
Vietnam	13,317	-
Korea	1,943	582
	<u>\$ 1,383,888</u>	<u>\$ 1,458,520</u>

Non-current assets include property, plant and equipment, right-of-use assets, intangible assets and prepayments for business facilities, but exclude financial instrument and deferred income tax assets.

#### b. Major customers representing at least 10% of net revenue

	Years Ended December 31			
	2023		2022	
	Amount	%	Amount	%
Customer A	\$ 5,676,864	22	\$ 2,960,064	12
Customer B	3,688,240	14	Note	-

Note: The customer did not exceed 10% of net revenue in the current year so that the disclosure is not required.

### 32. ADDITIONAL DISCLOSURES

#### a. Significant transactions and b. Related information of reinvestment

- 1) Financing provided: None;
- 2) Endorsements/guarantees provided: None;
- 3) Marketable securities held (excluding investments in subsidiaries, associates and jointly controlled entities): See Table 1 attached;
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: See Table 2 attached;



- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None;
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None;
- 7) Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: See Table 3 attached;
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None;
- 9) Information about the derivative instruments transaction: None;
- 10) Others: Intercompany relationships and significant intercompany transactions: See Table 4 attached;
- 11) Names, locations, and related information of investees over which the Company exercises significant influence (excluding information on investment in Mainland China): See Table 5 attached;
- c. Information on investment in Mainland China
- 1) The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, net income (losses) of the investee, investment income (losses), ending balance, amount received as dividends from the investee, and the limitation on investee: See Table 6 attached.
- 2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: See Table 4 attached.
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: See Table 7 attached.

TABLE 1

## GLOBAL UNICHIP CORP. AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2023

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2023			Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value
GUC	<u>Mutual funds</u>						
	Jih Sun Money Market Fund	-	Financial assets at fair value through profit or loss - current	47,854,731	\$ 730,000	-	\$ 730,000
	Taishin 1699 Money Market Fund	-	Financial assets at fair value through profit or loss - current	38,013,269	530,000	-	530,000
	UPAMC James Bond Money Market Fund	-	Financial assets at fair value through profit or loss - current	18,662,918	320,000	-	320,000
	Fuh Haw Money Market Fund	-	Financial assets at fair value through profit or loss - current	6,762,057	100,000	-	100,000
	Prudential Financial Money Market Fund	-	Financial assets at fair value through profit or loss - current	12,301,106	200,000	-	200,000
	Yuanta Wan Tai Money Market Fund	-	Financial assets at fair value through profit or loss - current	12,859,090	200,000	-	200,000
	<u>Class B common share (non-voting)</u>						
	eTopus Capital Partners (Cayman) Limited	-	Financial assets at fair value through profit or loss - non-current	1,515,151	-	34.88	-

Note: As of December 31, 2023, 1,515,151 preferred shares of eTopus Technology (Cayman) Holding Limited originally held by GUC, representing an ownership percentage of 2.6%, were converted into 1,515,151 Class B common shares of eTopus Capital Partners (Cayman) Limited with an ownership percentage of 34.88% due to organizational restructuring. Since GUC holds Class B common shares with non-voting rights, GUC does not have significant influence or control over eTopus Capital Partners (Cayman) Limited. Therefore, this investment is still classified as a non-current financial asset measured at fair value through profit or loss.

TABLE 2

GLOBAL UNICHIP CORP. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2023  
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal		Ending Balance	
					Units	Amount	Units	Amount	Units	Amount	Units	Amount
GUC	Jih Sun Money Market Fund	Financial assets at fair value through profit or loss	-	-	48,438,039	\$ 730,000	47,854,731	\$ 730,000	48,438,039	\$ 738,898	47,854,731	\$ 730,000
	Taishin 1699 Money Market Fund	Financial assets at fair value through profit or loss	-	-	38,502,891	530,000	38,013,269	530,000	38,502,891	536,827	38,013,269	530,000
	UPAMC James Bond Money Market Fund	Financial assets at fair value through profit or loss	-	-	18,883,289	320,000	18,662,918	320,000	18,883,289	323,779	18,662,918	320,000
	Prudential Financial Money Market Fund	Financial assets at fair value through profit or loss	-	-	6,224,092	100,000	18,467,057	300,000	12,390,043	201,446	12,301,106	200,000
	Yuantai Wan Tai Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	25,750,340	400,000	12,891,250	200,500	12,859,090	200,000

TABLE 3

GLOBAL UNICHIP CORP. AND SUBSIDIARIES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2023  
(Amounts in Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchases/ Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
GUC	TSMC	TSMC is an investor that accounts for its investment by using equity method	Sales	\$ 309,393	1	30 days after monthly closing	Note 27	Note 27	\$ 22,040	1	1
	TSMC-NA	TSMC-NA is a subsidiary of TSMC	Purchases Purchases	6,395,587 2,495,246	70 27	30 days after invoice date 30 days after invoice date	Note 27 Note 27	Note 27 Note 27	(470,622) (43,032)	(28) (3)	(28) (3)

TABLE 4

GLOBAL UNICHIP CORP. AND SUBSIDIARIES  
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(Amounts in Thousands of New Taiwan Dollars)

No.	Company Name	Counterparty	Nature of Relationship (Note 1)	Intercompany Transactions			
				Financial Statement Account	Amount	Terms (Note 2)	Percentage to Consolidated Net Revenue or Total Assets
0	GUC	GUC-NA GUC-Japan GUC-Europe GUC-Korea GUC-Shanghai GUC-Nanjing GUC-Vietnam	1	Operating expenses	\$ 230,409	-	1%
				Accrued expenses and other current liabilities	14,697	-	-
				Operating expenses	289,996	-	1%
				Accrued expenses and other current liabilities	42,044	-	-
				Operating expenses	25,528	-	-
				Accrued expenses and other current liabilities	1,017	-	-
				Operating expenses	8,282	-	-
				Accrued expenses and other current liabilities	575	-	-
				Operating expenses	117,390	-	-
				Accrued expenses and other current liabilities	7,320	-	-
				Manufacturing overhead	332,449	-	1%
				Operating expenses	146,224	-	1%
				Payables to related parties	223,314	-	1%
			1	Accrued expenses and other current liabilities	9,034	-	-
				Operating expenses	21,445	-	-
				Accrued expenses and other current liabilities	3,205	-	-

Note 1: No. 1 represents the transactions from parent company to subsidiary.  
Note 2: The intercompany transactions, prices and terms are determined in accordance with mutual agreements and no other similar transactions could be used for comparison.

TABLE 5

GLOBAL UNICHIP CORP. AND SUBSIDIARIES  
NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEE OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2023			Net Income (Losses) of the Investee	Investment Income (Losses)	Note
				December 31, 2023 (Foreign Currencies in Thousands)	December 31, 2022 (Foreign Currencies in Thousands)	Shares	Percentage of Ownership (%)	Carrying Amount			
GUC	GUC-NA	U.S.A.	Products consulting, design and technical support service	\$ 40,268 (US\$ 1,264)	\$ 40,268 (US\$ 1,264)	800,000	100	\$ 170,925	\$ 10,980	\$ 10,980	Note 1
	GUC-Japan	Japan	Products consulting, design and technical support service	15,393 (YEN 55,000)	15,393 (YEN 55,000)	1,100	100	80,820	13,260	13,260	Note 2
	GUC-Europe	Netherlands	Products consulting, design and technical support service	8,109 (EUR 200)	8,109 (EUR 200)	-	100	16,401	1,475	1,475	Note 2
	GUC-Korea	Korea	Products consulting, design and technical support service	5,974 (KRW 222,545)	5,974 (KRW 222,545)	44,000	100	7,470	250	250	Note 2
	GUC-Vietnam	Vietnam	Products consulting, design and technical support service	30,602 (VND 23,670,000)	-	-	100	30,457	905	905	Notes 2 & 3

Note 1: Investment income (loss) was determined based on audited financial statements.  
Note 2: Investment income (loss) was determined based on unaudited financial statements.  
Note 3: Upon the approval of the Board of the Directors on October 27, 2022, GUC-Vietnam was established by GUC in February, 2023.



TABLE 6

GLOBAL UNICHIP CORP. AND SUBSIDIARIES  
INFORMATION ON INVESTMENT IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (US\$ in Thousands)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2023 (US\$ in Thousands)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2023 (US\$ in Thousands)	Net Income (Losses) of the Investee	Percentage of Ownership	Investment Income (Losses)	Carrying Amount as of December 31, 2023	Accumulated Inward Remittance of Earnings as of December 31, 2023
					Outflow	Inflow						
GUC-Nanjing	Products consulting, design and technical support service	\$ 180,332 (US\$ 6,000)	(Note 1)	\$ 118,133 (US\$ 4,000)	\$ 62,199 (US\$ 2,000)	\$ -	\$ 180,332 (US\$ 6,000)	\$ 89,432	100%	\$ 89,432 (Note 2)	\$ 557,194	\$ 64,449
GUC-Shanghai	Products consulting, design and technical support service	31,165 (US\$ 1,000)	(Note 1)	31,165 (US\$ 1,000)	-	-	31,165 (US\$ 1,000)	6,210	100%	6,210 (Note 3)	59,392	-

Accumulated Investment in Mainland China as of December 31, 2023 (US\$ in Thousands)	Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousands)	Upper Limit on Investment
\$ 211,497 (US\$ 7,000)	\$ 211,497 (US\$ 7,000)	\$ 5,808,935 (Note 4)

- Note 1: The Company invested the investee directly.
- Note 2: Investment income (loss) was determined based on audited financial statements.
- Note 3: Investment income (loss) was determined based on unaudited financial statements.
- Note 4: Subject to 60% of net asset value of GUC according to the revised "Guidelines Governing the Approval of Investment or Technical Cooperation in Mainland China" issued by the Investment Commission.

TABLE 7

GLOBAL UNICHIP CORP.  
INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2023

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Taiwan Semiconductor Manufacturing Co., Ltd.	46,687,859	34.83

- Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.
- Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.



勤業眾信

勤業眾信聯合會計師事務所  
110016 台北市信義區松仁路100號20樓

Deloitte & Touche  
20F, Taipei Nan Shan Plaza  
No. 100, Songren Rd.,  
Xinyi Dist., Taipei 110016, Taiwan

Tel :+886 (2) 2725-9988  
Fax: +886 (2) 4051-6888  
www.deloitte.com.tw

INDEPENDENT AUDITORS’ REPORT

The Board of Directors and Shareholders  
Global Unichip Corp.

Opinion

We have audited the accompanying parent company only financial statements of Global Unichip Corp. (the “Company”), which comprise the parent company only balance sheets as of December 31, 2023 and 2022, and the parent company only statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of inventory

Due to the current rapid changes in technology and the high level of competition in the business environment, the prices of products are fluctuating quickly; consequently, the changes in the net realizable value of inventory could have a material impact on the parent company only financial statements. As of December 31, 2023 the carrying amount of inventory was NT\$4,850,717 thousand, which accounted for 23% of the total assets in the parent company only balance sheet. Please refer to Notes 4, 5 and 8 to the parent company only financial statements for the details of the information and accounting policy about inventory. The Company’s primary business is rendering of services and producing and selling of products in the semiconductor industry. The rapid technological changes in the semiconductor industry require management to timely estimate possible loss on inventory that is expected to be scrapped or disposed of according to the Company’s inventory control and accounting policy and the clients’ orders. As uncertainty exists in management’s judgment when determining loss on inventory, the valuation of inventory has been identified as a key audit matter.

Our key audit procedures performed in respect of this area included the following:

- 1. We obtained an understanding of the design of the key controls over the valuation of inventory.
- 2. We obtained the inventory aging report, and we verified the accuracy and completeness of the report by agreeing the age interval, quantity, and amount to the supporting documents of inbound inventory. We assessed the reasonableness of allowance for inventory loss by recalculating the amount in accordance with the stated valuation policy for the inventory.
- 3. We performed a retrospective review of past estimates to determine the reasonableness of the past judgments with reference to actual amounts of inventory loss.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company’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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Company’s financial reporting process.

Auditors’ Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ 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 the Standards on Auditing of the Republic of China 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 parent company only financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 1. Identify and assess the risks of material misstatement of the parent company only 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.
- 2. 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 Company’s internal control.
- 3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

January 31, 2024

Notice to Readers

*The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.*

- 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 Company'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 parent company only 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence on the financial information of components constituting the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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 those charged with governance with statements 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 those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2023, and are therefore the key audit matters. We describe these matters in our auditors' 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.

The engagement partners on the audit resulting in this independent auditors' report are Ming-Hui Chen and Su-Li Fang.

**GLOBAL UNICHIP CORP.**  
**PARENT COMPANY ONLY BALANCE SHEETS**  
**(In Thousands of New Taiwan Dollars)**

ASSETS	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 28)	\$ 7,064,578	34	\$ 5,192,497	25
Financial assets at fair value through profit or loss (Note 7)	2,080,000	10	1,780,000	8
Accounts receivable, net (Notes 6 and 17)	1,967,388	9	2,981,616	14
Receivables from related parties (Note 28)	22,040	-	18,617	-
Inventories (Note 8)	4,850,717	23	6,562,722	31
Other financial assets (Note 28)	3,428	-	1,498	-
Other current assets (Notes 13 and 28)	2,808,336	13	2,267,195	11
Total current assets	18,796,487	89	18,804,145	89
NON-CURRENT ASSETS				
Investments accounted for using equity method (Note 9)	922,659	4	787,568	4
Property, plant and equipment (Note 10)	538,510	2	628,152	3
Right-of-use-assets (Note 11)	118,546	1	143,456	1
Intangible assets (Note 12)	587,286	3	541,432	3
Deferred income tax assets (Note 22)	15,298	-	18,780	-
Prepayments for business facilities	1,244	-	1,036	-
Refundable deposits (Note 28)	194,737	1	108,645	-
Pledged time deposits (Notes 28 and 29)	22,200	-	22,200	-
Total non-current assets	2,400,480	11	2,251,269	11
TOTAL	\$ 21,196,967	100	\$ 21,055,414	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Contract liabilities (Notes 17 and 28)	\$ 6,250,159	30	\$ 6,349,476	30
Accounts payable	1,174,487	6	1,512,246	7
Payables to related parties (Note 28)	736,968	3	1,480,285	7
Accrued employees' compensation and remuneration to directors (Note 24)	1,454,645	7	740,818	4
Payables on machinery and equipment	16,416	-	17,452	-
Current tax liabilities (Note 22)	258,361	1	589,288	3
Lease liabilities - current (Notes 11, 25 and 28)	38,073	-	37,853	-
Accrued expenses and other current liabilities (Notes 14 and 28)	1,237,081	6	1,846,129	9
Total current liabilities	11,166,190	53	12,573,547	60
NON-CURRENT LIABILITIES				
Deferred income tax liabilities (Note 22)	127,626	1	116,014	1
Lease liabilities - non-current (Notes 11, 25 and 28)	83,591	-	108,638	-
Other long-term payables (Note 14)	112,618	-	165,659	1
Net defined benefit liabilities (Note 15)	22,312	-	27,287	-
Guarantee deposits (Note 25)	3,071	-	3,071	-
Total non-current liabilities	349,218	1	420,669	2
Total liabilities	11,515,408	54	12,994,216	62
EQUITY (Note 16)				
Share capital	1,340,119	6	1,340,119	6
Capital surplus	32,801	-	32,676	-
Retained earnings	1,428,010	7	1,056,442	5
Appropriated as legal reserve	18,234	-	38,471	-
Appropriated as special reserve	6,896,402	33	5,611,724	27
Unappropriated earnings	(34,007)	-	(18,234)	-
Others	-	-	-	-
Total equity	9,681,559	46	8,061,198	38
TOTAL	\$ 21,196,967	100	\$ 21,055,414	100

The accompanying notes are an integral part of the parent company only financial statements.



GLOBAL UNICHIP CORP.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
NET REVENUE (Notes 17 and 28)	\$ 26,240,714	100	\$ 23,995,308	100
COST OF REVENUE (Notes 24 and 28)	<u>18,280,005</u>	<u>70</u>	<u>15,706,539</u>	<u>65</u>
GROSS PROFIT	<u>7,960,709</u>	<u>30</u>	<u>8,288,769</u>	<u>35</u>
OPERATING EXPENSES				
Sales and marketing (Notes 24 and 28)	409,132	1	396,617	2
General and administrative (Notes 24 and 28)	482,081	2	553,689	2
Research and development (Notes 24 and 28)	<u>3,171,821</u>	<u>12</u>	<u>3,336,611</u>	<u>14</u>
Total operating expenses	<u>4,063,034</u>	<u>15</u>	<u>4,286,917</u>	<u>18</u>
INCOME FROM OPERATIONS	<u>3,897,675</u>	<u>15</u>	<u>4,001,852</u>	<u>17</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Notes 18 and 28)	92,118	-	39,275	-
Other income (Notes 11 and 19)	6,237	-	15,692	-
Other gains and losses (Note 20)	14,692	-	143,532	1
Finance costs (Notes 21 and 28)	(1,657)	-	(1,776)	-
Share of profit of subsidiaries	<u>122,512</u>	<u>1</u>	<u>123,410</u>	-
Total non-operating income and expenses	<u>233,902</u>	<u>1</u>	<u>320,133</u>	<u>1</u>
INCOME BEFORE INCOME TAX	4,131,577	16	4,321,985	18
INCOME TAX EXPENSE (Note 22)	<u>623,692</u>	<u>3</u>	<u>611,543</u>	<u>3</u>
NET INCOME	<u>3,507,885</u>	<u>13</u>	<u>3,710,442</u>	<u>15</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans (Note 15)	4,291	-	5,238	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations (Note 16)	<u>(15,773)</u>	<u>-</u>	<u>20,237</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(11,482)</u>	<u>-</u>	<u>25,475</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 3,496,403</u>	<u>13</u>	<u>\$ 3,735,917</u>	<u>15</u>
EARNINGS PER SHARE (Note 23)				
Basic earnings per share	<u>\$ 26.18</u>		<u>\$ 27.69</u>	
Diluted earnings per share	<u>\$ 26.02</u>		<u>\$ 27.47</u>	

The accompanying notes are an integral part of the parent company only financial statements.

GLOBAL UNICHIP CORP.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

	Share Capital - Common Stock		Capital Surplus	Retained Earnings				Total	Others
	Share (In Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings			
BALANCE, JANUARY 1, 2022	134,011	\$ 1,340,119	\$ 32,641	\$ 910,172	\$ 22,153	\$ 2,996,715	\$ 3,929,040	\$ (38,471)	\$ 5,263,329
Appropriation and distribution of prior year's earnings									
Legal reserve	-	-	-	146,270	-	(146,270)	-	-	-
Special reserve	-	-	-	-	16,318	(16,318)	-	-	-
Cash dividends to shareholders - NT\$7.00 per share	-	-	-	-	-	(938,083)	(938,083)	-	(938,083)
Total	-	-	-	146,270	16,318	(1,100,671)	(938,083)	-	(938,083)
Dividends from claims extinguished by prescription	-	-	35	-	-	-	-	-	35
Net income in 2022	-	-	-	-	-	3,710,442	3,710,442	-	3,710,442
Other comprehensive income in 2022, net of income tax	-	-	-	-	-	5,238	5,238	20,237	25,475
Total comprehensive income in 2022	-	-	-	-	-	3,715,680	3,715,680	20,237	3,735,917
BALANCE, DECEMBER 31, 2022	134,011	1,340,119	32,676	1,056,442	38,471	5,611,724	6,706,637	(18,234)	8,061,198
Appropriation and distribution of prior year's earnings									
Legal reserve	-	-	-	371,568	-	(371,568)	-	-	-
Reversal of special reserve	-	-	-	-	(20,237)	20,237	-	-	-
Cash dividends to shareholders - NT\$14.00 per share	-	-	-	-	-	(1,876,167)	(1,876,167)	-	(1,876,167)
Total	-	-	-	371,568	(20,237)	(2,227,498)	(1,876,167)	-	(1,876,167)
Donations from shareholders	-	-	50	-	-	-	-	-	50
Dividends from claims extinguished by prescription	-	-	75	-	-	-	-	-	75
Net income in 2023	-	-	-	-	-	3,507,885	3,507,885	-	3,507,885
Other comprehensive income in 2023, net of income tax	-	-	-	-	-	4,291	4,291	(15,773)	(11,482)
Total comprehensive income in 2023	-	-	-	-	-	3,512,176	3,512,176	(15,773)	3,496,403
BALANCE, DECEMBER 31, 2023	134,011	\$ 1,340,119	\$ 32,801	\$ 1,428,010	\$ 18,234	\$ 6,896,402	\$ 8,342,646	\$ (34,007)	\$ 9,681,559

The accompanying notes are an integral part of the parent company only financial statements.

## GLOBAL UNICHIP CORP.

### PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 4,131,577	\$ 4,321,985
Adjustments for:		
Depreciation	218,936	279,116
Amortization	347,745	333,986
Gain on financial assets at fair value through profit or loss	(22,551)	(10,884)
Finance costs	1,657	1,776
Interest income	(92,118)	(39,275)
Share of profit of subsidiaries	(122,512)	(123,410)
Loss (gain) on foreign exchange, net	(29,423)	22,126
Gain on disposal of property, plant and equipment, net	(110)	-
Gain on lease modification	-	(5)
Changes in operating assets and liabilities:		
Accounts receivable, net (including related parties)	1,010,805	(1,487,183)
Inventories	1,712,005	(3,774,150)
Other current assets	(842,600)	(489,916)
Contract liabilities	(99,317)	1,035,526
Accounts payable (including related parties)	(779,617)	942,335
Accrued employees' compensation and remuneration to directors	713,827	441,323
Accrued expenses and other current liabilities	(653,476)	266,522
Net defined benefit liabilities	(684)	(863)
Cash generated from operations	5,494,144	1,719,009
Income tax paid	(939,525)	(219,306)
Net cash generated from operating activities	<u>4,554,619</u>	<u>1,499,703</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of:		
Financial assets at fair value through profit or loss	(2,380,000)	(2,030,000)
Equity interest in subsidiary	(30,602)	-
Property, plant and equipment	(91,405)	(312,698)
Intangible assets	(376,185)	(359,745)
Proceeds from disposal of:		
Financial assets at fair value through profit or loss	2,102,551	2,390,884
Property, plant and equipment	163	-
Refundable deposits paid	(85,299)	(71,278)
Refundable deposits refunded	2,628	2,558
Interest received	90,188	38,463
Dividends received	<u>64,449</u>	<u>-</u>
Net cash used in investing activities	<u>(703,512)</u>	<u>(341,816)</u>

(Continued)

## GLOBAL UNICHIP CORP.

### PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	2023	2022
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of the principal portion of lease liabilities	\$ (39,128)	\$ (35,541)
Cash dividends paid	(1,876,167)	(938,083)
Equity interest in subsidiary	(62,199)	-
Interest paid	(1,657)	(1,776)
Donations from shareholders	50	-
Dividends from claims extinguished by prescription reclassified to capital surplus	<u>75</u>	<u>35</u>
Net cash used in financing activities	<u>(1,979,026)</u>	<u>(975,365)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,872,081	182,522
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>5,192,497</u>	<u>5,009,975</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 7,064,578</u>	<u>\$ 5,192,497</u>

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

GLOBAL UNICHIP CORP.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022  
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. GENERAL

Global Unichip Corp. (the “Company”), a Republic of China (R.O.C.) corporation, was incorporated on January 22, 1998. The Company is engaged mainly in researching, developing, producing, testing and selling of embedded memory and logic components for various application ICs, cell libraries for various application ICs, and EDA tools for various application ICs. On November 3, 2006, the Company’s shares were listed on the Taiwan Stock Exchange (TWSE). The address of its registered office and principal place of business is No. 10 Li-Hsin 6<sup>th</sup> Rd., Hsinchu Science Park, Taiwan.

2. APPROVAL OF FINANCIAL STATEMENTS

The parent company only financial statements were approved and authorized by the Audit Committee and the Board of Directors for issue on January 31, 2024.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRS Accounting Standards”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, the initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have a material impact on the Company’s accounting policies:

Amendments to IAS 12 “International Tax Reform - Pillar Two Model Rules”

The amendments introduce a temporary exception to the requirements in IAS 12 by stipulating that the Company should neither recognize nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. The amendments also require the Company to disclose that it has applied the exception and separately disclose its current tax expense (income) related to Pillar Two income taxes. In addition, for periods in which Pillar Two legislation is enacted or substantively enacted but not yet in effect, the Company should disclose qualitative and quantitative information that helps users of financial statements understand the Company’s exposure to Pillar Two income taxes. The requirement that the Company apply the exception and the requirement to disclose that fact are applied immediately and retrospectively upon issuance of the amendments. The remaining disclosure requirements apply for annual reporting periods beginning on or after January 1, 2023, but not for any interim period ending on or before December 31, 2023.

- b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2024

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024

(Continued)

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3) (Concluded)

Note 1: Unless stated otherwise, the above IFRS Accounting Standards are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Note 3: The amendments provide some transition relief regarding disclosure requirements.

- c. New IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note 2)

Note 1: Unless stated otherwise, the above IFRS Accounting Standards are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The Company shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the Company recognizes any effect as an adjustment to the opening balance of retained earnings. When the Company uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

As of the date the parent company only financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of above standards and interpretations will have on the Company’s financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

For the convenience of readers, the accompanying parent company only financial statements have been translated into English from the original Chinese version prepared and used in the R.O.C. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language parent company only financial statements shall prevail.



Material accounting policies are summarized as follows:

### Statement of Compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis of Preparation

The parent company only financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets, as explained in the accounting policies below.

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

When preparing these parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using equity method, the share of profit or loss of subsidiaries and the related equity items, as appropriate, in these parent company only financial statements.

### Foreign Currencies

In preparing the parent company only financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purposes of presenting parent company only financial statements, the assets and liabilities of the Company's foreign operations are translated into NT\$ using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity.

### Classification of Current and Non-current Assets and Liabilities

Current assets include:

- Assets held primarily for the purpose of trading;
- Assets expected to be realized within twelve months after the reporting period; and
- Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

- Liabilities held primarily for the purpose of trading;
- Liabilities due to be settled within twelve months after the reporting period; and
- Liabilities for which the Company does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

### Cash Equivalents

Cash equivalents, for the purpose of meeting short-term cash commitments, consist of highly liquid time deposits and investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and liabilities are initially recognized at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

### Financial Assets

All regular way purchases or sales of financial assets are recognized and derecognized on a settlement date basis.

- Measurement category

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss (FVTPL) and financial assets at amortized cost.

- Financial assets at FVTPL

Financial assets at FVTPL include financial assets that are mandatorily classified as at FVTPL, which include investments in equity instruments which are not designated as at fair value through other comprehensive income (FVOCI) and debt instruments that do not meet the amortized cost criteria or the FVOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends, interest earned and remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 27: Financial Instruments.

## 2) Financial assets at amortized cost

Financial assets that meet the following 2 conditions are subsequently measured at amortized cost:

- The financial asset is held within a business model whose objective is collecting 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.

Subsequent to initial recognition, financial assets at amortized cost (including cash and cash equivalents, notes and accounts receivable (including related parties) and other receivables), are measured at amortized cost, which equals gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

### b. Impairment of financial assets and contract assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable) and contract assets.

The Company always recognizes lifetime Expected Credit Losses (ECLs) for accounts receivable. For all other financial instruments, the Company recognizes lifetime ECLs 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 Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For poor credit rating customers that have accounts receivable balances past due over 90 days, the Company recognizes loss allowance at full amount.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

### c. Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

## Financial Liabilities and Equity Instruments

### a. Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

### b. Equity instruments

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

### c. Financial liabilities

Financial liabilities are subsequently measured at amortized cost using effective interest method.

Financial liabilities other than those held for trading purposes and designated as at FVTPL are subsequently measured at amortized cost at the end of each reporting period.

### d. Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

## Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process. Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made on an item-by-item basis, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and necessary selling costs. Inventories are recorded at the weighted-average cost on the balance sheet date.

## Investments Accounted for Using Equity Method

The Company uses the equity method to account for its investments in subsidiaries. A subsidiary is the entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes its share of the changes in the equity items of the subsidiary.

Profits or losses resulting from downstream transactions with subsidiaries are eliminated in full in the parent company only financial statements. Profits and losses resulting from upstream transactions with subsidiaries and transactions between subsidiaries are recognized in the parent company only financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

## Property, Plant and Equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment. Costs include any incremental costs that are directly attributable to the construction or acquisition of the item of property, plant and equipment.

Depreciation is recognized so as to write off the cost of the assets less their residual values over their useful lives, and it is computed using the straight-line method over the following estimated useful lives:

Buildings	50 years
Machinery and equipment	7 years
Research and development equipment	4 years
Transportation equipment	4 to 5 years
Office equipment	5 to 10 years
Miscellaneous equipment	2 to 10 years

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

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Leases

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

a. The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

When the Company subleases a right-of-use asset, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Company, as a lessee, has accounted for applying recognition exemption, the sublease is classified as an operating lease.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

b. The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the parent company only balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments and variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate.

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, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the parent company only balance sheets.

Intangible Assets

Intangible asset with definite useful life is initially recorded at the purchase cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized using the straight-line method over the following estimated useful lives:

Software	2 to 5 years
Patents	Economic lives of the patents

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

Expenditure on research activities is recognized as an expense when incurred. An internally-generated intangible asset arising from development activities is capitalized and then amortized on a straight-line basis over its useful life if the recognition criteria for an intangible asset have been met; otherwise, the development expenditure is recognized as an expense when incurred.

Impairment of Tangible and Intangible Assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell or value in use. In assessing value in use, the estimated future cash flows 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset or a cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Revenue Recognition

The Company identifies the contract with the customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied. Revenue from sale of goods is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from sale of goods

Revenue is recognized when a customer obtains control of promised goods, at which time the goods are delivered to the customer’s specific location and performance obligation is satisfied.



#### Rendering of Non-Recurring Engineering (NRE) services

Revenue is recognized when the NRE service is completed and the qualifications in the contract with the customer have been met. If each performance obligation can be measured reasonably by completion stages, the contract is restricted for another use, and the customer would compensate the company to recover the costs incurred plus a reasonable profit margin whenever the contract is terminated by the customer, revenue from the contract service is recognized over time.

#### **Retirement Benefits**

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost and net interest on the net defined benefit liability are recognized as employee benefits expense in the period they occur. Remeasurement is recognized in other comprehensive income in the period in which it occurs, and it is reflected in retained earnings immediately and will not be reclassified to profit or loss.

Net defined benefit liability represents the actuarial deficit in the Company's defined benefit plan.

#### **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

#### Current tax

According to the Income Tax Act, an additional income tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

#### Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, provided it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and such temporary differences are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. The deferred tax assets which were originally not recognized are also reviewed at the end of each reporting period and recognized to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

The Company has applied the exception from the recognition and disclosure of deferred tax assets and liabilities related to Pillar Two income taxes. Accordingly, the Company neither recognizes nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

#### Current tax and deferred tax for the period

Current tax and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

### **5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY**

In the application of the Company's accounting policies, which are described in Note 4, the directors are required to make judgments, 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.

When developing material accounting estimates, the Company considers the possible impact of climate change and related government policies and regulations on the cash flow projection, growth rates, discount rates, profitability and other relevant material estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

#### **MATERIAL ACCOUNTING JUDGMENTS**

##### **Revenue recognized at gross or net amount**

The Company determines whether the nature of its performance obligation is to provide the specified goods or services itself (i.e. the Company is a principal) or to arrange for the other party to provide those goods or services (i.e. the Company is an agent) based on the transaction model and its economic substance. The Company is a principal if it controls a promised good or service before it transfers the good or service to a customer. The Company recognizes revenue at gross amount of consideration to which it expects to be entitled in exchange for those goods or services transferred. The Company is an agent if its performance obligation is to arrange for the provision of goods or services by another party. The Company recognizes revenue at the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the other party to provide its goods or services.

##### **Timing of revenue recognition**

The Company evaluates whether its performance obligation is satisfied over time or at a point in time in accordance with the respective contract with a customer and applicable regulation when the conditions described in Note 4 are satisfied.

The Company also records a provision for estimated future allowance in the same period the related revenue is recorded. Provision for estimated sales allowance is generally made and adjusted based on management judgment, historical experience and any known factors that would significantly affect the allowance; the management periodically reviews the adequacy of the allowance.

## KEY SOURCES OF ESTIMATION AND UNCERTAINTY

### Impairment of Financial Assets

The provision for impairment of accounts receivable is based on assumptions about probability of default and loss given default. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience, existing market conditions as well as forward looking estimates at the end of each reporting period. Please refer to Note 6 for the details of the key assumptions and inputs used. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

### Realization of Deferred Income Tax Assets

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which those deferred tax assets can be utilized. Assessment of the realizability of deferred tax assets requires the Company's subjective judgment and estimation, including the future revenue growth and profitability, tax holidays, the amount of tax credits that can be utilized and feasible tax planning strategies. Any changes in the global economic environment, the industry trends and relevant laws and regulations could result in significant adjustments to deferred tax assets.

### Valuation of Inventory

Inventories are stated at the lower of cost or net realizable value. The Company estimates the net realizable value of inventory at the end of each reporting period.

Due to the rapid technological changes, the Company estimates the net realizable value of inventory for obsolescence and unmarketable items at the end of reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of inventory is mainly determined based on assumptions of future demand within a specific time horizon.

### Lessees' Incremental Borrowing Rates

In determining a lessee's incremental borrowing rate used in discounting lease payments, a risk-free rate for the same currency and relevant duration is selected as a reference rate, and the lessee's credit spread adjustments and lease specific adjustments (such as asset type, secured position, etc.) are also taken into account.

## 6. ACCOUNTS RECEIVABLE, NET

	December 31	
	2023	2022
At amortized cost		
Accounts receivable	\$ 1,967,388	\$ 2,981,616

In principle, the payment term granted to customers is due 30 days from the invoice date or 30 days from the end of the month the invoice is issued.

The Company measures the loss allowance for accounts receivable at an amount equal to lifetime expected credit losses. The expected credit losses on accounts receivable are estimated using a provision matrix prepared by reference to the past account aging records of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor and an assessment of the gross domestic product growth rate, unemployment rate and industrial indicators at the reporting date. The Company estimates expected credit losses based on the number of days that receivables are past due. As the Company's historical credit losses experience does not show significantly different loss patterns for

different customer segments, the provision for losses based on past due status of receivables is not further distinguished between the Company's different customer base; poor credit rating customers that have accounts receivable balances past due over 90 days are provided with full amount of loss allowance.

The Company writes off an account receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery of the receivable. For accounts receivable that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables which are due. Where recoveries are made, these are recognized in profit or loss.

### Aging analysis of accounts receivable

	December 31	
	2023	2022
No past due	\$ 1,590,921	\$ 2,672,067
Past due		
Past due within 1-30 days	319,825	299,538
Past due within 31-60 days	56,642	10,011
	<u>\$ 1,967,388</u>	<u>\$ 2,981,616</u>

## 7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2023	2022
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	<u>\$ 2,080,000</u>	<u>\$ 1,780,000</u>

## 8. INVENTORIES

	December 31	
	2023	2022
Finished goods	\$ 1,030,815	\$ 455,658
Work in process	2,643,946	4,842,177
Raw materials	<u>1,175,956</u>	<u>1,264,887</u>
	<u>\$ 4,850,717</u>	<u>\$ 6,562,722</u>

Write-down of inventories to net realizable value was included in the cost of revenue; the amounts were as follows:

	Years Ended December 31	
	2023	2022
Write-down of inventories	<u>\$ 17,192</u>	<u>\$ 2,398</u>

## 9. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

The carrying amount and percentage of ownership of subsidiaries accounted for by using the equity method were as follows:

Name of Investee	Main Businesses and Products	Establishment and Operating Location	Carrying Amount		Percentage of Ownership	
			December 31		December 31	
			2023	2022	2023	2022
Global Unichip (Nanjing) Ltd. (GUC-Nanjing)	Products consulting, design and technical support service	Nanjing, China	\$ 557,194	\$ 478,834	100%	100%
Global Unichip Corp.-NA (GUC-NA)	Products consulting, design and technical support service	U.S.A.	170,925	160,113	100%	100%
Global Unichip Japan Co., Ltd. (GUC-Japan)	Products consulting, design and technical support service	Japan	80,820	72,570	100%	100%
Global Unichip (Shanghai) Company, Limited (GUC-Shanghai)	Products consulting, design and technical support service	Shanghai, China	59,392	54,273	100%	100%
Global Unichip Vietnam Company Limited (GUC-Vietnam)	Products consulting, design and technical support service	Vietnam	30,457	-	100%	Note
Global Unichip Corp. Europe B.V. (GUC-Europe)	Products consulting, design and technical support service	Netherlands	16,401	14,355	100%	100%
Global Unichip Corp. Korea (GUC-Korea)	Products consulting, design and technical support service	Korea	<u>7,470</u>	<u>7,423</u>	100%	100%
			<u>\$ 922,659</u>	<u>\$ 787,568</u>		

Note: Upon the approval of the Board of the Directors on October 27, 2022, GUC-Vietnam was established by the Company in February 2023.

## 10. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery and Equipment	Research and Development Equipment	Transportation Equipment	Office Equipment	Miscellaneous Equipment	Total
<u>Cost</u>							
Balance at January 1, 2023	\$ 242,923	\$ 109,805	\$ 1,828,982	\$ 1,375	\$ 21,898	\$ 421,022	\$ 2,626,005
Additions	-	2,280	63,116	1,450	902	22,388	90,136
Disposals	-	-	(118,338)	-	(2,212)	(13,880)	(134,430)
Balance at December 31, 2023	<u>\$ 242,923</u>	<u>\$ 112,085</u>	<u>\$ 1,773,760</u>	<u>\$ 2,825</u>	<u>\$ 20,588</u>	<u>\$ 429,530</u>	<u>\$ 2,581,711</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2023	\$ 87,628	\$ 39,558	\$ 1,503,829	\$ 1,220	\$ 20,962	\$ 344,656	\$ 1,997,853
Depreciation	4,766	15,973	131,806	276	632	26,272	179,725
Disposals	-	-	(118,285)	-	(2,212)	(13,880)	(134,377)
Balance at December 31, 2023	<u>\$ 92,394</u>	<u>\$ 55,531</u>	<u>\$ 1,517,350</u>	<u>\$ 1,496</u>	<u>\$ 19,382</u>	<u>\$ 357,048</u>	<u>\$ 2,043,201</u>
Carrying amount at December 31, 2023	<u>\$ 150,529</u>	<u>\$ 56,554</u>	<u>\$ 256,410</u>	<u>\$ 1,329</u>	<u>\$ 1,206</u>	<u>\$ 72,482</u>	<u>\$ 538,510</u>
<u>Cost</u>							
Balance at January 1, 2022	\$ 242,923	\$ 98,467	\$ 1,569,977	\$ 1,375	\$ 21,668	\$ 412,423	\$ 2,346,833
Additions	-	11,338	299,304	-	530	13,587	324,759
Disposals	-	-	(40,299)	-	(300)	(4,988)	(45,587)
Balance at December 31, 2022	<u>\$ 242,923</u>	<u>\$ 109,805</u>	<u>\$ 1,828,982</u>	<u>\$ 1,375</u>	<u>\$ 21,898</u>	<u>\$ 421,022</u>	<u>\$ 2,626,005</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2022	\$ 82,862	\$ 24,393	\$ 1,347,841	\$ 955	\$ 20,051	\$ 324,430	\$ 1,800,532
Depreciation	4,766	15,165	196,287	265	1,211	25,214	242,908
Disposals	-	-	(40,299)	-	(300)	(4,988)	(45,587)
Balance at December 31, 2022	<u>\$ 87,628</u>	<u>\$ 39,558</u>	<u>\$ 1,503,829</u>	<u>\$ 1,220</u>	<u>\$ 20,962</u>	<u>\$ 344,656</u>	<u>\$ 1,997,853</u>
Carrying amount at December 31, 2022	<u>\$ 155,295</u>	<u>\$ 70,247</u>	<u>\$ 325,153</u>	<u>\$ 155</u>	<u>\$ 936</u>	<u>\$ 76,366</u>	<u>\$ 628,152</u>

## 11. LEASE ARRANGEMENTS

### a. Right-of-use assets

	Land	Buildings	Transportation Equipment	Total
<u>Cost</u>				
Balance at January 1, 2023	\$ 59,238	\$ 213,205	\$ 5,934	\$ 278,377
Additions	-	12,722	1,579	14,301
Lease expired	-	-	(1,627)	(1,627)
Balance at December 31, 2023	<u>\$ 59,238</u>	<u>\$ 225,927</u>	<u>\$ 5,886</u>	<u>\$ 291,051</u>
<u>Accumulated depreciation</u>				
Balance at January 1, 2023	\$ 6,456	\$ 125,972	\$ 2,493	\$ 134,921
Depreciation	1,620	36,359	1,232	39,211
Lease expired	-	-	(1,627)	(1,627)
Balance at December 31, 2023	<u>\$ 8,076</u>	<u>\$ 162,331</u>	<u>\$ 2,098</u>	<u>\$ 172,505</u>
Carrying amount at December 31, 2023	<u>\$ 51,162</u>	<u>\$ 63,596</u>	<u>\$ 3,788</u>	<u>\$ 118,546</u>
<u>Cost</u>				
Balance at January 1, 2022	\$ 58,995	\$ 198,380	\$ 3,475	\$ 260,850
Additions	243	18,433	3,840	22,516
Lease expired	-	(3,608)	-	(3,608)
Lease modification	-	-	(1,381)	(1,381)
Balance at December 31, 2022	<u>\$ 59,238</u>	<u>\$ 213,205</u>	<u>\$ 5,934</u>	<u>\$ 278,377</u>
<u>Accumulated depreciation</u>				
Balance at January 1, 2022	\$ 4,838	\$ 96,166	\$ 2,254	\$ 103,258
Depreciation	1,618	33,414	1,176	36,208
Lease expired	-	(3,608)	-	(3,608)
Lease modification	-	-	(937)	(937)
Balance at December 31, 2022	<u>\$ 6,456</u>	<u>\$ 125,972</u>	<u>\$ 2,493</u>	<u>\$ 134,921</u>
Carrying amount at December 31, 2022	<u>\$ 52,782</u>	<u>\$ 87,233</u>	<u>\$ 3,441</u>	<u>\$ 143,456</u>
			Years Ended December 31	
			2023	2022
Income from the subleasing of right-of-use assets (presented in other income)			<u>\$ 300</u>	<u>\$ 149</u>



b. Lease liabilities

	December 31	
	2023	2022
<u>Carrying amount</u>		
Current	\$ 38,073	\$ 37,853
Non-current	\$ 83,591	\$ 108,638

Range of discount rates for lease liabilities was as follows:

	December 31	
	2023	2022
Land	1.62%	1.62%
Buildings	0.589%-1.524%	0.589%-1.387%
Transportation equipment	0.671%-1.57%	0.589%-0.925%

c. Material leasing activities and terms

The Company leases land and buildings for the use of plants and offices with lease terms of 1 to 37 years. The lease contract for land located in the R.O.C. specifies that lease payments will be adjusted on the basis of changes in announced land value prices and other factors at any time. The Company does not have bargain purchase option to acquire the leasehold land and buildings at the end of the lease terms. In addition, the Company is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Subleases

The other sublease transaction is set out below.

Sublease of right-of-use assets

The Company subleased its leasehold parking lot under operating lease with lease term of 1 year and 6 months.

The maturity analysis of lease payments receivable under operating subleases was as follows:

	December 31	
	2023	2022
Year 1	\$ 150	\$ 300
Year 2	-	150
	\$ 150	\$ 450

e. Other lease information

	Years Ended December 31	
	2023	2022
Expenses relating to short-term leases	\$ 2,980	\$ 3,008
Total cash outflow for leases	\$ (43,881)	\$ (40,506)

The Company's leases for certain buildings and miscellaneous equipment qualify as short-term leases and leases for certain office equipment and miscellaneous equipment qualify as low-value asset leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

12. INTANGIBLE ASSETS

	Software	Patents	Total
<u>Cost</u>			
Balance at January 1, 2023	\$ 1,161,887	\$ 519	\$ 1,162,406
Additions	393,599	-	393,599
Disposals	(299,567)	-	(299,567)
Balance at December 31, 2023	\$ 1,255,919	\$ 519	\$ 1,256,438
<u>Accumulated amortization</u>			
Balance at January 1, 2023	\$ 620,455	\$ 519	\$ 620,974
Amortization	347,745	-	347,745
Disposals	(299,567)	-	(299,567)
Balance at December 31, 2023	\$ 668,633	\$ 519	\$ 669,152
Carrying amount at December 31, 2023	\$ 587,286	\$ -	\$ 587,286
<u>Cost</u>			
Balance at January 1, 2022	\$ 1,048,981	\$ 519	\$ 1,049,500
Additions	557,530	-	557,530
Disposals	(444,624)	-	(444,624)
Balance at December 31, 2022	\$ 1,161,887	\$ 519	\$ 1,162,406
<u>Accumulated amortization</u>			
Balance at January 1, 2022	\$ 731,103	\$ 509	\$ 731,612
Amortization	333,976	10	333,986
Disposals	(444,624)	-	(444,624)
Balance at December 31, 2022	\$ 620,455	\$ 519	\$ 620,974
Carrying amount at December 31, 2022	\$ 541,432	\$ -	\$ 541,432

13. OTHER CURRENT ASSETS

	December 31	
	2023	2022
Prepayment for purchases	\$ 2,244,765	\$ 1,654,328
Prepaid license fees	363,190	330,000
VAT tax receivable	172,615	254,689
Prepaid expenses	27,766	28,178
	\$ 2,808,336	\$ 2,267,195

## 14. OTHER LIABILITIES

	December 31	
	2023	2022
<u>Current</u>		
License fees payable	\$ 283,380	\$ 238,952
Payable for salaries and bonuses	227,143	837,208
Payable for royalties	23,043	30,235
Others	<u>703,515</u>	<u>739,734</u>
	<u>\$ 1,237,081</u>	<u>\$ 1,846,129</u>
<u>Non-current</u>		
License fees payable	<u>\$ 112,618</u>	<u>\$ 165,659</u>

The license fees payable is primarily attributable to several agreements that the Company entered into for certain technology license and software.

## 15. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

The pension mechanism under the Labor Pension Act is deemed a defined contribution retirement plan. Pursuant to the Act, the Company makes monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts. Accordingly, the Company recognized expenses of NT\$53,597 thousand and NT\$50,185 thousand in the parent company only statements of comprehensive income for the years ended December 31, 2023 and 2022, respectively.

### b. Defined benefit plans

The Company has a defined benefit plan under the Labor Standards Act, which provides benefits based on an employee's length of service and average monthly salary of the last six months prior to retirement. The Company contributes an amount equal to 2% of salaries paid each month to a pension fund (the Fund), which is administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the Committee's name in the Bank of Taiwan. Before the end of each year, the Company assesses the balance in the Fund. If the amount of the balance in the Fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The Fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the parent company only balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2023	2022
Present value of defined benefit obligation	\$ 75,873	\$ 77,747
Fair value of plan assets	<u>(53,561)</u>	<u>(50,460)</u>
Net defined benefit liabilities	<u>\$ 22,312</u>	<u>\$ 27,287</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2022	\$ 78,457	\$ (45,069)	\$ 33,388
Service cost			
Current service cost	940	-	940
Net interest expense (income)	<u>508</u>	<u>(298)</u>	<u>210</u>
Recognized in profit or loss	<u>1,448</u>	<u>(298)</u>	<u>1,150</u>
Remeasurement			
Return on plan assets	-	(3,441)	(3,441)
Actuarial loss - changes in demographic assumptions	155	-	155
Actuarial gain - changes in financial assumptions	<u>(6,426)</u>	-	<u>(6,426)</u>
Actuarial loss - experience adjustments	<u>4,474</u>	-	<u>4,474</u>
Recognized in other comprehensive (income) loss	<u>(1,797)</u>	<u>(3,441)</u>	<u>(5,238)</u>
Contributions from the employer	-	<u>(2,013)</u>	<u>(2,013)</u>
Benefits paid	<u>(361)</u>	<u>361</u>	-
Balance at December 31, 2022	<u>77,747</u>	<u>(50,460)</u>	<u>27,287</u>
Service cost			
Current service cost	987	-	987
Net interest expense (income)	<u>1,043</u>	<u>(689)</u>	<u>354</u>
Recognized in profit or loss	<u>2,030</u>	<u>(689)</u>	<u>1,341</u>
Remeasurement			
Return on plan assets	-	(387)	(387)
Actuarial loss - changes in demographic assumptions	(240)	-	(240)
Actuarial gain - changes in financial assumptions	407	-	407
Actuarial loss - experience adjustments	<u>(4,071)</u>	-	<u>(4,071)</u>
Recognized in other comprehensive (income) loss	<u>(3,904)</u>	<u>(387)</u>	<u>(4,291)</u>
Contributions from the employer	-	<u>(2,025)</u>	<u>(2,025)</u>
Balance at December 31, 2023	<u>\$ 75,873</u>	<u>\$ (53,561)</u>	<u>\$ 22,312</u>

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	Years Ended December 31	
	2023	2022
General and administrative expenses	\$ 1,341	\$ 1,150

Through the defined benefit plan under the Labor Standards Act, the Company is exposed to the following risks:

- Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2023	2022
Discount rate	1.30%	1.35%
Expected rate of salary increase	3.00%	3.00%
Turnover rate	1.77%	1.82%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2023	2022
Discount rate		
0.25% increase	\$ (1,990)	\$ (2,133)
0.25% decrease	\$ 2,067	\$ 2,221
Expected rate of salary increase		
0.25% increase	\$ 2,024	\$ 2,177
0.25% decrease	\$ (1,960)	\$ (2,103)
Turnover rate		
10% increase	\$ (290)	\$ (381)
10% decrease	\$ 302	\$ 394

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2023	2022
The expected contributions to the plan for the next year	\$ 2,203	\$ 2,168
The average duration of the defined benefit obligation	10 years	11 years

The maturity analysis of undiscounted pension benefit is as follows:

	December 31	
	2023	2022
Later than 1 year and not later than 5 years	\$ 12,116	\$ 14,008
Later than 5 years	74,436	75,526
	<u>\$ 86,552</u>	<u>\$ 89,534</u>

## 16. EQUITY

### a. Share capital

	December 31	
	2023	2022
Authorized	\$ 1,800,000	\$ 1,800,000
Issued	<u>\$ 1,340,119</u>	<u>\$ 1,340,119</u>

As of December 31, 2023 and 2022, the Company was authorized to issue 180,000 thousand shares, respectively, with par value of \$10; each share is entitled to the right to vote and to receive dividends, and a total of 134,011 thousand shares have been paid and issued.

### b. Capital surplus

	December 31	
	2023	2022
From merger	\$ 16,621	\$ 16,621
Additional paid-in capital	13,232	13,232
Donations	2,710	2,660
Dividends from claims extinguished by prescription	<u>238</u>	<u>163</u>
	<u>\$ 32,801</u>	<u>\$ 32,676</u>

Under the Company Law, the capital surplus generated from the excess of the issuance price over the par value of capital stock (including the stock issued for new capital and mergers) and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be appropriated as cash dividends or stock dividends, which are limited to a certain percentage of the Company's paid-in capital. The capital surplus recognized from dividends with claims extinguished by prescription may be used to offset a deficit.

### c. Retained earnings and dividend policy

According to the Company's Articles of Incorporation when allocating the net profits of each fiscal year, the Company shall first offset its losses in previous years before making appropriations to the following items:

- 1) Legal reserve at 10% of the remaining profit. However, when the legal reserve amounts to the authorized capital, this shall not apply;
- 2) Special reserve in accordance with the resolution in the shareholders' meeting;
- 3) Any balance remaining shall be allocated to shareholders according to the resolution in the shareholders' meeting.

The Articles of Incorporation provide the policy about employee' compensation and remuneration to directors; refer to Note 24.

The Company's profit distribution, the proportion of cash dividends shall not be lower than 60% of the total dividends, depending on future expansion plans and needs for cash.



The appropriation for legal reserve shall be made until the reserve equals the Company's paid-in capital. The reserve may be used to offset a deficit, or be distributed as dividends and bonuses to the extent that the portion exceeds 25% of the paid-in capital if the Company incurs no loss.

A special reserve equivalent to the net debit balance of other components of shareholders' equity, such as exchange differences on the translation of foreign operations, shall be made from unappropriated earnings. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses.

The appropriations of earnings for 2022 and 2021 had been approved in the meetings of the shareholders of the Company held on May 18, 2023 and May 19, 2022, respectively. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings For the Years Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Legal reserve	\$ 371,568	\$ 146,270
Special reserve (reversal of special reserve)	\$ (20,237)	\$ 16,318
Cash dividends	\$ 1,876,167	\$ 938,083
Cash dividends per share (NT\$)	\$ 14.00	\$ 7.00

The appropriations of earnings for 2023 had been proposed by the Board of Directors of the Company on January 31, 2024. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 351,217	
Special reserve	15,773	
Cash dividends to shareholders	<u>1,876,167</u>	\$ 14.00
	<u>\$ 2,243,157</u>	

The appropriations of earnings for 2023 are to be resolved in the meeting of the shareholders of the Company which is expected to be held on May 16, 2024.

d. Others

Changes in foreign currency translation reserve were as follows:

	<b>Years Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Balance, beginning of year	\$ (18,234)	\$ (38,471)
Exchange differences on translation of foreign operations	<u>(15,773)</u>	<u>20,237</u>
Balance, end of year	<u>\$ (34,007)</u>	<u>\$ (18,234)</u>

The exchange differences on translation of foreign operation's net assets from its functional currency to the Company's presentation currency are recognized directly in other comprehensive income and also accumulated in the foreign currency translation reserve.

## 17. NET REVENUE

The analysis of the Company's net revenue was as follows:

	<b>Years Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Revenue from customer contracts		
Net revenue from sale of goods	\$ 18,980,971	\$ 16,880,240
Net revenue from NRE service	<u>7,259,743</u>	<u>7,115,068</u>
	<u>\$ 26,240,714</u>	<u>\$ 23,995,308</u>

Revenue from sale of goods is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. The Company estimates and recognizes refund liabilities based on historical experience and the consideration of varying contractual terms; refund liabilities are classified under accrued expenses and other current liabilities.

a. Contract balances

	<b>December 31, 2023</b>	<b>December 31, 2022</b>	<b>January 1, 2022</b>
Accounts receivable, net	\$ 1,967,388	\$ 2,981,616	\$ 1,507,550
Contract liabilities - current	<u>\$ 6,250,159</u>	<u>\$ 6,349,476</u>	<u>\$ 5,313,950</u>

The changes in the contract liability balances primarily result from the timing difference between the satisfaction of performance obligation and the customer's payment.

For the years ended December 31, 2023 and 2022, the Company recognized revenue of NT\$4,530,696 thousand and NT\$3,398,472 thousand, respectively, from the beginning balance of contract liability.

b. Disaggregation of revenue from contracts with customers

<b>Production</b>	<b>Years Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Wafer product	\$ 18,980,971	\$ 16,880,240
NRE	6,763,015	6,493,956
Others	<u>496,728</u>	<u>621,112</u>
	<u>\$ 26,240,714</u>	<u>\$ 23,995,308</u>

<b>Region</b>	<b>Years Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
China	\$ 8,111,720	\$ 8,214,655
United States	6,736,886	5,442,147
Korea	5,842,269	3,581,597
Taiwan	2,483,555	4,046,174
Japan	2,121,318	1,844,207
Europe	<u>944,966</u>	<u>866,528</u>
	<u>\$ 26,240,714</u>	<u>\$ 23,995,308</u>

The Company categorized net revenue mainly based on the country of sales region.

Application Type	Years Ended December 31	
	2023	2022
Digital Consumer	\$ 11,917,365	\$ 9,877,645
Networking	6,254,088	5,295,651
Industry	2,892,247	4,038,443
AI/ML	2,007,702	2,782,193
Others	<u>3,169,312</u>	<u>2,001,376</u>
	<u>\$ 26,240,714</u>	<u>\$ 23,995,308</u>

Customer Type	Years Ended December 31	
	2023	2022
System House	\$ 18,060,718	\$ 15,362,243
Fabless	<u>8,179,996</u>	<u>8,633,065</u>
	<u>\$ 26,240,714</u>	<u>\$ 23,995,308</u>

Resolution	Year Ended December 31, 2023		Year Ended December 31, 2022	
	Net Revenue from NRE Service	Net Revenue from Sale of Goods	Net Revenue from NRE Service	Net Revenue from Sale of Goods
5-nanometer	\$ 2,279,545	\$ -	\$ 809,543	\$ -
7-nanometer	2,290,424	4,439,926	2,566,738	1,337,274
16-nanometer	1,019,824	6,891,367	1,555,027	6,132,767
28-nanometer and above	1,173,222	7,649,678	1,562,648	9,410,199
Others	<u>496,728</u>	<u>-</u>	<u>621,112</u>	<u>-</u>
	<u>\$ 7,259,743</u>	<u>\$ 18,980,971</u>	<u>\$ 7,115,068</u>	<u>\$ 16,880,240</u>

## 18. INTEREST INCOME

	Years Ended December 31	
	2023	2022
Bank deposits	\$ 91,958	\$ 39,049
Repurchase agreements collateralized by bonds	<u>160</u>	<u>226</u>
	<u>\$ 92,118</u>	<u>\$ 39,275</u>

## 19. OTHER INCOME

	Years Ended December 31	
	2023	2022
Past due over 2 years' contract liabilities transferred to income	\$ 2,305	\$ 8,164
Rental income	300	149
Other income	<u>3,632</u>	<u>7,379</u>
	<u>\$ 6,237</u>	<u>\$ 15,692</u>

## 20. OTHER GAINS AND LOSSES

	Years Ended December 31	
	2023	2022
Gain on financial assets at fair value through profit or loss	\$ 22,551	\$ 10,884
Gain on disposal of property, plant and equipment, net	110	-
Gain on lease modification	-	5
Foreign exchange gain (loss), net	<u>(7,969)</u>	<u>132,643</u>
	<u>\$ 14,692</u>	<u>\$ 143,532</u>

## 21. FINANCE COSTS

	Years Ended December 31	
	2023	2022
Interest on lease liabilities	<u>\$ 1,657</u>	<u>\$ 1,776</u>

## 22. INCOME TAX

### a. Income tax expense recognized in profit or loss

Income tax expense consisted of the following:

	Years Ended December 31	
	2023	2022
Current income tax expense		
Current tax expense recognized in the current period	\$ 610,369	\$ 591,483
Adjustments to income tax of prior years	<u>(1,771)</u>	<u>(71)</u>
	608,598	591,412
Deferred income tax expense		
Temporary differences	<u>15,094</u>	<u>20,131</u>
	<u>\$ 623,692</u>	<u>\$ 611,543</u>

A reconciliation of income before income tax and income tax expense recognized in profit or loss was as follows:

	Years Ended December 31	
	2023	2022
Income before tax	<u>\$ 4,131,577</u>	<u>\$ 4,321,985</u>
Income tax expense at the statutory rate	\$ 826,315	\$ 864,397
Tax effect of adjusting items:		
Nondeductible items in determining taxable income	(1,912)	711
Investment tax credits used	(261,587)	(271,595)
Additional income tax expense on unappropriated earnings	62,647	18,101
Adjustments to income tax of prior years	<u>(1,771)</u>	<u>(71)</u>
	<u>\$ 623,692</u>	<u>\$ 611,543</u>

b. Deferred income tax

The analysis of deferred income tax assets and liabilities in the parent company only balance sheets was as follows:

	December 31	
	2023	2022
<u>Deferred income tax assets</u>		
Temporary differences		
Write-down of inventory	\$ 5,091	\$ 1,793
Others	<u>10,207</u>	<u>16,987</u>
	<u>\$ 15,298</u>	<u>\$ 18,780</u>
<u>Deferred income tax liabilities</u>		
Temporary differences		
Share of profit of subsidiaries accounted for using equity method	<u>\$ (127,626)</u>	<u>\$ (116,014)</u>

Movements of deferred income tax assets and deferred income tax liabilities were as follows:

Year ended December 31, 2023

	Balance, Beginning of Year	Recognized in Profit or Loss	Balance, End of Year
<u>Deferred income tax assets</u>			
Temporary differences			
Write-down of inventory	\$ 1,793	\$ 3,298	\$ 5,091
Others	<u>16,987</u>	<u>(6,780)</u>	<u>10,207</u>
	<u>\$ 18,780</u>	<u>\$ (3,482)</u>	<u>\$ 15,298</u>

Year ended December 31, 2022

	Balance, Beginning of Year	Recognized in Profit or Loss	Balance, End of Year
<u>Deferred income tax assets</u>			
Temporary differences			
Write-down of inventory	\$ 5,366	\$ (3,573)	\$ 1,793
Others	<u>8,863</u>	<u>8,124</u>	<u>16,987</u>
	<u>\$ 14,229</u>	<u>\$ 4,551</u>	<u>\$ 18,780</u>

Year ended December 31, 2023

	Balance, Beginning of Year	Recognized in Profit or Loss	Balance, End of Year
<u>Deferred income tax liabilities</u>			
Temporary differences			
Share of profit of subsidiaries accounted for using equity method	<u>\$ (116,014)</u>	<u>\$ (11,612)</u>	<u>\$ (127,626)</u>

Year ended December 31, 2022

	Balance, Beginning of Year	Recognized in Profit or Loss	Balance, End of Year
<u>Deferred income tax liabilities</u>			
Temporary differences			
Share of profit of subsidiaries accounted for using equity method	<u>\$ (91,332)</u>	<u>\$ (24,682)</u>	<u>\$ (116,014)</u>

- c. Deductible temporary differences for which no deferred tax assets have been recognized in the parent company only balance sheets

As of December 31, 2023 and 2022, the aggregate deductible temporary differences for which no deferred income tax assets have been recognized amounted to NT\$6,801 thousand and NT\$3,647 thousand, respectively.

- d. Tax expense (income) related to pillar two income taxes.

Since Taiwan has not enacted the Pillar Two income taxes, as of December 31, 2023, the Company has no relevant current income tax impact.

- e. Income tax examination

The tax authorities have examined the income tax returns of the Company through 2021.

**23. EARNINGS PER SHARE**

	Years Ended December 31	
	2023	2022
Basic EPS	<u>\$ 26.18</u>	<u>\$ 27.69</u>
Diluted EPS	<u>\$ 26.02</u>	<u>\$ 27.47</u>



EPS is computed as follows:

	Amounts (Numerator)	Number of Shares (Denominator) (In Thousands)	EPS (NT\$)
<u>Year ended December 31, 2023</u>			
Basic EPS			
Net income available to common shareholders	\$ 3,507,885	134,011	<u>\$26.18</u>
Effect of dilutive potential common stock	<u>-</u>	<u>806</u>	
Diluted EPS			
Net income available to common shareholders (including effect of dilutive potential common stock)	<u>\$ 3,507,885</u>	<u>134,817</u>	<u>\$26.02</u>
<u>Year ended December 31, 2022</u>			
Basic EPS			
Net income available to common shareholders	\$ 3,710,442	134,011	<u>\$27.69</u>
Effect of dilutive potential common stock	<u>-</u>	<u>1,083</u>	
Diluted EPS			
Net income available to common shareholders (including effect of dilutive potential common stock)	<u>\$ 3,710,442</u>	<u>135,094</u>	<u>\$27.47</u>

The Company may settle the employees' compensation in cash or shares; therefore, the Company assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 24. ADDITIONAL INFORMATION OF EXPENSES BY NATURE

Net income included the following items:

	Years Ended December 31	
	2023	2022
a. Depreciation expense		
Depreciation of property, plant and equipment		
Recognized in cost of revenue	\$ 23,484	\$ 21,404
Recognized in operating expenses	<u>156,241</u>	<u>221,504</u>
	<u>179,725</u>	<u>242,908</u>
Depreciation of right-of-use assets		
Recognized in cost of revenue	4,752	4,597
Recognized in operating expenses	<u>34,459</u>	<u>31,611</u>
	<u>39,211</u>	<u>36,208</u>
	<u>\$ 218,936</u>	<u>\$ 279,116</u>

### b. Amortization of intangible assets

Recognized in cost of revenue	\$ 19,819	\$ 11,936
Recognized in operating expenses	<u>327,926</u>	<u>322,050</u>
	<u>\$ 347,745</u>	<u>\$ 333,986</u>

### c. Research and development costs expensed as incurred

	<u>\$ 3,171,821</u>	<u>\$ 3,336,611</u>
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### d. Employee benefits expense

Post-employment benefits (Note 15)		
Defined contribution plans	\$ 53,597	\$ 50,185
Defined benefit plans	<u>1,341</u>	<u>1,150</u>
	54,938	51,335
Other employee benefits	<u>2,642,044</u>	<u>2,895,752</u>
	<u>\$ 2,696,982</u>	<u>\$ 2,947,087</u>

### Employee benefits expense summarized by function

Recognized in cost of revenue	\$ 406,735	\$ 374,389
Recognized in operating expenses	<u>2,290,247</u>	<u>2,572,698</u>
	<u>\$ 2,696,982</u>	<u>\$ 2,947,087</u>

### e. Employees' compensation and remuneration to directors

The Company shall allocate employees' compensation and remuneration to directors no less than 2% and no more than 2%, respectively, of net income before tax and before the employees' compensation and remuneration to directors. Directors who also serve as executive officers of the Company are not entitled to receive the remuneration to directors. The Company shall first offset its losses in previous years before allocating for employees' compensation and remuneration to directors. The Company may issue stock or cash compensation to employees of an affiliated company upon meeting the conditions set by the Board of Directors.

For 2023 and 2022, the employees' compensation and remuneration to directors were approved in the meetings of the Board of Directors held on January 31, 2024 and February 2, 2023, respectively. The approved amounts were as follows:

	Years Ended December 31	
	2023	2022
Employees' compensation	\$ 1,271,103	\$ 668,274
Remuneration to directors	45,000	45,000

There was no difference between the employees' compensation approved for 2023 and 2022 and the amounts reported as expenses in 2023 and 2022. The remuneration to directors approved for 2023 was the same as the amount reported as expenses in 2023. The remuneration to directors approved for 2022 differed from the amount reported as expenses in 2022; the differences were adjusted to profit and loss for 2023.

**Year Ended  
December 31,  
2022**

The approved amounts by the Board of Directors  
The amounts recognized in the consolidated financial statements

\$ 45,000  
\$ 72,544

If there is a change in the proposed amounts after the annual parent company only financial statements were authorized for issue, the differences are recorded as a change in accounting estimate.

The employees' compensation and remuneration to directors of the Company in the amounts of NT\$271,773 thousand and NT\$27,722 thousand in cash for 2021 were approved by the Board of Directors in their meeting held on January 26, 2022. The aforementioned approved amounts did not have any difference with the amounts recognized in the parent company only financial statements for the year ended December 31, 2021.

The information about appropriations of employees' compensation and remuneration to directors of the Company is available at the Market Observation Post System website.

## 25. CASH FLOW INFORMATION

Movements of liabilities with cash flows and non-cash changes:

	Balance as of January 1, 2023	Cash Flows	Non-cash Changes			Balance as of December 31, 2023
			Lease Additions	Lease Termination	Foreign Exchange Movement	
Guarantee deposits	\$ 3,071	\$ -	\$ -	\$ -	\$ -	\$ 3,071
Lease liabilities	146,491	(39,128)	14,301	-	-	121,664

	Balance as of January 1, 2022	Cash Flows	Non-cash Changes			Balance as of December 31, 2022
			Lease Additions	Lease Termination	Foreign Exchange Movement	
Guarantee deposits	\$ 2,768	\$ -	\$ -	\$ -	\$ 303	\$ 3,071
Lease liabilities	159,965	(35,541)	22,516	(449)	-	146,491

## 26. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company are able to operate sustainability while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company engages in the semiconductor design services, which is closely tied with customer demand. Business is influenced by the cyclical nature of the semiconductor industry but not significantly. In consideration of the industry dynamics, the Company manages its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, capital asset purchases, research and development activities, dividend payments, debt service requirements and other business requirements associated with its existing operations over the next 12 months. Through capital management, the Company is capable of coping with changes in the industry, striving for improvement, and ultimately creating shareholder value.

## 27. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	<u>\$ 2,080,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,080,000</u>

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	<u>\$ 1,780,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,780,000</u>

There were no transfers between Levels 1 and 2 in the current and prior years.

b. Categories of financial instruments

	December 31	
	2023	2022
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 2,080,000	\$ 1,780,000
Amortized cost		
Cash and cash equivalents	7,064,578	5,192,497
Accounts receivable, net (including related parties)	1,989,428	3,000,233
Other financial assets	3,428	1,498
Refundable deposits	188,049	101,338
Pledged time deposits	<u>22,200</u>	<u>22,200</u>
	<u>\$ 11,347,683</u>	<u>\$ 10,097,766</u>
<u>Financial liabilities</u>		
Amortized cost		
Accounts payable (including related parties)	\$ 1,911,455	\$ 2,992,531
Payables on machinery and equipment	16,416	17,452
Accrued expenses and other current liabilities	716,756	756,714
Other long-term payables	395,998	404,611
Guarantee deposits	<u>3,071</u>	<u>3,071</u>
	<u>\$ 3,043,696</u>	<u>\$ 4,174,379</u>

c. Financial risk management objectives and policies

The Company's objectives in financial risk management are to manage its exposure to market risk, credit risk and liquidity risk related to the operating activities. To reduce the related financial risks, the Company engages in identifying, assessing and avoiding the market uncertainties with the objective to reduce the potentially adverse effects the market uncertainties may have on its financial performance.

The plans for material treasury activities are reviewed by the Audit Committee and the Board of Directors in accordance with procedures required by relevant regulations and internal controls. During the implementation of such plans, the treasury function must comply with certain treasury procedures that provide guiding principles for overall financial risk management and segregation of duties.

d. Market risk

Foreign currency risk

The Company's operating activities are mainly denominated in foreign currency and exposed to foreign exchange risk. To protect against the volatility of future cash flows arising from changes in foreign exchange rates, the Company maintains a balance of net foreign currency assets and liabilities in hedge.

The Company's sensitivity analysis to foreign currency risk mainly focuses on the foreign currency monetary items at the end of the reporting period. Assuming a 10% strengthening of New Taiwan Dollars against the relevant currencies, the net income before tax for the years ended December 31, 2023 and 2022 would have increased by NT\$28,680 thousand and decreased by NT\$24,453 thousand, respectively.

e. Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company is exposed to credit risk from operating activities, primarily accounts receivable, and from investing activities primarily deposits with banks. Credit risk is managed separately for business related and financial related exposures. As of the balance sheet date, the Company's maximum credit risk exposure is mainly from the carrying amount of financial assets recognized in the parent company only balance sheet.

Business related credit risk

The Company has considerable accounts receivable from its customers worldwide. Majority of the Company's outstanding accounts receivable are not covered by collateral or credit insurance. While the Company has procedures to monitor and limit exposure to credit risk on accounts receivable, there can be no assurance such procedures will effectively limit its credit risk and avoid losses.

As of December 31, 2023 and 2022, the Company's ten largest customers accounted for 54% and 59% of accounts receivable, respectively.

Financial credit risk

The Company monitors and reviews the transaction limit applied to counterparties and adjusts the concentration limit according to market conditions and the credit standing of the counterparties regularly. The Company mitigates its exposure by selecting financial institution with high credit rating.

f. Liquidity risk management

The objective of liquidity risk management is to ensure the Company has sufficient liquidity to fund its business requirements. The Company manages its liquidity risk by maintaining adequate cash and banking facilities.

As of December 31, 2023 and 2022, the unused financing facilities of the Company amounted to NT\$1,600,000 thousand.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

Non-derivative Financial Liabilities	Less Than 1 Year	2-3 Years	4+ Years	Total
<u>December 31, 2023</u>				
Accounts payable (including related parties)	\$ 1,911,455	\$ -	\$ -	\$ 1,911,455
Payables on machinery and equipment	16,416	-	-	16,416
Accrued expenses and other current liabilities	716,756	-	-	716,756
Lease liabilities	39,471	38,261	59,466	137,198
Other long-term payables	283,380	112,618	-	395,998
Guarantee deposits	-	-	3,071	3,071
	<u>\$ 2,967,478</u>	<u>\$ 150,879</u>	<u>\$ 62,537</u>	<u>\$ 3,180,894</u>

Additional information about the maturity analysis of lease liabilities:

	Less than 4 Year	4-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 77,732</u>	<u>\$ 13,106</u>	<u>\$ 10,740</u>	<u>\$ 10,740</u>	<u>\$ 24,880</u>

Non-derivative Financial Liabilities	Less Than 1 Year	2-3 Years	4+ Years	Total
<u>December 31, 2022</u>				
Accounts payable (including related parties)	\$ 2,992,531	\$ -	\$ -	\$ 2,992,531
Payables on machinery and equipment	17,452	-	-	17,452
Accrued expenses and other current liabilities	756,714	-	-	756,714
Lease liabilities	39,444	62,349	61,576	163,369
Other long-term payables	238,952	165,659	-	404,611
Guarantee deposits	-	-	3,071	3,071
	<u>\$ 4,045,093</u>	<u>\$ 228,008</u>	<u>\$ 64,647</u>	<u>\$ 4,337,748</u>

Additional information about the maturity analysis of lease liabilities:

	Less than 4 Year	4-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 101,793</u>	<u>\$ 13,069</u>	<u>\$ 10,740</u>	<u>\$ 10,739</u>	<u>\$ 27,028</u>

g. Fair value of financial instruments

The carrying amounts of the Company's financial assets and financial liabilities measured at amortized cost at the end of financial reporting period recognized in the parent company only financial statements approximate their fair values. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.



28. RELATED PARTY TRANSACTIONS

Besides information disclosed elsewhere in the other notes, details of transactions between the Company and its related parties are disclosed below:

a. Related party name and category

Related Party Name	Related Party Category
Taiwan Semiconductor Manufacturing Co., Ltd. (TSMC)	An investor that accounts for its investment by using the equity method
TSMC North America (TSMC-NA)	A subsidiary of TSMC
TSMC Europe B.V. (TSMC-EU)	A subsidiary of TSMC
VisEra Technologies Co., Ltd. (VisEra)	A subsidiary of TSMC
Vanguard International Semiconductor Corporation (VIS)	An associate of TSMC
Bank SinoPac	Affiliate of GUC president’s spouse
GUC - NA	Subsidiary
GUC - Japan	Subsidiary
GUC - Europe	Subsidiary
GUC - Korea	Subsidiary
GUC - Nanjing	Subsidiary
GUC - Vietnam	Subsidiary
GUC - Shanghai	Subsidiary

b. Operating transactions

Line Item	Related Party Name and Category	Years Ended December 31	
		2023	2022
Net revenue from sale	Investors and subsidiaries with significant influence over the Company	\$ 309,393	\$ 242,634
Purchases	Investors and subsidiaries with significant influence over the Company		
	TSMC	\$ 6,395,587	\$ 8,761,346
	TSMC-NA	2,495,246	2,021,946
		8,890,833	10,783,292
	Other related parties	-	77,802
		\$ 8,890,833	\$ 10,861,094
Manufacturing overhead	Subsidiaries		
	GUC-Nanjing	\$ 332,449	\$ 781,102
	Investors and subsidiaries with significant influence over the Company		
	TSMC	1,048,797	858,894
	TSMC-NA	1,020,541	763,387
	VisEra	-	1,164
		\$ 2,401,787	\$ 2,404,547

(Continued)

Line Item	Related Party Name and Category	Years Ended December 31	
		2023	2022
Operating expenses	Subsidiaries	\$ 839,274	\$ 776,071
	Investors and subsidiaries with significant influence over the Company	38,310	24,055
		\$ 877,584	\$ 800,126
			(Concluded)

The following balances were outstanding at the end of the reporting period:

Line Item	Related Party Name and Category	December 31	
		2023	2022
Receivables from related parties	Investors and subsidiaries with significant influence over the Company		
	TSMC	\$ 22,040	\$ 18,617
Other current assets	Investors and subsidiaries with significant influence over the Company		
	TSMC	\$ 1,976,424	\$ 108,130
	TSMC-NA	-	976,397
		\$ 1,976,424	\$ 1,084,527
Refundable deposits	Investors and subsidiaries with significant influence over the Company		
	VisEra	\$ 3,304	\$ 2,832
Contract liabilities	Investors and subsidiaries with significant influence over the Company	\$ -	\$ 4,497
Payables to related parties	Subsidiaries		
	GUC-Nanjing	\$ 223,314	\$ -
	Investors and subsidiaries with significant influence over the Company		
	TSMC	470,622	1,299,352
	TSMC-NA	43,032	180,387
	VisEra	-	12
		513,654	1,479,751
	Other related parties	-	534
		\$ 736,968	\$ 1,480,285
Accrued expenses and other current liabilities	Subsidiaries	\$ 77,892	\$ 54,071

The terms of sales to related parties were not significantly different from those of sales to third parties. For other related party transactions, the terms of transactions were determined in accordance with mutual agreement because there were no comparable terms for third-party transactions. The payment term granted to related parties is due 30 days from the invoice date or 30 days from the end of the month when the invoice is issued, while the payment term granted to third parties is due 30 days from the invoice date or 75 days from the end of the month when the invoice is issued.

c. Lease arrangements

Line Item	Related Party Name and Category	December 31	
		2023	2022
Lease liabilities - current	Investors and subsidiaries with significant influence over the Company VisEra	\$ 19,520	\$ 19,325
Lease liabilities - non-current	Investors and subsidiaries with significant influence over the Company VisEra	\$ 19,717	\$ 39,237
Line Item	Related Party Name and Category	Years Ended December 31	
		2023	2022
Finance costs	Investors and subsidiaries with significant influence over the Company VisEra	\$ 499	\$ 600

The Company leased server room from related parties. The lease terms and prices were determined in accordance with mutual agreements. The rental expense was paid monthly.

d. Bank deposits and interest income

Line Item	Related Party Name and Category	December 31	
		2023	2022
Bank deposits	Substantive related parties Bank SinoPac	\$ 955,794	\$ 1,963,705
Other financial assets	Substantive related parties Bank SinoPac	\$ 141	\$ 390
Pledged time deposits	Substantive related parties Bank SinoPac	\$ 20,000	\$ 20,000

Range of interest rates for bank deposits was as follows:

Line Item	Related Party Name and Category	December 31	
		2023	2022
Bank deposits	Substantive related parties Bank SinoPac	0.001%-2.850%	0.001%-1.900%
Pledged time deposits	Substantive related parties Bank SinoPac	0.4575%-0.8828%	0.3180%-0.4575%

Line Item	Related Party Name and Category	Years Ended December 31	
		2023	2022
Interest income	Substantive related parties Bank SinoPac	\$ 18,142	\$ 7,176

e. Compensation of key management personnel:

The remuneration to directors and other key management personnel were as follows:

	Years Ended December 31	
	2023	2022
Short-term employee benefits	\$ 196,525	\$ 234,493
Post-employment benefits	596	585
	\$ 197,121	\$ 235,078

The remuneration to directors and other key management personnel were determined by the Compensation Committee of the Company in accordance with the individual performance and the market trends.

29. PLEDGED OR MORTGAGED ASSETS

As of December 31, 2023 and 2022 the Company provided pledged time deposits of NT\$20,000 thousand as collateral for customs clearance and also provided pledged time deposits of NT\$2,200 thousand as collateral for lease of a parcel of land from the Science Park Administration (SPA).

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The Company has entered into license agreements with several companies that own intellectual property rights. According to the agreements, the Company shall pay specific amounts of money to obtain licenses of their intellectual property rights or shall pay royalties at specific percentages of sales amount of identified products. Under the agreements, the Company shall pay at least US\$4,000 thousand, US\$8,200 thousand and US\$4,000 thousand to the counterparty in the period from April 2022 to April 2025, from July 2023 to July 2026 and from February 2024 to January 2027, respectively.

Under the agreement, the Company shall pay at least US\$1,500 thousand to the counterparty in the period from June 2022.

Under the agreement, the Company shall pay at least US\$1,500 thousand to the counterparty in the period from August 2023.

Under the agreement, the Company shall pay at least US\$2,100 thousand to the counterparty in the period from December 2023 to December 2026.

The Company has entered into a long-term material supply agreement with the counterparty. The contract period is from June 2021 to March 2028, and the Company should pay US\$4,060 thousand as security deposits to ensure the capacity supply in accordance with the contract. If the contract cannot be performed owing to fall short of the agreed purchase or supply quantities, the parties will pay compensation for the other side in accordance with the contract.

The Company has entered into a long-term advanced packaging capacity agreement with the counterparty. The contract service period is from July 2026 to December 2035. The Company should pay US\$37,500 thousand as security deposits to ensure the advanced packaging capacity supply in accordance with the contract, and the Company has paid US\$10,000 thousand as of December 31, 2023. The amount of the security deposits refund will be calculated based on the annual production capacity utilization rate with the contract. However, if the certain level of production capacity utilization rate will not be achieved, the security deposits will not be refunded.

### 31. EXCHANGE RATE INFORMATION OF FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES

The significant foreign-currency financial assets and liabilities were as follows:

(Unit: Foreign Currency in Thousands)

	Foreign Currency	Exchange Rate (Note)	Carrying Amount
<u>December 31, 2023</u>			
Monetary item - financial assets			
USD	\$ 76,125	30.705	\$ 2,337,404
Non-monetary item -financial assets			
RMB	142,497	4.3270	616,586
USD	5,567	30.705	170,925
JPY	372,098	0.2172	80,820
VND	24,365,844	0.00125	30,457
EUR	483	33.980	16,401
KRW	312,420	0.02391	7,470
Monetary item - financial liabilities			
USD	83,425	30.705	2,561,565
JPY	193,573	0.2172	42,044
RMB	3,779	4.3270	16,354
VND	2,563,828	0.00125	3,205
<u>December 31, 2022</u>			
Monetary item - financial assets			
USD	134,001	30.71	4,115,157
Non-monetary item -financial assets			
RMB	120,941	4.4080	533,107
USD	5,214	30.71	160,113
JPY	312,264	0.2324	72,570
EUR	439	32.72	14,355
KRW	302,120	0.02457	7,423
Monetary item - financial liabilities			
USD	124,745	30.71	3,830,930
JPY	82,781	0.2324	19,238
RMB	4,212	4.4080	18,569

Note: Exchange rate represents the amount of NT\$ that can be exchanged to one unit of foreign currency.

The significant (realized and unrealized) foreign exchange gains (losses) were as follows:

	Years Ended December 31			
	2023		2022	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
VND	0.00129 (VND:NTD)	\$ 128	- (VND:NTD)	\$ -
KRW	0.02407 (KRW:NTD)	12	0.02330 (KRW:NTD)	(6)
EUR	33.6972 (EUR:NTD)	(196)	31.3596 (EUR:NTD)	(108)
JPY	0.2221 (JPY:NTD)	(201)	0.2275 (JPY:NTD)	1,518
RMB	4.3954 (RMB:NTD)	(1,009)	4.4219 (RMB:NTD)	(1,309)
USD	31.1548 (USD:NTD)	(6,703)	29.8044 (USD:NTD)	132,548
		<u>\$ (7,969)</u>		<u>\$ 132,643</u>

### 32. OPERATING SEGMENT INFORMATION

The Company operates in a single industry and viewed by the Company's chief operating decision maker as one segment when reviewing information in order to allocate resources and assess performance. The basis for the measurement of the operating segment profit (loss), assets and liabilities is the same as that for the preparation of financial statements. Refer to the consolidated financial statements for the years ended December 31, 2023 and 2022.

### 33. ADDITIONAL DISCLOSURES

a. Significant transactions and b. Related information of reinvestment

- Financing provided: None;
- Endorsements/guarantees provided: None;
- Marketable securities held (excluding investments in subsidiaries, associates and jointly controlled entities): See Table 1 attached;
- Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: See Table 2 attached;
- Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None;
- Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None;
- Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: See Table 3 attached;
- Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None;
- Information about the derivative instruments transaction: None;



- 10) Names, locations, and related information of investees over which the Company exercises significant influence (excluding information on investment in Mainland China): See Table 4 attached;
- c. Information on investment in Mainland China
- 1) The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, net income (losses) of the investee, investment income (losses), ending balance, amount received as dividends from the investee, and the limitation on investee: See Table 5 attached.
- 2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: See Table 6 attached.
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: See Table 7 attached.

TABLE 1

GLOBAL UNICHIP CORP.

MARKETABLE SECURITIES HELD

DECEMBER 31, 2023

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2023			Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	
The Company	<u>Mutual funds</u>						
	Jih Sun Money Market Fund	-	Financial assets at fair value through profit or loss - current	47,854,731	\$ 730,000	-	\$ 730,000
	Taishin 1699 Money Market Fund	-	Financial assets at fair value through profit or loss - current	38,013,269	530,000	-	530,000
	UPAMC James Bond Money Market Fund	-	Financial assets at fair value through profit or loss - current	18,662,918	320,000	-	320,000
	Fuh Haw Money Market Fund	-	Financial assets at fair value through profit or loss - current	6,762,057	100,000	-	100,000
	Prudential Financial Money Market Fund	-	Financial assets at fair value through profit or loss - current	12,301,106	200,000	-	200,000
	Yuanta Wan Tai Money Market Fund	-	Financial assets at fair value through profit or loss - current	12,859,090	200,000	-	200,000
	<u>Class B common share (non-voting)</u>						
	eTopus Capital Partners (Cayman) Limited	-	Financial assets at fair value through profit or loss - non-current	1,515,151	-	34.88	-

Note: As of December 31, 2023, 1,515,151 preferred shares of eTopus Technology (Cayman) Holding Limited originally held by the Company, representing an ownership percentage of 2.6%, were converted into 1,515,151 Class B common shares of eTopus Capital Partners (Cayman) Limited with an ownership percentage of 34.88% due to organizational restructuring. Since the Company holds Class B common shares with non-voting rights, the Company does not have significant influence or control over eTopus Capital Partners (Cayman) Limited. Therefore, this investment is still classified as a non-current financial asset measured at fair value through profit or loss.

TABLE 2

GLOBAL UNICHIP CORP.

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2023  
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal		Gains on Disposal		Ending Balance	
					Units	Amount	Units	Amount	Units	Amount	Carrying Amount		Units	Amount
The Company	Jih Sun Money Market Fund	Financial assets at fair value through profit or loss	-	-	48,438,039	\$ 730,000	47,854,731	\$ 730,000	48,438,039	\$ 738,898	\$ 730,000	\$ 8,898	47,854,731	\$ 730,000
	Taishin 1699 Money Market Fund	Financial assets at fair value through profit or loss	-	-	38,502,891	530,000	38,013,269	530,000	38,502,891	536,827	530,000	6,827	38,013,269	530,000
	UPAMC James Bond Money Market Fund	Financial assets at fair value through profit or loss	-	-	18,883,289	320,000	18,662,918	320,000	18,883,289	323,779	320,000	3,778	18,662,918	320,000
	Prudential Financial Money Market Fund	Financial assets at fair value through profit or loss	-	-	6,224,092	100,000	18,467,057	300,000	12,390,043	201,446	200,000	1,446	12,301,106	200,000
	Yuanta Wan Tai Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	25,750,340	400,000	12,891,250	200,500	200,000	500	12,859,090	200,000

TABLE 3

GLOBAL UNICHIP CORP.

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2023  
(Amounts in Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchases/Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Company	TSMC	TSMC is an investor that accounts for its investment by using equity method	Sales	\$ 309,393	1	30 days after monthly closing	Note 28	Note 28	\$ 22,040	1	(25) (2)
	TSMC-NA	TSMC-NA is a subsidiary of TSMC	Purchases Purchases	6,395,587 2,495,246	70 27	30 days after invoice date 30 days after invoice date	Note 28 Note 28	Note 28 Note 28	(470,622) (43,032)	(25) (2)	

TABLE 4

GLOBAL UNICHIP CORP.  
NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2023				Net Income (Losses) of the Investee	Investment Income (Losses)	Note
				December 31, 2023 (Foreign Currencies in Thousands)	December 31, 2022 (Foreign Currencies in Thousands)	Shares	Percentage of Ownership (%)	Carrying Amount				
The Company	GUC-NA	U.S.A.	Products consulting, design and technical support service	\$ 40,268 (US\$ 1,264)	\$ 40,268 (US\$ 1,264)	800,000	100	\$ 170,925	\$ 10,980	\$ 10,980	Note 1	
	GUC-Japan	Japan	Products consulting, design and technical support service	15,393 (YEN 55,000)	15,393 (YEN 55,000)	1,100	100	80,820	13,260	13,260	Note 2	
	GUC-Europe	Netherlands	Products consulting, design and technical support service	8,109 (EUR 200)	8,109 (EUR 200)	-	100	16,401	1,475	1,475	Note 2	
	GUC-Korea	Korea	Products consulting, design and technical support service	5,974 (KRW 222,545)	5,974 (KRW 222,545)	44,000	100	7,470	250	250	Note 2	
	GUC-Vietnam	Vietnam	Products consulting design and technical support service	30,602 (VND23,670,000)	-	-	100	30,457	905	905	Notes 2 & 3	

Note 1: Investment income (loss) was determined based on audited financial statements.  
Note 2: Investment income (loss) was determined based on unaudited financial statements.  
Note 3: Upon the approval of the Board of the Directors on October 27, 2022, GUC-Vietnam was established by the Company in February 2023.

TABLE 5

GLOBAL UNICHIP CORP.  
INFORMATION ON INVESTMENT IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (US\$ in Thousands)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2023 (US\$ in Thousands)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2023 (US\$ in Thousands)	Net Income (Losses) of the Investee	Percentage of Ownership	Investment Income (Losses)	Carrying Amount as of December 31, 2023	Accumulated Inward Remittance of Earnings as of December 31, 2023
					Outflow	Inflow						
GUC-Nanjing	Products consulting, design and technical support service	\$ 180,332 (US\$ 6,000)	(Note 1)	\$ 118,133 (US\$ 4,000)	\$ 62,199 (US\$ 2,000)	-	\$ 180,332 (US\$ 6,000)	\$ 89,432	100%	\$ 89,432 (Note 2)	\$ 557,194	\$ 64,449
GUC-Shanghai	Products consulting, design and technical support service	31,165 (US\$ 1,000)	(Note 1)	31,165 (US\$ 1,000)	-	-	31,165 (US\$ 1,000)	6,210	100%	6,210 (Note 3)	59,392	-

Accumulated Investment in Mainland China as of December 31, 2023 (US\$ in Thousands)	Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousands)	Upper Limit on Investment
\$ 211,497 (US\$ 7,000)	\$ 211,497 (US\$ 7,000)	\$ 5,808,935 (Note 4)

Note 1: The Company invested the investee directly.  
Note 2: Investment income (loss) was determined based on audited financial statements.  
Note 3: Investment income (loss) was determined based on unaudited financial statements.  
Note 4: Subject to 60% of net asset value of the Company according to the revised “Guidelines Governing the Approval of Investment or Technical Cooperation in Mainland China”, issued by the Investment Commission.



TABLE 6

GLOBAL UNICHIP CORP.  
SIGNIFICANT INTERCOMPANY TRANSACTIONS WITH INVESTEE IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(Amounts in Thousands of New Taiwan Dollars)

No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Intercompany Transactions			Percentage to Net Revenue or Total Assets
				Financial Statement Account	Amount	Terms (Note 2)	
0	The Company	GUC-Shanghai GUC-Nanjing	1  1	Operating expenses	\$ 117,390	-	-
				Accrued expenses and other current liabilities	7,320	-	-
				Manufacturing overhead	332,449	-	1%
				Operating expenses	146,224	-	1%
				Payables to related parties	223,314	-	1%
				Accrued expenses and other current liabilities	9,034	-	-

Note 1: No. 1 represents the transactions from parent company to subsidiary.  
Note 2: The intercompany transactions, prices and terms are determined in accordance with mutual agreements and no other similar transactions could be used for comparison.

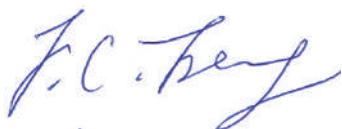
TABLE 7

GLOBAL UNICHIP CORP.  
INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2023

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Taiwan Semiconductor Manufacturing Co., Ltd.	46,687,859	34.83

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.  
Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.

F. C. Tseng  
Chairman

A handwritten signature in blue ink, appearing to read "F.C. Tseng", written in a cursive style.

# GUC

The Advanced ASIC Leader

No. 10, Li-Hsin 6th Road, Hsinchu Science Park,  
Hsinchu City 300096, Taiwan

TEL +886-3-5646600

FAX +886-3-6668208

