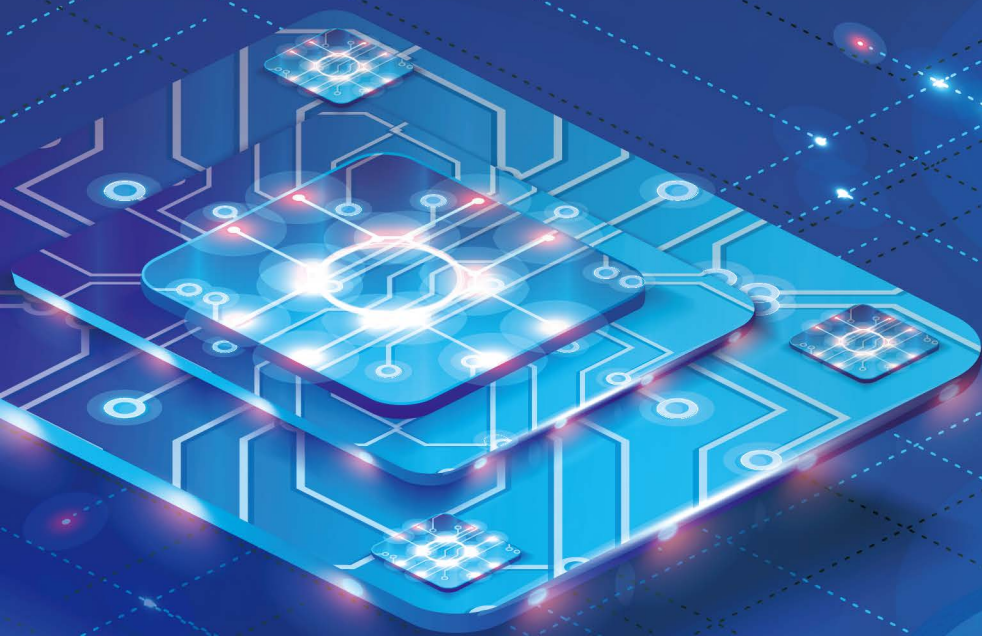


# ANNUAL — 2020 — REPORT

**GUC**

Global Unichip Corporation



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# 1

Chapter

Letter to Shareholders



## Letter to Shareholders

Dear Shareholders,

Instead of an anticipated bottom and gradual recovery in 2020, US-China trade war and the emergence of COVID-19 in the begging of 2020 was expected to drive another contraction in the overall semiconductor market. However, the impact of COVID-19 and the subsequent shelter in place orders and shutdowns have had an uneven impact on the semiconductor markets. Despite the impact of COVID-19 on the global economy, the semiconductor market performed better than expected in 2020, fueled by the growth in cloud computing and demand for devices to support remote work and learning. As one of the most successful places in the world in dealing with COVID-19 to weather the storm, Taiwan also benefited from surge in demand in the world for Taiwanese electronics looking to diversify supply chain risk. In 2020, semiconductors helped make Taiwan Asia's top-performing economy. GUC's performance in 2020 was also satisfying and continued its profitable growth path with a revenue record year beset by Covid-19 disruptions. GUC achieved full year consolidated net revenues of NT \$13.57 billion and consolidated earnings per share of NT \$6.34 in 2020.

### 2020 Business Overview

In 2020, worldwide ASIC market continued to demonstrate healthy growth, which was driven by new emerging applications in various industries to boost performance and robust demand from China's chip-making industry encouraged by its government to develop China's homegrown chip. Driven by strong market demand, GUC had performed a profitable growth mode in 2020, and our revenue hit a record high. Both NRE and Turnkey revenue were growing despite disruptions from the Covid-19 pandemic.

In 2020, NRE revenue enjoyed a pickup in growth, at YoY of 44%, which was mainly benefited from AI \ 5G/Networking, and increase of advanced technology NRE projects. The growth of Turnkey, at YoY of 19%, was driven by applications of "remote

economics", and they include Game, Solid State Storage Data Center and Drone.

Gross margin for 2020 declined compared to 2019, which was due to an increase of the NRE revenue from "strategic projects" where GUC provided post design engineering and production service to those customers who completed SoC design in-house. Gross margin of these projects is lower because of less SoC design technology involved. Although those projects would affect short term gross margin rate, but they will have positive effect in both revenue and EPS when starting production.

In 2020, GUC continued R&D investment heavily in our capability to migrate to advanced technology and advanced package technology (APT) & related IP's. Based on trust from world-class customers, revenue and profitability contribution of repeating business was robust to support continuous R&D investment into new growing segments. In 2020, about 33% revenue of GUC is for 7nm & 16/12nm process nodes, improved significantly from 2019. Number of 7nm & 16/12nm tape-out projects was gradually increasing, and major applications of those projects are AI and 5G/Networking. Further, in response to market demand, GUC focused the APT business onto a one-stop shopping service with related niche IP's in chip and in system to assist customers in improving their market leadership.

### 2020 Financial Performance

Total revenues for 2020 was NT\$13,570 million, up by 27% compared to NT\$10,710 million in 2019. Net income was NT\$850 million, up by 34% compared to the previous year. 2020 EPS was NT\$6.34, up by 34% compared to 2019 EPS of NT\$4.73. Both revenue and net income increased and growth of profitability outpaced growth of revenue, which was mainly attributed to well management of operating expense.

Gross margin for 2020 was 30%, declined around 3 ppt compared to 33% in 2019, main reason is GP(%) of NRE in 2020 was lower because of more contribution from strategic projects. Operating margin in 2020 was 7.1%, increased compared to 6.5% in 2019. And net profit margin was 6.3%, improved 0.4 ppt compared to 5.9% in 2019.

### 2020 Technological Development

In order to maintain our technology leading position, GUC continued investment in research and development. In addition, design capability for the most advanced process nodes is the key factor in ensuring revenue and profit growth for ASIC design service companies. In 2020, about 33% revenue of GUC is for 7nm & 16/12nm process nodes. Our patent portfolio consists of 381 patents at the end of 2020 to demonstrate GUC's continued ability to innovate.

GUC's remarkable technology breakthrough and innovative achievement in 2020 are as follows:

- Combined with TSMC InFO/CoWoS packaging technology, GUC has proposed the chip interconnection IP "GLink:" in 6nm and 7nm. The silicon has been verified in 4Q20 and is ready to provide customers with complete multi-chip interconnect solutions.
- Combined with TSMC InFO/CoWoS packaging technology, GUC has taped out the next-generation chip interconnection IP "GLink 2.0" in 5nm, and silicon verification is expected to be completed in 3Q21.
- Completed the tape-out of 5nm and 7nm GLink-3D IP test chip for 3D SoC in 1Q21.
- GUC has successfully enabled the mass production of HBM2/CoWoS for 4 different customers with their large SoC design. The configuration ranges from 2 to 4 HBM2 memory dies, and the main applications are AI and HPC.
- In combination of TSMC CoWoS packaging technology, GUC provides world's 1st silicon-proven 3.6G HBM2E (PHY & Controller) IP total solution. The solution has been adopted by customer SoCs in 5nm and 7nm and is expected to be taped out in 2021.
- Successfully developed customer switch ASIC chip for hyper scale datacenter in 7nm, which integrated more than 200 lanes of 112G-LR SerDes, and went into mass production in 4Q20.
- GUC has successfully taped out and verified the 6nm test chip in 1Q and 4Q20, respectively. GUC is ready to enable customers to adopt design platform and production in 6nm.
- Adopting TSMC advanced process nodes, GUC has successfully integrated multiple customer AI/HPC SoCs for hyper scale data center with 2.5D packaging technology, and has also assisted customers to go into mass production in 2021.
- GUC has collaborated with a 5G leading company on analog front-end (AFE) IP in 12nm, which supports both mm Wave and sub-6GHz bands. The design has been silicon proven and adopted by a leading customer. It is expected to be taped out in 1Q21.
- Completed 12nm 32G SerDes silicon verification in May'20 and ready for AI/HPC/Networking applications.
- Completed 7nm 32G SerDes silicon verification in Jul'20 and ready for AI/HPC/Networking applications.
- Completed 5nm TCAM tape-out in Oct'20, and the silicon is expected to be verified in 2Q21.
- GUC's unique design capability offers customers with ultra-low-power solutions needed by AI SoC chips, and can satisfy the requirements of edge computing. GUC has also assisted customers to go into mass production with success.
- GUC's industry-leading spec-in service capability has successfully assisted a hyper scale data center AI chip customer and a renowned consumer electronics chip customer to go mass productions in 2020.

## 2021 Outlook

As the world starts a post COVID-19 recovery in 2021 and beyond, the semiconductor industry will continue to evolve, when people's daily lives now depend on chip technology, and nothing has been left untouched by semiconductors. Further, technology inflections such as 5G wireless, artificial intelligence and machine learning are driving chip sales. And trade wars will continue to smoulder in 2021, so firms, especially those in China, still need to aggressively move to a more diversified form of globalization. Factors mentioned above will continuously drive growth of ASIC industry. To grab this opportunity of growth, GUC will actively enhance our technology and professional design ability and continue to expand our market share in ASIC design services.

### Expected Sales

AI \ 5G/Networking will be long-term drivers for semiconductor industry, and GUC will keep investment on leading technology to provide with more added value and continue to create differentiated competitive advantages from competitors.

While there are still many uncertainties in the worldwide economy, GUC has a wide range of customers around the world, with chips designed and mass produced for customers covering a wide range of electronics applications and being used in a variety of end markets. Such a variety of chip production helps to mitigate fluctuations in demand. Further, market demand will continue to be driven by the diversification of end-use applications and the trend of China's homegrown chip, the proportion of sales from advanced nodes will also be further boosted, so GUC's operational growth in 2021 can be expected.

## Production and Marketing Policy

Looking into 2021, GUC will keep choosing projects with a still cautious attitude with existing R&D capacity, and committed to R&D capacity strengthening to achieve long term trend of profitable growth, which is based on Technology Leadership in APT, Design Engineering Excellence and Customer Trusted Service, and promise not to compete with our customers.

In addition to providing design service for advanced nodes, GUC also focused the APT business onto a service with niche IP's in chip and in system to provide customers a SiP total solution. The solution is needed in HPC applications, particularly in AI processor and high performance networking. Those niche IP's, including silicon proven HBM2E/3, GLink \ CoWoS and InFO, are in world IP leading position and consistent with our customers demand in AI and 5G/Networking application to shorten NRE design cycles and take shorter time to ramp into production.

## The Impact of External Competiveness, Regulatory, Environment, and Macroeconomics

In addition to focusing on technology development, GUC values corporate governance and has always sought to fulfill our corporate social responsibility. Not only independently but also through close cooperation with our upstream and downstream suppliers. GUC was also awarded "the Top 5% companies" in the Information Disclosure Assessment and Evaluation of Listed Companies by Taiwan Stock Exchange for 6 consecutive years. Furthermore, GUC has compiled a Corporate Social Responsibility (CSR) report every year since 2011, specifically exposing how we can effectively improve our information transparency in response to important issues such as economic, environmental, social, and corporate governance that stakeholders are concerned about.

Even there are still short-term an uncertainty in 2021, GUC is confident about our operational objectives, through sound financial structure, and long-term in-depth cooperation with core customers. GUC will continue to invest on advanced technology IP, design engineering and advanced packaging advanced technology, and collaborate with world-class partners and customers to enable more advanced technology development and continuous innovation. GUC will move towards the goal of profitability growth and create more value for shareholders and customers.

Finally, thank once again with sincerity for all shareholders \ customers \ vendors \ employees and the society for your continuing support. Please continue to work with us to create value for our stakeholders. We wish you all the best of health and prosperity in the year ahead.

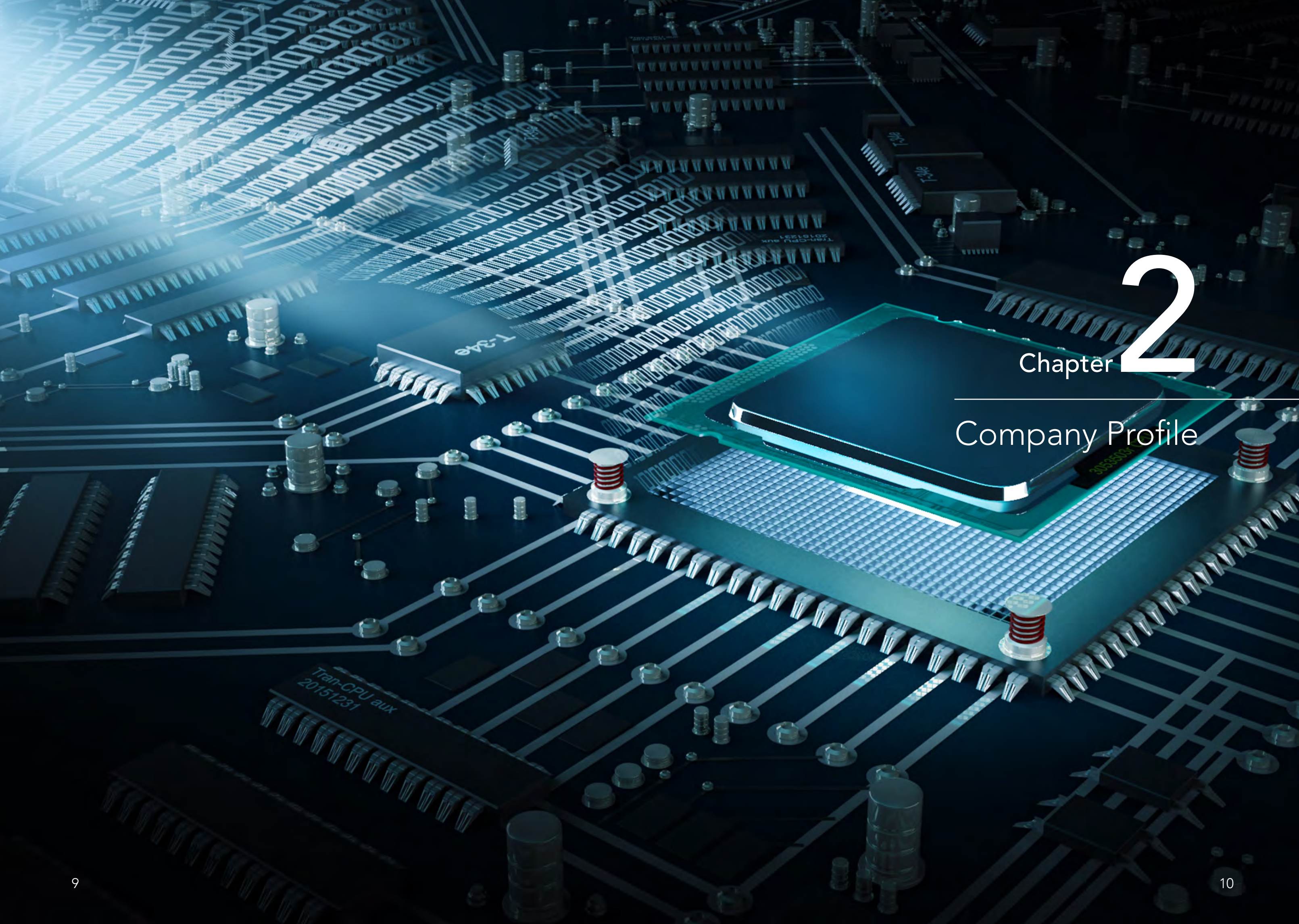
Global Unichip Corporation

F. C. Tseng  
Chairman

Ken Chen  
President







# Chapter 2

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## Company Profile



# Company Profile

## Company Overview

GUC is the Flexible ASIC Leader™ whose customers target IC devices to leading edge computing, communications and consumer applications. Based in Hsin-chu, GUC has developed a global reputation with a presence in China, Europe, Japan, Korea, and North America. GUC is publicly traded on the Taiwan Stock Exchange under the symbol 3443..

1. Date of establishment: January 22, 1998

2. Corporate history

Jan. 1998	The Company founded under the company name Chuangyi Electronics Corporation with a paid-up capital of NT\$4.06 million.
Oct. 1998	Approved for construction inside the Hsinchu Science Park. The Company officially changed its name to Global Unichip Corporation (GUC).
Jul. 1999	The first DSP Core taped out.
Dec. 2000	Completed validation process down to 0.18-micron.
Jan. 2001	Passed ISO9001 certification.
Oct. 2001	Received the 8th "Taiwan Small and Medium Enterprise Creativity and Research Award" from the Ministry of Economic Affairs for its JPEG Codec Image Compression/Decompression Silicon IP.
Jan. 2003	The merger with Asian Technology Corporation became official, with Dr. F.C. Tseng elected as the company chairman.
May 2004	Moved to the current custom-built location at: No. 10, Li-Hsin 6th Rd., Hsinchu Science Park.
Jun. 2004	Accomplished the first successful tape-out on a 0.13-micron process.
Dec. 2004	Accomplished the first successful tape-out on a 90nm process.
Mar.2006	Accomplished the first successful tape-out of a 65nm test chip.
Jun. 2006	The high speed USB2.0 OTG solution UINF-0041 successfully passed the USB-IF certification tests. GUC became the first USB-IF non-member global provider to receive certification.
Sep. 2006	Received the "Industrial Technology Advancement Award - Excellent Enterprise Innovation Award" from the Department of Industrial Technology, Ministry of Economic Affairs.
Nov. 2006	The Company's 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	Received the Deloitte Taiwan 2007 Technology Fast 50 Award.

Dec. 2007	Commenced mass production of the first 65nm IC used for portable TVs.
Apr. 2008	Launched the first industry-wide SiP production flow to help customers shorten time-to-market.
May 2008	Ranked #3 in the "50 Best Operating Performance Companies in 2007" published by Common Wealth Magazine.
Jun. 2008	Harvard Business School published a case study featuring GUC.
Jul. 2008	Received the Deloitte Taiwan 2008 Technology Fast 50 Award.
Nov. 2008	1. Received the Deloitte Asia Pacific 2008 Technology Fast 500 Award. 2. Awarded the "2008 Amiable Workplace" prize by the Council of Labor Affairs, Executive Yuan. 3. Recognized as an "Excellent Healthy Workplace" by the Bureau of Health Promotion, Department of Health.
Dec. 2008	1. GUC and Andes Technology jointly launched the 90nm-based 660MHz N1213 hard core processor designed to provide a competitive option for customers. 2. Achieved Sony Green Partner certification.
Jan. 2009	Successfully taped out the 40nm PCIe GenII PHY test-chip.
Feb. 2009	Successfully completed the design and tape out of an ultra-large 15mmX15mm, 50 million logic-gate IC design and verified it on the first pilot run.
Mar. 2009	Successfully developed the dynamic voltage frequency scaling design flow and verified it on an ARM1176 dual-core test chip. The product was implemented for a customer's design and completed a successful pilot run.
Sep. 2009	1. TSMC 40nm high-speed interface 1G/10G/XAUI SerDes IP design was verified upon first tape out. 2. Awarded the "HRD InnoPrize" by the Council of Labor Affairs, Executive Yuan.
Oct. 2009	1. Received "The Best Environmental Protection Award" by Hsinchu Science Park Administration. 2. Developed the industry's first high-end DFT design processes. Successfully developed production tests operating frequencies over 1GHz. Developed and verified AC-JTAG1149.6 and IO-AC testing procedures for customers' design projects.
Nov. 2009	1. President Jim Lai awarded the "National Manager Excellence Award" by the Chinese Professional Management Association. 2. Received the Deloitte 2009 Asia Pacific Technology Fast 500 Award.
Feb. 2010	Successfully developed the DDR 40G 1.6Gbps physical layer.
Mar. 2010	1. GUC received the "Certificate of Corporation Governance System CG6005 General Assessment" from the Taiwan Corporate Governance Association. 2. Successfully completed the design and tape out of a 40nm IC design project and verified on the first pilot run.

May 2010	Successfully developed and completed pilot run of a customized 40nm 10G EPON chipset.
Jun. 2010	Received an "A+" rating in the "7th Information Disclosure Assessment and Evaluation of Listed Companies."
Aug. 2010	1. Received the "10th Cultural Benefactor Bronze Award" from the Council for Cultural Affairs, Executive Yuan. 2. Successfully helped customers develop a 40nm 4G LTE mobile phone baseband chip using 3D SiP technology.
Nov. 2010	Received the "Benchmark of Taiwan TrainQuali System (TTQS)" award from the Bureau of Employment and Vocational Training, Council of Labor Affairs.
Dec. 2010	Successfully developed the USB3.0 device end controller.
Jun. 2011	Received an "A+" rating and a top 10 ranking in the "8th Information Disclosure Assessment and Evaluation of Listed Companies."
Aug. 2011	Received the "First Annual Innovation Award of Monte Jade in Taiwan" from Monte Jade Science and Technology Association of Taiwan.
Oct. 2011	GUC refined its business and technology model as "The 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 test for SuperSpeed Products.
Dec. 2011	1. Named GSA 2011 Outstanding Asia-Pacific Semiconductor Company. 2. Achieved Gigahertz+ frequency on ARM Cortex-A9 Processor using a Synopsys IC compiler.
Jun. 2012	Received an "A++" rating and was ranked as one of the top 10 companies in the "9th Information Disclosure Assessment and Evaluation of Listed Companies."
Dec. 2012	1. Delivered 28nm DDR3-2133/LPDDR2 Combo IP. 2. PLDA and GUC announced industry's first successful PCIe Gen 3 Controller and PHY Combination on TSMC's 28nm HPM process technology. 3. Received the "2012 Most Outstanding Landscape Award" from the Hsinchu Science Park Administration.
Jan. 2013	1. Unveiled the 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	1. Received an "A++" rating in the "10th Information Disclosure Assessment and Evaluation of Listed Companies." 2. Successful taped out a 20-nanometer SoC test chip.
Dec. 2013	1. GUC and M31 Technology bundled USB 3.0 Peripheral Device Controller and PHY IP. 2. Chairman Dr. F.C. Tseng awarded the "7th Pan-Wen Yuan Prize."

Apr. 2014	1. Licensed Arteris FlexNoC Fabric IP for 16nm System-on-Chip (SoC) IP verification platform. 2. GUC and Verisense announced strategic alliance to provide Israeli ASIC Customers access to best-in-class "spec-to-production" solutions.
May 2014	Announced silicon-proven DDR4 IP on TSMC's 16nm process, making it one of GUC's first IP available on TSMC's 16nm FinFET process.
Aug. 2014	Received an "A++" rating in the "11th Information Disclosure Assessment and Evaluation of Listed Companies."
Oct. 2014	GUC completed its first production design on TSMC's 16FF+ process.
Nov. 2014	Opened new Japan Design Center.
Jan. 2015	GUC and Credo Semiconductor developed high-performance networking solutions manufactured on TSMC's 16-nm FinFET+ process technology.
Feb. 2015	Unveiled industry's most complete Data Converter IP product line.
Mar. 2015	1. Utilized Cadence analog IP to implement WiGig-enabled SoC on a 28nm process. Achieved first silicon success using the industry's first Tri-Band analog front-end IP. 2. Relocated North America office to 2851 Junction Ave.
Apr. 2015	1. PLDA and GUC delivered fully integrated PCI Express Gen 4 solution for TSMC's 16nm FinFET+ process. 2. Demonstrated TSMC 16nm Low Leakage USB 3.1 PHY IP.
Dec. 2015	Assisted bitcoin clients to accomplish first 16nm chip tape out.
Feb. 2016	Jointly developed USB3.1 PHY/Controller IP.
Mar. 2016	1. Announced LPDDR4 IP progress and reaffirms DIMM application of DDR3/4 commitment. 2. Delivered 28G Multi-Standard SerDes IP.
Aug. 2016	GUC President Jim Lai announced retirement. Dr. Ken Chen appointed as new President.
Oct. 2016	Design team and Marketing personnel certified for ISO26262 automotive personal qualification AFSP (Automotive Functional Safety Professional) by SGS-TUV Germany.
Dec. 2016	Opened new Netherlands Office.
Feb. 2017	Unveiled Solid State Drive ASIC Capabilities. The SSD solution 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	PCIe 3 PHY IP & PLDA EP Controller Combo passed compliance test.
Apr. 2017	GUC appointed semiconductor industry veteran Igor Elkanovich as its System Chief Technical Officer (CTO). Mr. Elkanovich drives the company's effort to upgrade system capabilities.

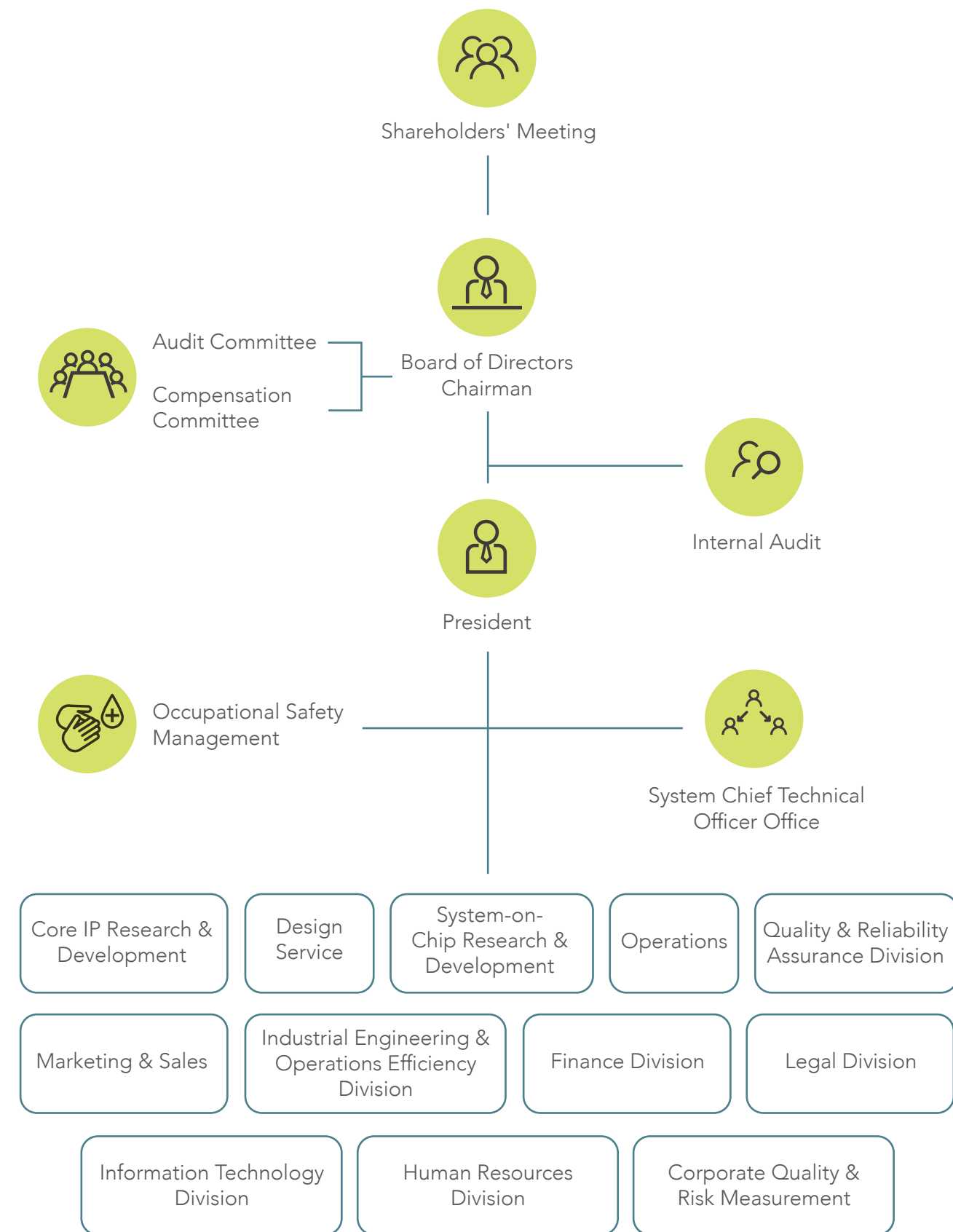


Jun. 2017	1. GUC successfully taped out a 16nm, second-generation High Bandwidth Memory (HBM) PHY and controller with verified interposer design and CoWoS Package. The innovative ultra-high capacity memory ASIC solution will meet the demanding requirements of artificial intelligence (AI), deep learning (DL), and a variety of high-performance computing (HPC) applications. 2. Opened new Korea Office.
Aug. 2017	Achieved SGS-TUV ISO26262 Certification.
Oct. 2017	1. Achieved ISO 13485:2016 Certification for medical device components. 2. Announced the first customer ASIC tape out on 12nm process.
Nov. 2017	1. Successfully taped out 16nm TCAM Compiler. 2. Opened Tainan office. 3. Opened Nanjing, China Office. The office provides a broad range of ASIC services to the fast-growing China market.
Dec. 2017	Announced the first customer ASIC tape out on TSMC's 7nm process technology.
Jan. 2018	Celebrates 20th Anniversary.
Sep. 2018	Announced that the 7nm HBM2-2.4G PHY+Controller with TSMC CoWoS packaging has been silicon-proven.
Nov. 2018	Opened Shenzhen office.
Dec. 2018	1. President, Dr. Ken Chen received "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 customer product has taped out.
Mar. 2019	Announced the first 5G customer chip has taped out and entered mass production.
May 2019	Named to the top five percent of listed companies in the fifth "Corporate Governance Recognition" list for the fifth consecutive time.
Jun. 2019	Unveiled new "The Advanced ASIC Leader" tag line to highlight the company's business and technology models that provide advanced customized IC design services.
Dec. 2019	1. Successfully developed the 5nm process design flow, taped out the first text chip in the first quarter 2019 and achieved silicon-proven status by year's end. 2. Successfully developed the 6nm design flow. Targeting tape out for 2020.
Jan. 2020	GUC's industry-leading spec-in service capability has successfully assisted a hyperscale data center AI chip customer and a renowned consumer electronics chip customer to go mass productions in 2020.
Mar. 2020	1. GUC has successfully enabled the mass production of HBM2/CoWoS for four different customers with their large SoC design. The configuration ranges from 2 to 4 HBM2 memory dies, and the main applications are AI and HPC. 2. Adopting TSMC advanced process nodes, GUC has successfully integrated multiple customer AI/HPC SoCs for hyperscale data center with 2.5D packaging technology, and has also assisted customers to go into mass production in 2021.
May 2020	Completed the 12nm 32G SerDes silicon verification in May'20 and ready for AI/HPC/ Networking applications.

May 2020	GUC's unique design capability offers customers with ultra-low-power solutions needed by AI SoC chips, and can satisfy the requirements of edge computing. GUC has also assisted customers to go into mass production with success.
Jun. 2020	In combination of TSMC CoWoS packaging technology, GUC provides world's first silicon-proven 3.6G HBM2E (PHY & Controller) IP total solution. The solution has been adopted by customer SoCs in 5nm and 7nm and is expected to be taped out in 2021.
Jul. 2020	Completed the 7nm 32G SerDes silicon verification in Jul'20 and ready for AI/HPC/ Networking applications.
Oct. 2020	Completed the 5nm TCAM tape-out in Oct'20, and the silicon is expected to be verified in 2Q21.
Dec. 2020	1. GUC has successfully taped out and verified the 6nm testchip in 1Q and 4Q20, respectively. GUC is ready to enable customers to adopt design platform and production in 6nm. 2. Successfully developed the customer switch ASIC chip for hyperscale datacenter in 7nm, which integrated more than 200 lanes of 112G-LR SerDes, and went into mass production in 4Q20. 3. Combined with TSMC InFO/CoWoS packaging technology, GUC has proposed the chip interconnection IP "GLink:" in 6nm and 7nm. The silicon has been verified in 4Q20 and is ready to provide customers with complete multi-chip interconnect solutions. 4. Combined with TSMC InFO/CoWoS packaging technology, GUC has taped out the next-generation chip interconnection IP "GLink 2.0" in 5nm, and silicon verification is expected to be completed in 3Q21.
Mar. 2021	GUC has collaborated with a 5G leading company on analog front-end (AFE) IP in 12nm, which supports both mmWave and sub-6GHz bands. The design has been silicon proven and adopted by a leading customer. It is expected to be taped out in 1Q21.



## Organization



## Board Member



**Dr. F.C. Tseng**  
Chairman; Vice  
Chairman of VIS

Dr. F.C. Tseng is the Chairman of GUC, Vice Chairman of Vanguard International Semiconductor Corporation (VIS), and Chairman of TSMC education and culture foundation. Prior to this post, Dr. Tseng served as Vice Chairman, Deputy Chief Executive Officer, President, and Senior Vice President of Operations of TSMC. Dr. Tseng spent two years as President of VIS, which was derived from the Industrial Technology Research Institute's (ITRI) Sub-micron Process Technology Development Project and was Taiwan's first eight-inch IC facility.

Dr. Tseng led 110 specialists to spin off from ITRI's Electronics Research & Service Organization (ERSO), and in 1987 he co-founded TSMC as a pioneer

specializing in the "foundry only" semiconductor manufacturing business. Dr. Tseng established a solid technical base for TSMC's six-inch and eight-inch fabs..

From 1973 to 1986, Dr. Tseng served at ITRI-ERSO, where in 1976 he was one of the pioneers in setting up the IC project in Taiwan. He was responsible for installing the 7.5 mm metal-gate CMOS process into the 3-inch line, which later was converted smoothly to 4-inch under his management. In 1978, Dr. Tseng was promoted to plant manager of the IC demonstration plant, where he was responsible for the production and development of silicon-gate CMOS from 5 mm to 1.2. Under his supervision, he established the capability to develop an advanced CMOS process.

He holds a Ph.D. in Electrical Engineering from National Cheng Kung University in Taiwan. Dr. Tseng was named as one of the "Outstanding Alumni" by National Cheng Kung University in 2000, and one of the "Ten Outstanding Engineers" in 1991 and "The Excellent Engineers" in 1982 respectively by the Chinese Institute of Engineers and by Electronic Buyer's News as one of the Hot 25-Industry Executives who made a difference in 1999.



**Dr. Ken Chen**  
President

Dr. Ken Chen joined GUC as President in September 2016. He brings to the company a broad range of global semiconductor experiences that span nearly a quarter of a century and covers assignments in three different countries.

Dr. Chen came to GUC from TSMC where he served as a Senior Director for Business Development at the company's headquarters in Hsin-Chu, Taiwan.

In this role, he was responsible for the company's strategic direction in the networking and consumer electronics segments. He also served as Director for the Mainstream technology platform and for IDM programs, Networking and HDD business development.

Prior to his headquarters assignments, Dr. Chen served in TSMC Japan as the Vice President of Marketing and Sales. He assumed that role after working for five years in TSMC as an account manager and 2 years in North America as a Field Applications Engineer. He joined TSMC from Intel Corporation where he worked as a Senior Process Engineer.

Dr. Chen earned his Ph.D. in Materials Science & Engineering from Stanford University.





**Mr. Wendell Huang**  
Vice President & CFO  
of TSMC

Mr. Wendell Huang is the Chief Financial Officer of TSMC. Mr. Huang was Senior Director of Finance Division at TSMC prior to this post.

Prior to joining TSMC in 1999, Mr. Huang served various positions in the commercial and investment banking fields.

Mr. Huang received his MBA degree from Cornell University and B.B.A degree from National Chengchi University.



**Dr. Cliff Hou**  
Senior Vice President,  
Europe & Asia Sales

Dr. Cliff Hou is the Senior Vice President of Europe & Asia Sales of TSMC. Prior to this post, he was Vice President and Head of Design and Technology Platform of TSMC. Dr. Hou established TSMC's Technology Design Kits Development Teams and Reference Flow Development Teams. He also leads Design-for-Manufacturability (DFM) task force at TSMC.

Dr. Hou received his B. S. degree in 1983 from National Chiao-Tung University, and his Ph.D. degree in Electrical and Computer Engineering from Syracuse University in 1992.

Prior to joining TSMC in 1997, Dr. Hou was an Associate Professor at Kaohsiung Polytechnic Institute in 1992, and prior to that, he worked at ITRI/CCL for front-end design environment development and integration from 1993 to 1995 and at a local consulting company for 0.5μm and 0.35μm physical verification methodology and flow development from 1995 to 1997.

Dr. Hou has 15 U.S. patents and also serves as Technical Committee Member of VLSI Symposium..



**Mr. Benson W. C. Liu**  
Independent Director;  
Former Chairman and  
CEO of Bristol-Myers  
Squibb (Taiwan) Ltd

Mr. Benson W.C. Liu, Independent Director, was the Chairman and General Manager of Bristol-Myers Squibb Taiwan (BMST) from January 1999 through March 2005. Mr. Liu joined BMST in 1978 as Accounting Manager and he progressed within the Company through Finance Manager, Controller, Finance Director, VP Finance and Administration and finally Chairman and General Manager.

Mr. Liu retired from BMST in March 2005 after 28 years of dedicated services to this leading global Pharmaceutical and Health Care Company. Prior

to joining BMST, Mr. Liu was an auditor of Deloitte, Taiwan for 5 years. He holds a bachelor degree in Accounting from Soochow University, a master degree in International Business Administration from Northrop University, USA.

Mr. Liu is active in participating public services through NPO organizations like Chinese Corporate Governance Association and Chinese Professional Manager Association. In August 2011, He was appointed by the Board of Vanguard International Semiconductor Corporation as a board member of Compensation Committee during the period from September 2011 to June 2012. He was awarded Financial Manager of the Year by the Chinese Professional Manager Association in 1985, Outstanding Alumni of the Accounting Department of Soochow University in 1986 and Financial Manager of The Year of Bristol-Myers Squibb Company International Group in 1989.



**Dr. Chein-Wei Jen**  
Independent Director;  
Former Dean of  
Institute of Electronics  
at National Chiao Tung  
University, Taiwan

Dr. Chein-Wei Jen has retired from the Department of Electronics Engineering, National Chiao Tung University, Taiwan since 2004. During his academic career he also served as the Chairman of the Department of Electronics Engineering, from 1989 to 1991 and the Director of the Institute of Electronics from 1991 to 1994 at the same university.

He has supervised over 25 PhD students and many Master students in the area of System-on-Chip (SoC) design, processor architecture, and multimedia signal processing. Most of his students are now working in the academic and IC Design industry in Taiwan. He holds seven patents and published over 50 journal papers and 100 conference papers in these areas. He has also received numerous research paper awards and service awards from technical societies.

From 2004 to 2007 he was invited to join ITRI which is a government-sponsored R&D organization in Taiwan and served as the Director of SoC Technology Center in ITRI. From 2002 to 2007 he also served as one of the Coordinators of the National SoC Program in Taiwan.

Dr. Jen received his B.S. degree from National Chiao Tung University in 1970, his M.S. degree from Stanford University in 1977, and his Ph. D. degree from National Chiao Tung University in 1983.



**Dr. Wen-Yeu Wang**  
Independent Director;  
Ph. D., Stanford Law  
School, Professor  
of College of Law  
at National Taiwan  
University

Dr. Wang is professor of law and director, Center for Corporate and Financial Law, College of Law, National Taiwan University. He received law degrees from NTU, Columbia (LL.M.) and Stanford (J.S.D.), respectively. During his tenure, he visited and taught at well known law schools, including National University of Singapore and PRC's Peking University. In addition, he was a visiting professor of law at Stanford from 1995-96, teaching a seminar on financial transactions; in fall 2007 he taught "Corporate Governance in Greater China" seminar at Columbia. Principal research subjects include business associations, financial regulations, and law and economics.

Before pursuing an academic career, professor Wang had practiced commercial law at the international law firms of Lee and Li, Taipei (1985-1989), and Sullivan & Cromwell, a Wall Street firm in New York City (1989-1991), respectively. Areas of specialty include corporate law and business transactions.

From 2004 to 2006, professor Wang served as a commissioner at the Fair Trade Commission. In addition, he has served in many important public and private functions, i.e., as director or supervisor of the Taiwan Stock Exchange, Taiwan Futures Exchange, and Taiwan Cooperative Bank. He also served as independent director or reorganization supervisor for Taiwanese public companies; as arbitrators or mediators in various commercial disputes. He has also participated in the drafting or amendment of major economic and financial legislation, such as the Company Law and the Securities and Exchange Law.





**Dr. Chung-Yu Wu**  
Independent Director;  
Former President of  
National Chiao Tung  
University, Taiwan

Dr. Chung-Yu Wu is Emeritus Professor of National Chiao Tung University. He has served different roles at National Chiao Tung University, including President of National Chiao Tung University,

Dean of College of Electric Engineering and Computer Science, Dean and Vice for Research and Development, Funding Director of Division of Engineering and Applied Science, Director of Institute of Electronics and Department of Electronics Engineering, Chairman of Department of Electronics Engineering.

Dr. Wu received his B.S. degree from National Chiao Tung University in 1972, his M.S. degree from National Chiao Tung University in 1976, and his Ph. D. degree from National Chiao Tung University in 1980. He did his post-doctor research at EECS from the University of California, Berkeley in 2002.



**Dr. Kenneth Kin**  
Independent Director;  
Former Senior VP,  
Worldwide Sales &  
Services of TSMC

Dr. Kenneth Kin joined IBM Corporation in 1996, and developed Asia Pacific Regional Operation Center in Singapore for its Microelectronics Department. In 2000, Dr. Kenneth Kin was promoted to the position of Vice President of Global Business and Services of IBM Microelectronics, responsible for IBM Microelectronics Americas, Europe, Asia and Japan business and service, and the average annual revenue of nearly 7 billion US dollars. He was the first Chinese executive in charge of global operations at IBM and was named one of the Senior Leadership Group of the IBM head office.

Dr. Kenneth Kin joined TSMC in 2001 as Senior Vice President of Global Business & Marketing, and was in charge of the Americas, Japan and Asia Pacific, as well as marketing organization and customer service. He established a professional business and marketing organization for TSMC, strengthen and expand the leading position of TSMC foundry, and expand to new markets in mainland China and South Korea which made TSMC revenue growth nearly doubled from 2001 to 2005 with market share more than 50%.

Since 2001, Dr. Kin has also served as an adjunct professor teaching "Technology Marketing" for eight years in the MBA of technology management, National Tsing Hua University. Areas of expertise are marketing, global operations, brand management and more.

## Management Team

### Mr. Daniel Chien

#### Senior Vice President & CFO

Daniel currently serves as Senior Vice President and CFO in GUC.

Prior to joining GUC in 2006, Mr. Chien served as CFO in ALi Corp.

Mr. Chien received his MBA degree from the University of Texas at Arlington, USA.

### Mr. Chiang Fu

#### Senior Vice President

C.Fu currently serves as Senior Vice President of SoC RD and Operations. He also co-leads Quality & Reliability Assurance department.

Prior to joining GUC in 2008, Mr. C. Fu had 15 years of experience at Taiwan Semiconductor Manufacturing Company (TSMC) and pioneered 12-inch Fab Product and Process Engineering. Mr. Fu progressively served various key roles in ASIC product yield, quality and package engineering in GUC. He was appointed Vice President of Operation at GUC in November 2013.

### Dr. Louis Lin

#### Senior Vice President

Dr. Louis Lin currently serves as Senior Vice President of Design Service and Core IP RD.

Dr. Lin joined GUC in 1998 and was appointed Vice President of Design Service at GUC in November 2013. Dr. Louis Lin has over 20 years of experience in various ASIC design fields including design methodology development, low power design, SOC chip implementation, program management, etc.

### Dr. Simon Yen

#### Vice President

Dr. Simon Yen currently serves as Vice President of Marketing & Global Sales.

Dr. Yen joined GUC in 2007. He has over 25 years of experience in marketing and sales, customer

services, R&D, and process integration engineering in semiconductor industry. Prior to joining GUC, Dr. Yen worked for over 10 years in the semiconductor industry at companies such as UMC, Acer Semiconductor, and ProMOS.

Dr. Yen received his Ph.D. degree in Metallurgical Engineering from the University of Utah in 1997 and EMBA degree from National Chiao Tung University in 2009.

### Mr. Justin Hsieh

#### Vice President

Justin Hsieh currently serves as Vice President of Packaging & Testing Engineering and Quality & Reliability Assurance.

Mr. Hsieh joined GUC in 2006. He has over 30 years of experience in operations, IC/SoC packaging & testing engineering, quality & reliability assurance, and program management in semiconductor industry. Prior to joining GUC, Mr. Hsieh accumulated 18 years of experiences in UMC, Mosel Vitelic, and ITRI.

Mr. Hsieh received his master degree in Photonics Engineering from National Chiao Tung University in 1989.

### Mr. Vincent W. Li

#### Vice President

Vincent W. Li currently serves as Vice President and CHRO of GUC.

Mr. Li joined GUC in 2019. Prior to joining GUC, Mr. Li worked as strategic HR executives for over 25 years at leading companies such as TSMC, Sinyi Group, Test Rite Group, Ford Motor Taiwan, and provided consultancy services to clients in catering and traditional industries.

Mr. Li received his master degree from Human Resources and Labor Relations Program of Michigan State University in 1994.





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# Chapter 3

## Corporate Governance

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# Corporate Governance

## Global Unichip Corporation Statement of Internal Control System

Date: Jan 28, 2021

Based on the finding of a self-assessment, GUC states the following with regard to its internal control system during the year of 2020:

1. GUC's Board of Directors and Management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance, and safeguarding of assets), reliability of our financial reporting, and compliance with applicable laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and GUC takes immediate remedial actions in response to any identified deficiencies. ; It should be noted that any internal control system has its limits, no matter how well designed. An effective internal control system serves to provide reasonable assurance of the above-mentioned three objectives, yet the effectiveness may be subject to changes of environment or circumstances. To counter such limits, GUC has adopted an internal control system with self-surveillance mechanism. Thus GUC is able to rectify as soon as a deficiency is identified.

3. GUC evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring.
4. GUC has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, GUC believes that, on December 31, 2020, we have maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability of financial reporting, and compliance with applicable laws and regulations.
6. This Statement will be an integral part of GUC's Annual Report for the year 2020 and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement has been passed by the Board of Directors in their meeting held on January 28, 2021 with none of the nine attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Global Unichip Corporation

F. C. Tseng                      Ken Chen  
Chairman                      President



## Board and Audit Committee Meeting Status

Six regular board meetings were convened in 2020. The status of attendance by board members was as following:

Title	Name	Age	Consecutive terms	Attendance in person	By proxy	Attendance rate (%)
Chairman	Dr. F.C. Tseng Representative of TSMC	76	7	5	1	83%
Director	Mr. Wendell Huang Representative of TSMC	59	2	5	1	83%
Director	Dr. Cliff Hou Representative of TSMC	59	5	2	4	33%
Director	Dr. Ken Chen Representative of TSMC	60	3	6	0	100%
Independent Director	Mr. Benson Liu	71	6	6	0	100%
Independent Director	Dr. Chien-Wei Jen	72	6	6	0	100%
Independent Director	Dr. Wen-Yeu Wang	65	5	6	0	100%
Independent Director	Dr. Chung-Yu Wu	70	4	6	0	100%
Independent Director	Dr. Kenneth Kin	74	2	6	0	100%



Four regular Audit Committee meetings were convened in 2020. The status of attendance by committee members was as follows:

Title	Name	Attendance in person	By proxy	Attendance rate (%)
Independent Director	Mr. Benson Liu	4	0	100%
Independent Director	Dr. Chein-Wei Jen	4	0	100%
Independent Director	Dr. Wen-Yeu Wang	4	0	100%
Independent Director	Dr. Chung-Yu Wu	4	0	100%
Independent Director	Dr. Kenneth Kin	4	0	100%

Four regular Compensation Committee meetings were convened in 2020. The status of attendance by committee members was as follows:

Title	Name	Attendance in person	By proxy	Attendance rate (%)
Independent Director	Mr. Benson Liu	4	0	100%
Independent Director	Dr. Chein-Wei Jen	4	0	100%
Independent Director	Dr. Wen-Yeu Wang	4	0	100%
Independent Director	Dr. Chung-Yu Wu	4	0	100%
Independent Director	Dr. Kenneth Kin	4	0	100%

Corporate Social Responsibility

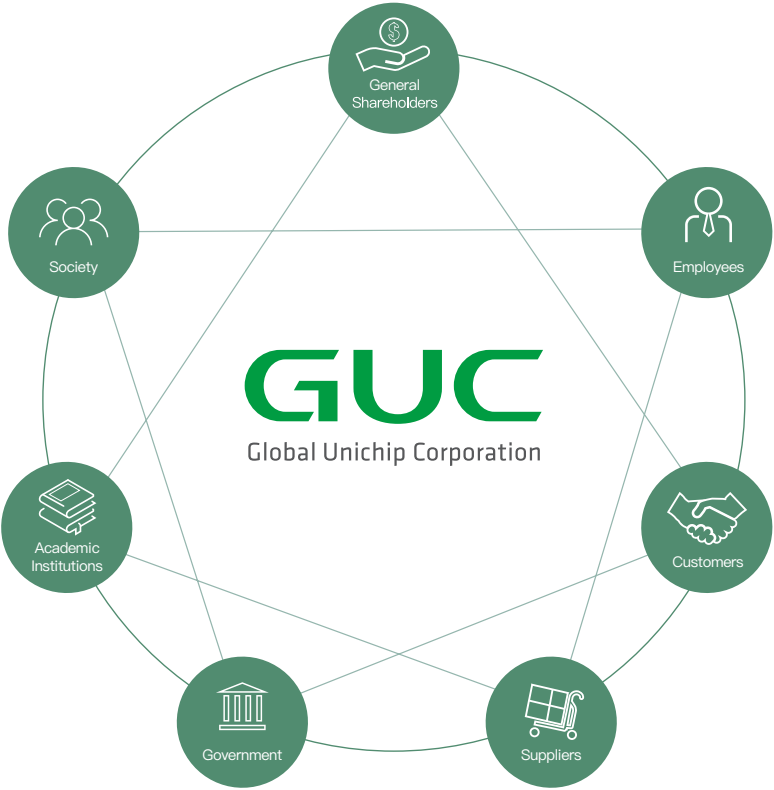
Facing global climate change and an uncertain world, every enterprise in the global village should fulfill its social responsibilities and implement the ideal of developing a better society with common good.

GUC never forgot the responsibility as a corporate citizen. As a professional IC design service leader, we accelerates the flow of innovation in IC design and product applications with the partnership of tsmc and its advanced technology; using technology to serve people and improve the quality of human life, work and entertainment.

GUC works hand- in- hand with customers through its three missions of “Technological Innovation \ Quality Improvement \ Excellence Service” to usher all the necessities of human daily life towards an intelligent future and use innovation to bring prosperity and happiness. Nonetheless, technological progress and corporate growth are only meaningful in a sustainable society and environment. That is why GUC endeavors to be a force that uplifts society, and does its utmost to fulfill its responsibilities as a corporate citizen through Integrity and Caring for the Disadvantaged.

Integrity is not only GUC's foremost mission in corporate social responsibility, it is a fundamental part of our core values and business philosophy, and most of all our highest principle for doing business, because we believe transparent business operations are keys to initiating change in society. So corporate governance is GUC's top priority, which must be guided by integrity, balance the interest of all stakeholders in order to continue creating value.

Corporate social responsibility requires a company to attend to corporate governance and pursue profitable growth, while also paying attention to environment, society, and other non-economic benchmarks. GUC already invested in research and development on 5nm design flow and key IPs, in order to meet customers' large designs needs of fast introduction, quick resolution of customer problems and successful signoff, and help raise prospective system and IC companies' market leading positions. In addition to pursuing the highest accomplishments in our core business, GUC uses its influence to fulfill its responsibilities in environmental protection and supply chain management.



## Social Commitment

By sharing love and participating in charity activities, we have deepened our ties with local governments, NGOs, charity associations and communities establishing trust and reputation. This friendship can help GUC to develop a positive corporate environment.

In 2020, we continuously worked with the non-profit HsinChu Blind Welfare Association by purchasing massage services from them. We also continue to participate in the activities promoted by Triple E institute & Engineers without Borders to reducing the digital gap in remote area. In 2020, we began to implement social feedback in conjunction with the Family Day activities and charity activities of our welfare committee. Further, group meals are provided by GUC's staff restaurant every day and are also sent to factories nearby to achieves a win-win situation for the community and the public. And GUC continues sponsorship for Seminars to promote communication between government, producers, universities and researchers and increase Taiwan's competitiveness with respect to System-on-Chip (SoC).

## Safety and Health-related Management

GUC is devoted to achieving 'zero accident' and 'sustainable environmental development' and to becoming a world-class benchmarking company of environmental protection, health and safety. We established our Health, Safety and Environment Committee to carry out the formulation and execution of the environmental safety policies. Regular meetings were convened by The Health, Safety and Environment Committee and perform the following policies continuously. GUC is a professional design service company, and employees of GUC are not engaged in positions with high risks or high incidence of specific diseases. In order to ensure the health and safety of each employee, to avoid health hazards due to workload, operating environment, mental stress, etc., Health, Safety and Environment Committee held regular meetings periodically and formulates and implement following policies following the announcement of Occupational Safety and Health Act, including "Prevention of diseases caused by abnormal workload", "Protection of maternity health", "prevention of occupational diseases caused by human", "Prevention of Workplace Violence"

- **Prevention of diseases caused by abnormal workload**  
To follow Occupational Safety and Health Act, GUC keeps screening high-risk groups through assessment data. GUC arranges doctor interviews for employees who work long hours and display abnormalities on health check results. Working hours will be adjusted or shorten, or even job adjustment is necessary to remove the risk factor after counseling with psychologists, and health education with nurses.
- **Protection of maternity health**  
GUC offers lactation rooms that provide comprehensive care and assistance for our employees. We keep track of employees who are pregnant and returning to work after parental leave, including individual hazard assessments, graded management, and health protection and other fitness assessments with a doctor before and after childbirth, and provide job adjustment if necessary.
- **Prevention of Occupational Diseases Caused by Human**  
In order to prevent work-related musculoskeletal hazards and injuries due to long-term exposure to poorly designed working environment, repetitive work, and bad working posture. GUC's operating environment is mainly administrative operations, which may result in occupational diseases caused by human due to prolonged sitting posture, excessive use of eyes, incorrect posture, etc. From 2019, "Musculoskeletal Health Questionnaire" is used to investigate employees' physical conditions to screen target cases suspected of having musculoskeletal hazards. We arranged professionals to give health or medical advice, and develop improvement plans according to the evaluation results of doctors.
- **Prevention of Workplace Violence**  
This plan is initiated to protect employees from physical or mental harm when workplace violence

existing after assessment to ensure the safety and physical and mental health of employees.

- Offering educational training programs to improve employees' awareness of safety, health and environmental protection issues.
- Mapping out various health improvement plans to ensure employees' physical and psychological wellness. Healthy, hygienic, and low-calorie meal choices are available for employees. Health management risk is classified based on the annual employee health check results and employees are encouraged to consult doctors the result of health check. GUC provides professional one-on-one consultation services to our employees, through which employees receive individualized health education by nurse and professional advice.
- Regular health and safety propaganda to develop and strengthen staff safety and health concepts
- Ensuring our operations and services meet or exceed applicable regulations and standards for environment protection, health and safety and safety.
- Staying abreast of global issues of environment protection, health and safety evaluate risks and take effective risk management measures.
- Strengthen the awareness and responsibility of all employees for environmental safety and health, and establish friendly environmental health and safety culture.
- Enhancing performance of environment protection, health and safety with suppliers through experience sharing and collaboration.
- Laying out environmental inspection procedures and regulations, such as: Management procedures for examining, measuring and testing facilities , Management plans for plant patrolling, maintenance and auto-checking., Common regulations for hazardous products and labeling of hazardous substances, Operating procedures for electrical equipment, Operating standards for warehouses, Operating standards for handling materials, Standard safeguards for physical health and safety, Operating procedures of health and safety in special areas.

## Environmental protection

GUC believes its environmental protection should not only comply with domestic legal requirements, but also implement governmental plans for resource recycling, waste disposal and garbage separation. In addition, GUC reduces the usage of paper cups and disposable plastic tableware for environmental protection and the best use of resources. GUC has been committed to prevent pollution, ensure efficient use of resources, prevent accidents, improve employee safety and health and protect property. The aim is to create a work environment that upholds the well-beings of our employees and communities.

Awards and recognitions from third parties are valuable feedback and highlight our projects and activities in environmental protection. They also motivate us to improving ourselves constantly. The following is award and recognition that we received.

- GUC received IECQ EV080000 Restriction of Hazardous Substances certifications.
- GUC received ISO9001 certifications
  - Guaranteed conflict free minerals
  - EU RoHS compliance
  - EU PFOS Directive
  - (Registration, Evaluation, Authorization & Restriction of Chemical substances, REACH)



Our commitments and implementations are as follows:

1. Execute the standards of “Green Energy-saving Design” and provide energy saving products that comply with environmental protection regulations and customers’ requirements.
2. Use package materials that comply with environmental protection regulations for waste reduction and resource recycling.
3. Increase employees’ fundamental responsibility and awareness of environmental protection, source recycling and energy saving through educational training and propaganda.
4. Continue to execute energy-saving management and resource recycling.
5. Comply with governmental environmental protection regulations and fully assist the authorities in carrying out environmental protection affairs.





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# Chapter 3

## Corporate Governance

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# Corporate Governance

## Global Unichip Corporation Statement of Internal Control System

Date: Jan 28, 2021

Based on the finding of a self-assessment, GUC states the following with regard to its internal control system during the year of 2020:

1. GUC's Board of Directors and Management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance, and safeguarding of assets), reliability of our financial reporting, and compliance with applicable laws and regulations.
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4. GUC has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, GUC believes that, on December 31, 2020, we have maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability of financial reporting, and compliance with applicable laws and regulations.
6. This Statement will be an integral part of GUC's Annual Report for the year 2020 and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement has been passed by the Board of Directors in their meeting held on January 28, 2021 with none of the nine attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Global Unichip Corporation

F. C. Tseng                      Ken Chen  
Chairman                      President



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Independent Director	Dr. Kenneth Kin	4	0	100%

Corporate Social Responsibility

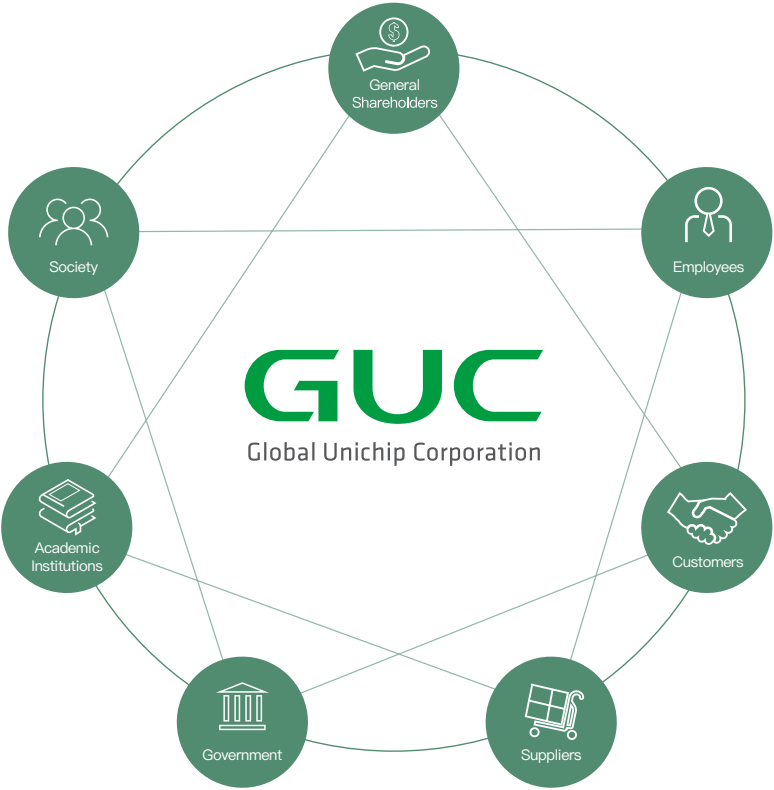
Facing global climate change and an uncertain world, every enterprise in the global village should fulfill its social responsibilities and implement the ideal of developing a better society with common good.

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- Strengthen the awareness and responsibility of all employees for environmental safety and health, and establish friendly environmental health and safety culture.
- Enhancing performance of environment protection, health and safety with suppliers through experience sharing and collaboration.
- Laying out environmental inspection procedures and regulations, such as: Management procedures for examining, measuring and testing facilities , Management plans for plant patrolling, maintenance and auto-checking., Common regulations for hazardous products and labeling of hazardous substances, Operating procedures for electrical equipment, Operating standards for warehouses, Operating standards for handling materials, Standard safeguards for physical health and safety, Operating procedures of health and safety in special areas.

## Environmental protection

GUC believes its environmental protection should not only comply with domestic legal requirements, but also implement governmental plans for resource recycling, waste disposal and garbage separation. In addition, GUC reduces the usage of paper cups and disposable plastic tableware for environmental protection and the best use of resources. GUC has been committed to prevent pollution, ensure efficient use of resources, prevent accidents, improve employee safety and health and protect property. The aim is to create a work environment that upholds the well-beings of our employees and communities.

Awards and recognitions from third parties are valuable feedback and highlight our projects and activities in environmental protection. They also motivate us to improving ourselves constantly. The following is award and recognition that we received.

- GUC received IECQ EV080000 Restriction of Hazardous Substances certifications.
- GUC received ISO9001 certifications
  - Guaranteed conflict free minerals
  - EU RoHS compliance
  - EU PFOS Directive
  - (Registration, Evaluation, Authorization & Restriction of Chemical substances, REACH)

Our commitments and implementations are as follows:

1. Execute the standards of “Green Energy-saving Design” and provide energy saving products that comply with environmental protection regulations and customers’ requirements.
2. Use package materials that comply with environmental protection regulations for waste reduction and resource recycling.
3. Increase employees’ fundamental responsibility and awareness of environmental protection, source recycling and energy saving through educational training and propaganda.
4. Continue to execute energy-saving management and resource recycling.
5. Comply with governmental environmental protection regulations and fully assist the authorities in carrying out environmental protection affairs.





# Chapter 4

## Operation Report



# Operation Report

## 1. Business

### 1-1. Major Business

#### 1-1.1. Main business activities of GUC:

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

#### 1-1.2. Revenue mix

Unit: NT\$ Thousand, except %

Sales breakdown	2019		2020	
	Amount	%	Amount	%
ASIC & Wafers	7,188,728	67.12%	8,524,887	62.82%
NRE	3,205,782	29.93%	4,614,332	34.01%
Others	315,558	2.95%	430,222	3.17%
Total	10,710,068	100.00%	13,569,441	100.00%

#### 1-1.3. Main products and services:

- (A) ASIC & wafers: Provide complete design, wafer manufacturing, packaging and testing services.
- (B) NRE (Non-Recurring Engineering): Provide circuit design cell library and various IPs required in the process of product design; provide circuit layouts needed for mask making; subcontract mask making, wafer manufacturing, dicing and packaging to vendors; conduct final testing to get prototype samples for customers.
- (C) MPW (Multiple-Project Wafer): MPW integrates multiple design projects of different customers on one single mask and by one wafer engineer run. It is an effective and fast time-to-market chip verification service with cost-sharing in masking and wafer engineering run. Design engineers, before the phase of mass production, are able to timely verify their prototype designs with advanced process technologies and much lower costs.
- (D) IP (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 SoC (System on a Chip). GUC provides reusable IP help customers avoid redundant designs and resources.

#### 1-1.4. New product development plan

GUC is not only continuing the development of advanced IPs including the chip interconnection IP "GLink", HBM2/2E/3 Controller/PHY, 28G/32G SerDes, PCIe Gen3/4/5 and high-speed ADC/DAC in 7nm, 6nm and 5nm, but also migrating key components, such as Power Management Solutions and Clock Generators, to advanced processing nodes. GUC's R&D team has also developed in-house memory IP (TCAM, SRAM) and customized standard cell libraries that enrich our IP/Library portfolio of competitive IP and subsystem solutions. GUC has successfully taped out and verified the 6nm testchip in 4Q20 this year and is ready to enable customers to adopt the design platform for production. Meanwhile, the 5nm TCAM tape-out was completed in October, and the silicon is expected to be verified in 2Q21.

### 1-2. Industry Brief

#### 1-2.1. Current status of the industry and future development

Along with the advance of semiconductor process, IC design and mask costs continue to rise. In addition, the trend toward incorporating multiple functionalities on a single chip continues to grow. Therefore the numbers of chip design projects are expected to experience a minor downward trend each year. Thanks to the market growth in artificial intelligence/machine learning (AI/ML), data center, 5G networking, Internet of Things, advanced driver-assistance systems (ADAS) and virtual reality/augmented reality (VR/AR) applications, the decline trend is alleviated.

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

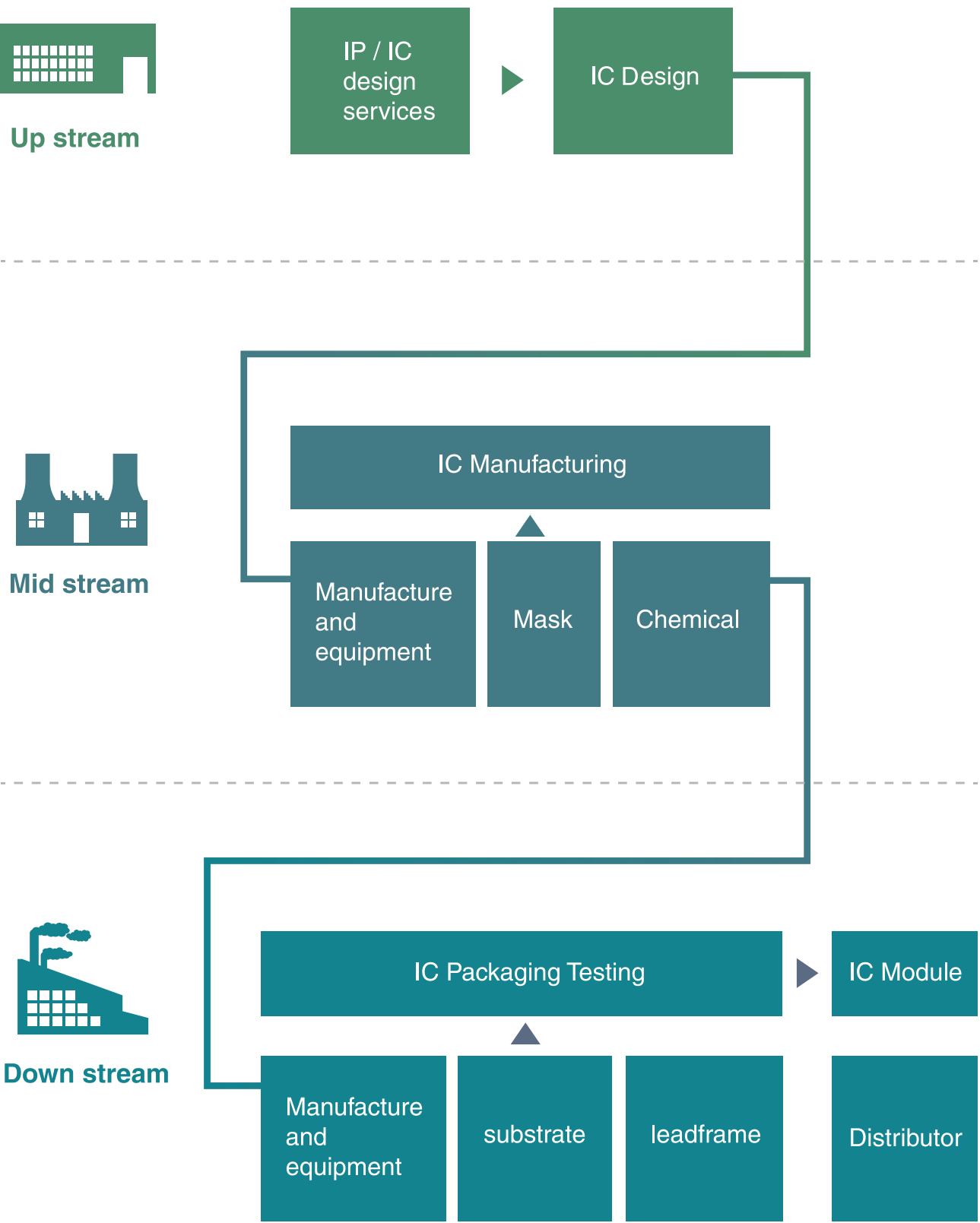
To keep pace with this demand and the rapidly changing semiconductor industry, GUC's "Advanced ASIC Services" include a robust IP portfolio and design service that assist customers at every step in the semiconductor supply chain, from product concepts, spec definitions, development, and verification, to mass production. Advanced ASIC Services cover three core elements: IP solutions, chip implementation, and ASIC manufacturing. Precisely targeted IP and attentive customer service reduces design time and costs, while customizing ICs. GUC has formed a close chip implementation partnership for advanced process technology with TSMC to help customers move to high yield mass production and achieve strong market competitiveness. GUC also offers ASIC manufacturing that coordinates foundry, testing, and packaging services.



### 1-2.2. The supply chain of Taiwan semiconductor industry

Taiwan's semiconductor industry supply chain is divided into design, manufacturing, packaging and testing service.

The up, mid, and down stream of Taiwan semiconductor industry:



### 1-2.3. Product development trend and competition

Leading smartphone manufacturers are designing and manufacturing proprietary application processors (AP) to create their unique brand personality and while ASIC design service companies continue to focus on mature data center, IoT, drone, and robotics applications. For the emerging market trend, AI/ML, 5G networking, ADAS, and AR/VR has been widely discussed. Although in the early stages of development, these topics are considered the driving forces for the future technology and business growth.

China's semiconductor market is expanding at a rapid pace, benefiting from significant domestic demand and the government's proactive support of local IC design companies. This year, China will invest significant resources into its semiconductor industry. It is anticipated that China will become the fastest growing IC design and semiconductor market in the world over the next 10 years. To accommodate the expected increase in ASIC demand, GUC is providing industry-leading design service and 2.5D, 3D advanced packaging technologies for customers using TSMC 7nm, 6nm, and 5nm process nodes. With proven design expertise and a track record of superior manufacturing results, GUC will enable its customers to deliver differentiated and competitive high-performance, low-power ASIC products.

### 1-3. Technological Research and Development

#### 1-3.1. R&D expenditures

Unit: NT\$ Thousand

Year Item	2020	2021
R&D expenditures	2,504,010	-

Note: Numbers for Q121 is not available by printing date.

#### 1-3.2. Latest technologies and new products

2020
<ol style="list-style-type: none"> <li>GUC 5nm, 6nm, 7nm design flows are in place.</li> <li>GUC 6nm and 7nm chip interconnection IP "GLink" is silicon proven.</li> <li>GUC 5nm chip interconnection IP "GLink 2.0" tape-out.</li> <li>GUC 5nm and 7nm GLink-3D IP testchip for 3D SoIC tape-out.</li> <li>GUC 5nm and 7nm HBM2E-3.6G PHY &amp; Controller with TSMC CoWoS packaging total solution is in place.</li> <li>Design of analog front-end (AFE) IP in 12nm, which supports both mmWave and sub-6GHz bands is completed and silicon proven.</li> <li>GUC 7nm and 12 nm 32G SerDes is silicon proven.</li> <li>GUC 5nm TCAM tape-out</li> </ol>

## 1-4. Long Term and Short Term Business Development Plan

### 1-4.1. Short-term

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

### 1-4.2. Long-term

- (1) Strengthen leading-edge 7nm, 6nm, 5nm and 3 nm design service capability to deepen technical differentiation and raise competitive barriers to entry.
- (2) Increase worldwide market share by engaging with market-leading customers in selected applications that best fit and promote the company's brand.
- (3) Seize business opportunities with those 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 lead to the development of lead time reducing platforms for system design verification to expedite customer time-to-market.
- (8) Continue to expand market share in emerging AI/ML, 5G Networking, ADAS, AR/VR and Robotics applications

## 2. Overview of Market and Sales Distribution

### 2-1. Market analysis

GUC is the leading design service company in Taiwan, with approximately 50% total market share. GUC is one of the Top 10 global ASIC IC companies, according to Gartner's 2018 worldwide ASIC revenue statistics.

#### 2-1.1. Market shares, market demand and growth

The outbreak of COVID-19 hit the world in 2020 but did not affect the semiconductor industry much. Instead, it stimulated the growth of remote education, work-from-home and stay-at-home economic, which increased the demand for semiconductors. According to the World Semiconductor Trade System Association (WSTS, 2020), the 2020 global semiconductor market is expected to expand by 5.1%, to US\$ 433.1 billion. Meanwhile, based on the IEK survey, 2020 Taiwan's IC industry generated NT\$3,222.2 billion, up to 20.9% growth over 2019. The IC design industry accounted for NT\$852.9 billion, a 23.1% increase over 2019. (IEK, 2021)

According to DIGITIMES and an in-depth report from the China Semiconductor Industry Association, 2019 China IC design industry sales reached RMB\$306.4 billion, with an annual growth rate of 21.6%. In 2020, impacted by the U.S.-China trade war, the growth rate is not as good as last year. The revenue of China IC design is estimated at RMB\$351.7 billion with a 14.8% growth rate only. (DIGITIMES, 2020)

Looking ahead to 2021, the momentum of world-wide semiconductor growth will remain strong. The global semiconductor market is estimated to grow by 8.4%, reaching 469.4 billion US dollars in 2021. (WSTS, 2020) Application development related to 5G is still a major focus. Autonomous vehicle, drones, smart factories, smart medical care, smart agriculture, smart cities and other "smart" applications will develop rapidly thanks to 5G networking's high efficiency, low latency and large-scale connectivity. Therefore, continues to drive related IC design and semiconductor industries. GUC will not only work closely with upstream foundries, but actively involved in the development of advanced processes and key silicon IP. These initiatives ensure that GUC meets market demands better than the competitors.

#### Global Semiconductor Market

	Amount (US\$M)			YoY Growth (%)		
	2019	2020(E)	2021(E)	2019	2020(E)	2021(E)
Global semiconductor market	412,307	433,145	469,403	-12.0	5.1	8.4

(E: Estimate)

Source: WSTS (2020 Fall)



## 2016~2020 Taiwan IC Industry Revenues

Unit: NT\$ 0.1billion

	2016	YoY	2017	YoY	2018	YoY	2019	YoY	2020	YoY
Industry Revenue	24,493	8.2%	24,623	0.5%	26,199	6.4%	26,656	1.7%	32,222	20.9%
IC Design	6,531	10.2%	6,171	-5.5%	6,413	3.9%	6,928	8.0%	8,529	23.1%
IC Manufacturing	13,324	8.3%	13,682	2.7%	14,856	8.6%	14,721	-0.9%	18,203	23.7%
Foundry	11,487	13.8%	12,061	5.0%	12,851	6.6%	13,125	2.1%	16,297	24.2%
DRAM	1,837	-16.8%	1,621	-11.8%	2,005	23.7%	1,596	-20.4%	1,906	19.4%
IC Packaging	3,238	4.5%	3,330	2.8%	3,445	3.5%	3,463	0.5%	3,775	9.0%
IC Testing	1,400	6.5%	1,440	2.9%	1,485	3.1%	1,544	4.0%	1,715	11.1%
IC Product Revenue	8,368	2.9%	7,792	-6.9%	8,418	8.0%	8,524	1.3%	10,435	22.4%

(E: Estimate)

Source: TSIA; IEK(2021/02)

## 2017~2020 China IC Industry Revenues

Unit: RMB\$ 0.1billion

	2017	2018	2019	2020(E)
IC Design Revenue	2,074	2,519	3,064	3,517
IC Design Revenue growth rate	26.1%	21.4%	21.6%	14.8%

(E: Estimate)

Source: DIGITIMES (2020/11)

### 2-1.2. Sales by region:

Revenues by geographic region are allocated to individual countries based on the location to which the products are initially billed instead of the location of end customers of our customers to which revenues are attributable.

The following table summarized information pertaining to our revenues from customers based on their headquarters' location:

Region	2020
Asia	64%
North America	26%
Europe	10%
Total	100%

### 2-1.3. Potential growth

Customers of mainstream applications (e.g. consumer electronics, storage devices, IoT, automotive electronics, drone and robots, etc.), will continue to integrate more functions into a single SoC, pursue cost reduction and add more features. The number of the chip design cases from this type of customers is expected to grow continuously.

As process technologies advance, the chip design costs sharply increase. In an effort to focus on core businesses and reduce costs, some IDMs have been outsourcing chip design to design service providers. Meanwhile, system companies lean toward designing their own ASIC chip with competitive PPA (Power, Performance, Area) as a way to differentiate themselves. These two trends create potential business opportunity for the design service companies with advanced platform solution. GUC has successively provided 7nm, 6nm and 5nm design and mass production services to customers, and continuously invested in 4nm, 3nm and advanced design flow technologies. GUC can not only satisfy customers' needs in design services and silicon intellectual property, but also 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, and some major mobile phone manufacturers have also released their new generations of 5G mobile phones. The debut of Apple iPhone 12 has boosted the transformation of mobile communications. It is expected that the setup of 5G base stations in 2021 will have strong growth momentum. Comparing with the existing 3G/4G, 5G networking can provide more than 10 times performance, and support a wide variety of different scenarios. With these advantages, when facing the low-latency and high-bandwidth transmission applications such as AI, AR/VR, 8K video and Internet of Vehicle, requirements can be achieved effectively. In the future, these service providers will need more cloud data centers and larger data storage, which will drive the growth of related chips like CPU, AI accelerator, Switch, and Storage.

AI ASICs are custom chips dedicated to performing a certain type of operations (application scenarios) requiring significant power efficiency and cost effectiveness. As the algorithms become more mature and application scenarios are implemented gradually, many market research institutions forecast a positive outlook for AI ASIC business opportunities and demand for ASIC design services as well as IP over the next 5 years. From AI cloud training and logic operations to terminal applications, we can see strong momentum and growth in the near future.

To meet the 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 customers develop its own chips. It is expected that the advanced ASIC application market will continue to boost in 2021.

### 3. Competitiveness, strength, weaknesses and counter strategies

#### 3-1. Competitive advantages

- 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/package design methodology innovation and IP quality assurance, expediting customer time-to-market. In addition to mature technologies, GUC has successfully achieved production tape-outs for 12nm, 7nm, 6nm and 5nm projects, as well as collaborated with strategic partners to provide 3nm 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 customers' 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 which successfully turned customers' 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, complete design and verification processes  
GUC's well-developed and comprehensive processes serve to shorten the time needed for IC verification and reducing IC design risks; help customers complete product design within the shortest time frame.
- E. Silicon IP partnerships  
GUC provides a comprehensive, best-in-class IP ecosystem platform by developing selected in-house IP, and collaborating with the top semiconductor IP vendors, such as Alphawave, AnalogBits, Aragio, ARM, Arteris, Cadence, CAST, Ceva, Comcores, Credo, C&M, Dolphin Integration, eMemory, Imagination, M31, NSCore, PLDA, proteanTecs, Silicongate, Silicon Creations, Synopsys, TCI, and TSMC.
- F. Diversified service models  
GUC provides one-stop shopping service to customers with complete SoC solutions, and supports customers from design to mass production. GUC has built up all the important service links throughout the IC manufacturing processes. Customers can choose different services and delivery methods based on 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. Customers therefore 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.

#### 3-2. Strengths

- A. The world's top foundry and advanced process technology  
TSMC, the world's largest foundry, with a global market share of more than 50% 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 customers, no matter 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 base for semiconductor industry.
- B. Booming new technologies and new startups  
From personal computers, system-on-a-chip SoC, analog mobile communication to 5G technology, the new applications and services have always been the driving force of industrial progress. In addition, due to the rapid development in artificial intelligence, high-speed computing, and data center cloud services, many start-up companies have invested new technologies and products to realize ideas and applications. Because of resources and manpower limitations, startups have to collaborate with design service providers and utilize the silicon verified intellectual property to quickly implement their ideas onto their products. New technologies and startups have formed a positive cycle, providing a strong momentum into the 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 various projects to design services providers. For system companies and IC design houses, products require advanced processes to achieve greater performance. This means a larger scale of investment in engineering team and advanced hardware/software equipment. Meanwhile, with the high cost of masks for advanced process nodes, this huge investment could not be affordable by average-size 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 the back-end physical implementation such as floor-planning, P&R, layout, production, packaging, testing, and the development of silicon intellectual property integration to design service companies. Therefore, they can complete the cutting-edge chip development in a fast, efficient and reliable way.

#### 3-3. Weaknesses and countermeasures

- A. Lack of key IP with respect to certain product applications  
GUC is engaging with customers from data centers, AI and high speed switch applications, key IPs, for example, chip interconnection IP "GLink", HBM, TCAM, customized SRAM and SerDes. The key IPs are critical in the customer's decision-making process.  
  
Countermeasures  
GUC has a professional R&D team that specializes in developing and customizing key IPs, such as Chip interconnect IP "GLink", HBM2/2E/3 PHY & Controller, TCAM, SRAM and SerDes. GUC also works with world's top-tier IP partners to provide comprehensive IP solutions.
- B. Relevant professional data for diversified customer applications is essential  
The application varies from one customer to another. GUC needs to gain more comprehensive understandings of different applications and to provide high-quality services. .



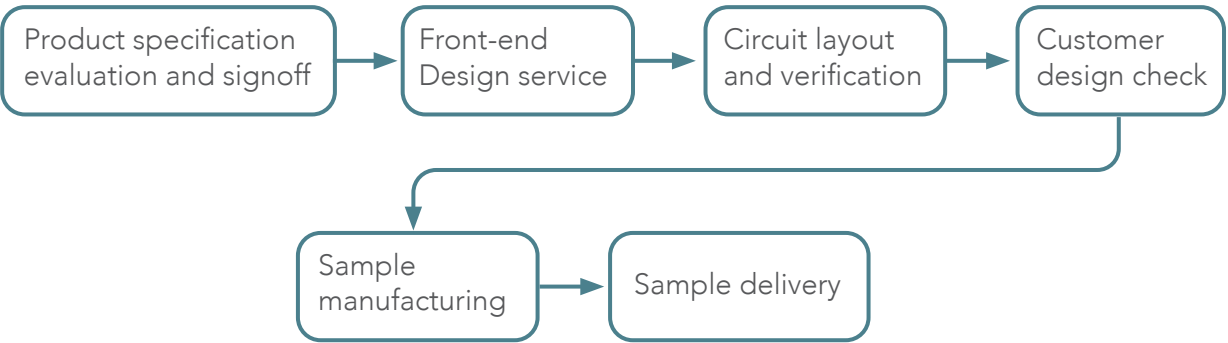
Countermeasures

Before entering new markets and exploring different applications, GUC will conduct a thorough study. This process allows GUC to leverage our strengths and offer the best service to customers. In addition to attract professionals from different domains, GUC also works closely with TSMC to provide complete and professional service to customers.

4. Product Application and Production Flow

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

Step 1: The process of front end design:



Step 2: Once the sample has been verified by customer, mass production process starts:



5. Raw Material Supply

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.

Name of suppliers taking 10% or more total purchase share, Years 2019~2020

Unit: NT\$ Thousand

No.	2019				2020			
	Supplier name	Amount	Percentage	Connection with company	Supplier name	Amount	Percentage	Connection with company
1	TSMC	2,921,515	70%	TSMC , prior to July 2011, TSMC was a parent company. Since July 2011, TSMC has no controlling interest in GUC and accounts for its investment in GUC using the equity method.	TSMC	3,271,489	75%	TSMC , prior to July 2011, TSMC was a parent company. Since July 2011, TSMC has no controlling interest in GUC and accounts for its investment in GUC using the equity method.
2	TSMC, NA	1,193,214	29%	TSMC's ownership percentage to TSMC, NA is 100%.	TSMC, NA	1,007,193	23%	TSMC's ownership percentage to TSMC, NA is 100%.

Explanation: GUC buys silicon wafers and mainly from IC foundries.

## 6. Major Customers Contributing More Than 10% of Gross Sales, Years 2019~2020

Unit: NT\$ Thousand

No.	2019				2020			
	Customer name	Sales amount	% of annual total sales	Connection with company	Customer name	Sales amount	% of annual total sales	Connection with company
1.	A	(Note)			A	1,497,659	11%	NA
2	B	1,176,194	11%	NA	B	(Note)		

Note: <10% of gross sales in that year.

## 7. Production Output in 2019 and 2020

Units: Chip/Piece and NT\$ Thousand

Major Products	2019		2020	
	Quantity	Amount	Quantity	Amount
ASIC & Wafers	122,595,422	4,687,052	166,212,554	5,591,090
NRE	(Note )	1,668,178	(Note )	2,971,329
Others	(Note )	12,972	(Note )	10,650
Total	122,595,422	6,368,202	166,212,554	8,573,069

Note: Not applicable

## 8. Sales Amount in 2019 and 2020

Units: Chip/piece and NT\$ Thousand

Year	2019				2020			
	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
ASIC & Wafers	15,822,995	1,205,436	99,822,394	5,983,292	30,199,359	2,193,065	125,115,189	6,331,822
NRE	(Note )	328,906	(Note )	2,876,876	(Note )	512,711	(Note )	4,101,621
Others	(Note )	8,712	(Note )	306,846	(Note )	6,098	(Note )	424,124
Total	15,822,995	1,543,054	99,822,394	9,167,014	30,199,359	2,711,874	125,115,189	10,857,567

Note: Not applicable

## 9. Future R&D plans and estimated investments

To meet the growing ASIC demand for high performance computing (e.g. 5G/Networking, AI/Machine Learning, Server), GUC will continue to develop leading-edge system design solution and invest in 5nm, 6nm, and 7nm R&D, with emphasis on high-speed interface and memory IP development, such as chip interconnection IP "GLink", HBM PHY & Controller, SerDes, PCIe, High speed ADC and TCAM. GUC plans to invest over NT1.3 billion as R&D expense in 2 years. The plans are as follows.

An estimated R&D cost for the next 2 years

Item	Test Chip Tape Out Schedule or Development Status	System Validation Schedule
5nm HBM2E-3.6G controller & PHY	Completed	2021/Q2
7/6nm HBM3 controller & PHY	2021/Q2	2021/Q4
5nm HBM3 controller & PHY	2021/Q4	2022/Q3
3nm HBM3 controller & PHY	2021/Q3	2022/Q3
3nm PLL, THM, Process Monitor	2022/Q1	2022/Q3
7nm 5G mmWave & sub-6G AFE IP	2021/Q4	2022/Q2
5nm chip interconnection IP "GLink2.2" PHY	2021/Q3	2022/Q2
3nm chip interconnection IP "GLink2.2" PHY	2021/Q3	2022/Q2
5nm chip interconnection IP "GLink-3D" PHY	2021/Q2	2022/Q2
6nm chip interconnection IP "GLink-3D" PHY	2021/Q2	2022/Q2
6nm Pipelined TCAM	2021/Q2	2022/Q1
3nm design flow	2021/Q1	2022/Q2



## 10. GUC Worldwide Employees

Period		2019	2020	As of 03/22/2021
Function	Managers	5	8	8
	Professionals	754	783	797
Total employees		759	791	805
Average age		38.5	38.9	38.9
Average years of seniority		5.45	5.7	5.8
Education level	Ph. D	2.4%	2.1%	2.3%
	Master	65.7%	65.5%	65.0%
	Bachelor	31.5%	32.0%	32.3%
	High School	0.4%	0.4%	0.4%

Note: Consolidated basis

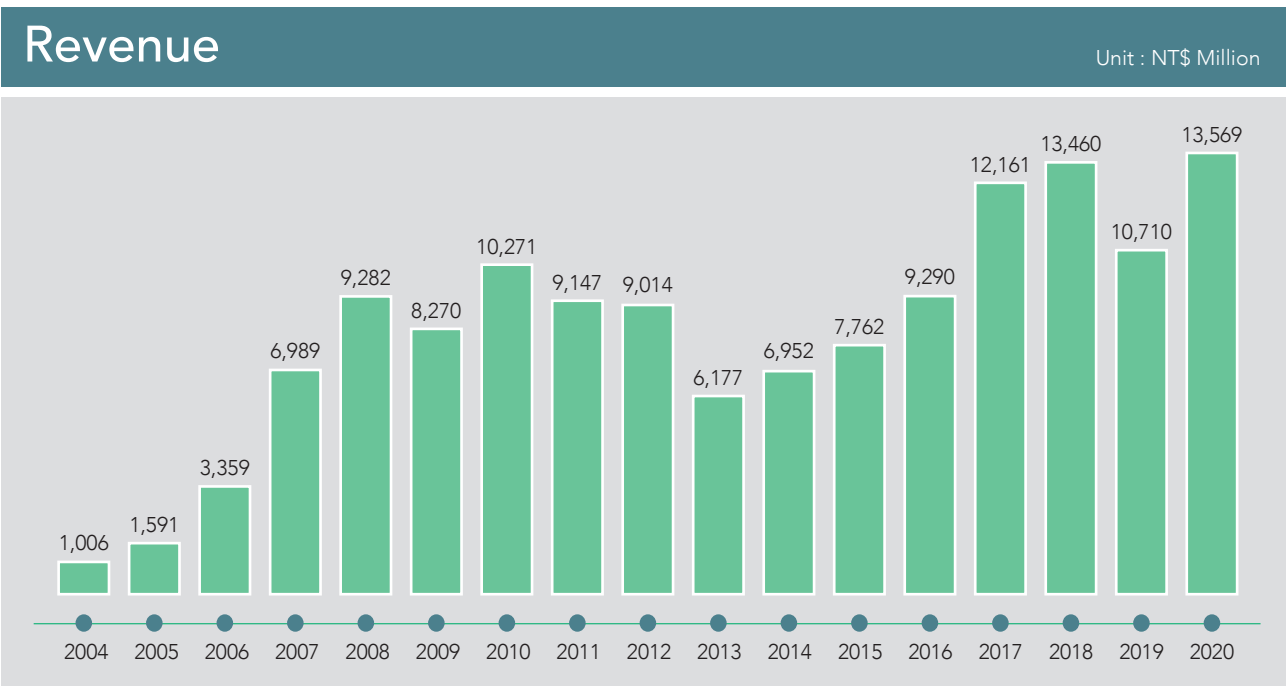


# Chapter 5

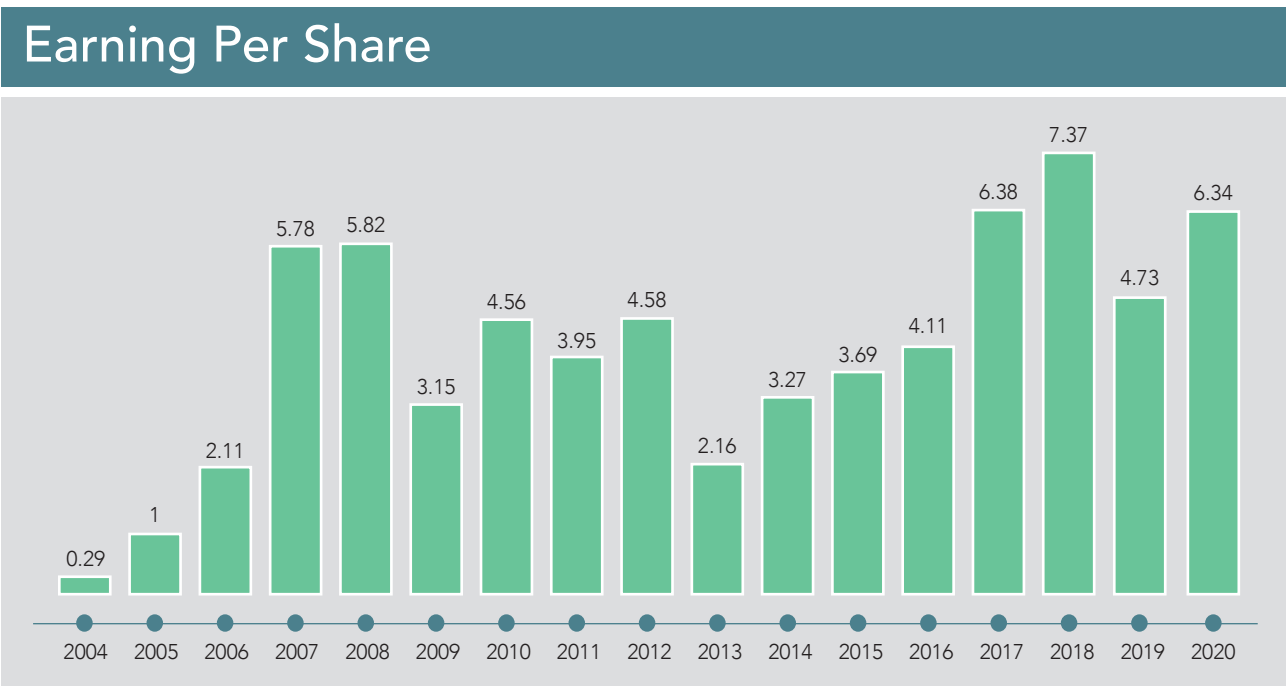
## Consolidated Financial Highlights



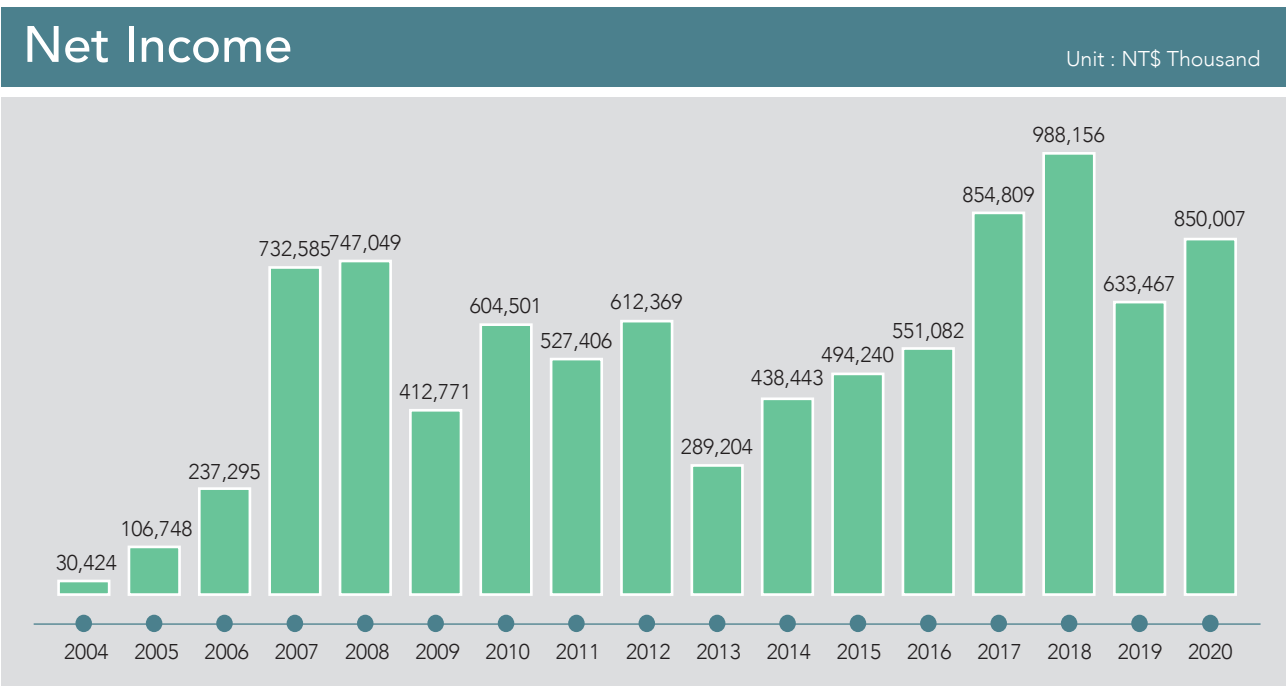
# Consolidated Financial Highlights



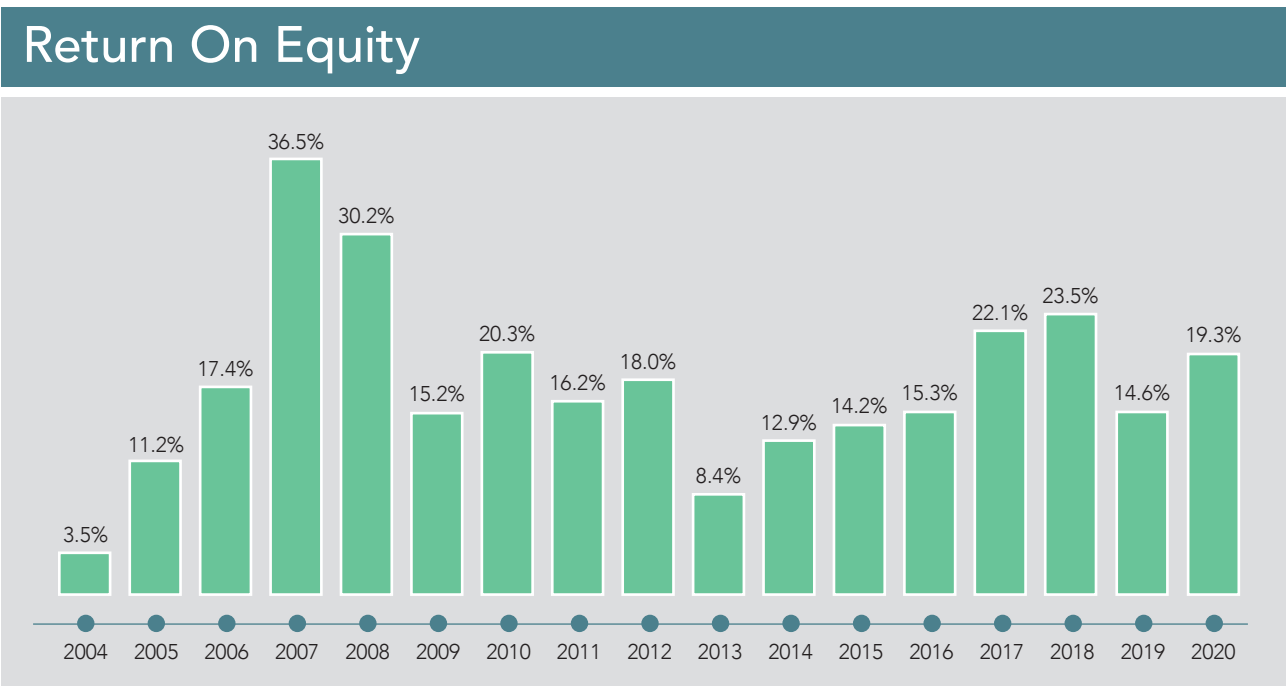
Note: R.O.C. GAAP (2011 and before); TIFRS (2012 and after).



Note: R.O.C. GAAP (2011 and before); TIFRS (2012 and after).



Note: R.O.C. GAAP (2011 and before); TIFRS (2012 and after).



Note: R.O.C. GAAP (2011 and before); TIFRS (2012 and after).

# Chapter 6

## Consolidated Financial Statements



## Global Unichip Corp. and Subsidiaries

### Consolidated Financial Statements for the Years Ended December 31, 2020 and 2019 and Independent Auditors' Report


#### REPRESENTATION LETTER

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2020 are the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements.” Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Consequently, Global Unichip Corp. and its subsidiaries do not prepare a separate set of consolidated financial statements.

Very truly yours,

GLOBAL UNICHIP CORP.

By



DR. F. C. TSENG  
Chairman

January 28, 2021

## 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, 2020 the carrying amount of inventory was NT\$1,674,466 thousand, which accounted for 17% 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' demands. 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, 2020 and 2019 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.

## 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, 2020 and 2019, 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, 2020 and 2019, 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 auditing standards generally accepted in 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, 2020. 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.



### 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 auditing standards generally accepted in 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 auditing standards generally accepted in 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, 2020, 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 Yih-Shin Kao and Yu Feng Huang.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

January 28, 2021

### 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, 2020		December 31, 2019	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 3,896,753	40	\$ 2,541,628	30
Financial assets at fair value through profit or loss (Note 7)	730,000	7	-	-
Contract assets (Note 16)	-	-	324,965	4
Accounts receivable, net (Notes 6 and 16)	1,137,071	12	1,377,203	17
Receivables from related parties (Note 27)	37,371	-	41,108	-
Inventories (Note 8)	1,674,466	17	1,778,484	21
Other financial assets	383	-	342	-
Other current assets (Note 12)	742,068	8	552,198	7
Total current assets	8,218,112	84	6,615,928	79
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment (Note 9)	778,354	8	982,487	12
Right-of-use assets (Note 10)	238,263	3	248,327	3
Intangible assets (Note 11)	443,885	5	412,047	5
Deferred income tax assets (Note 21)	20,285	-	38,810	1
Refundable deposits (Note 27)	24,713	-	20,916	-
Pledged time deposits (Note 28)	22,200	-	22,200	-
Total non-current assets	1,527,700	16	1,724,787	21
<b>TOTAL</b>	<b>\$ 9,745,812</b>	<b>100</b>	<b>\$ 8,340,715</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Contract liabilities (Note 16)	\$ 2,381,778	24	\$ 1,109,042	13
Accounts payable	682,090	7	783,908	9
Payables to related parties (Note 27)	379,010	4	750,637	9
Accrued employees' compensation and remuneration to directors (Note 23)	145,634	1	80,691	1
Payables on machinery and equipment	4,171	-	58,524	1
Current tax liabilities (Note 21)	95,526	1	76,627	1
Lease liabilities - current (Notes 10, 24 and 27)	53,693	1	50,955	-
Accrued expenses and other current liabilities (Notes 13 and 27)	1,150,230	12	727,853	9
Total current liabilities	4,892,132	50	3,638,237	43
<b>NON-CURRENT LIABILITIES</b>				
Deferred income tax liabilities (Note 21)	63,100	1	41,826	1
Lease liabilities - non-current (Notes 10, 24 and 27)	189,398	2	199,622	3
Other long-term payables (Note 13)	74,921	1	112,877	1
Net defined benefit liabilities (Note 14)	36,320	-	32,104	-
Guarantee deposits (Note 24)	2,957	-	3,075	-
Total non-current liabilities	366,696	4	389,504	5
<b>Total liabilities</b>	<b>5,258,828</b>	<b>54</b>	<b>4,027,741</b>	<b>48</b>
<b>EQUITY (Note 15)</b>				
Share capital	1,340,119	14	1,340,119	16
Capital surplus	32,618	-	32,578	1
Retained earnings	825,628	8	762,708	9
Appropriated as legal reserve	20,745	-	8,636	-
Appropriated as special reserve	2,290,027	24	2,189,678	26
Unappropriated earnings	(22,153)	-	(20,745)	-
Others	-	-	-	-
Total equity	4,486,984	46	4,312,974	52
<b>TOTAL</b>	<b>\$ 9,745,812</b>	<b>100</b>	<b>\$ 8,340,715</b>	<b>100</b>

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)

	2020		2019	
	Amount	%	Amount	%
NET REVENUE (Notes 16 and 27)	\$ 13,569,441	100	\$ 10,710,068	100
COST OF REVENUE (Notes 23 and 27)	9,498,564	70	7,180,057	67
GROSS PROFIT	4,070,877	30	3,530,011	33
OPERATING EXPENSES				
Sales and marketing (Notes 23 and 27)	266,020	2	283,990	2
General and administrative (Notes 23 and 27)	336,914	3	309,356	3
Research and development (Notes 23 and 27)	2,504,010	18	2,219,515	21
Expected credit loss (Note 6)	-	-	19,921	-
Total operating expenses	3,106,944	23	2,832,782	26
INCOME FROM OPERATIONS	963,933	7	697,229	7
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 17)	12,353	-	25,397	-
Other income (Notes 10 and 18)	67,683	-	68,844	-
Other gains and losses (Note 19)	(38,781)	-	(5,031)	-
Finance costs (Notes 20 and 27)	(3,625)	-	(3,337)	-
Total non-operating income and expenses	37,630	-	85,873	-
INCOME BEFORE INCOME TAX	1,001,563	7	783,102	7
INCOME TAX EXPENSE (Note 21)	151,556	1	149,635	1
NET INCOME	850,007	6	633,467	6
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans (Note 14)	(4,569)	-	(4,263)	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations (Note 15)	(1,408)	-	(12,109)	-
Other comprehensive income (loss) for the year, net of income tax	(5,977)	-	(16,372)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ 844,030	6	\$ 617,095	6
EARNINGS PER SHARE (Note 22)				
Basic earnings per share	\$ 6.34		\$ 4.73	
Diluted earnings per share	\$ 6.32		\$ 4.71	

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 Share (In Thousands)	Amount	Capital Surplus	Legal Reserve	Retained Earnings Special Reserve	Unappropriated Earnings	Total	Others Foreign Currency Translation Reserve	Total Equity
BALANCE, JANUARY 1, 2019	134,011	\$ 1,340,119	\$ 32,543	\$ 663,892	\$ 10,940	\$ 2,327,046	\$ 3,001,878	\$ (8,636)	\$ 4,365,904
Appropriation and distribution of prior year's earnings	-	-	-	98,816	-	(98,816)	-	-	-
Legal reserve	-	-	-	-	(2,304)	2,304	-	-	-
Reversal of special reserve	-	-	-	-	-	(670,060)	(670,060)	-	(670,060)
Cash dividends to shareholders - NT\$5.00 per share	-	-	-	-	(2,304)	(766,572)	(670,060)	-	(670,060)
Total	-	-	-	-	-	-	-	-	35
Dividends from claims extinguished by prescription	-	-	35	-	-	-	-	-	35
Net income in 2019	-	-	-	-	-	633,467	633,467	-	633,467
Other comprehensive income (loss) in 2019, net of income tax	-	-	-	-	-	(4,263)	(4,263)	(12,109)	(16,372)
Total comprehensive income (loss) in 2019	-	-	-	-	-	629,204	629,204	(12,109)	617,095
BALANCE, DECEMBER 31, 2019	134,011	1,340,119	32,578	762,708	8,636	2,189,678	2,961,022	(20,745)	4,312,974
Appropriation and distribution of prior year's earnings	-	-	-	62,920	-	(62,920)	-	-	-
Legal reserve	-	-	-	-	12,109	(12,109)	-	-	-
Special reserve	-	-	-	-	-	(670,060)	(670,060)	-	(670,060)
Cash dividends to shareholders - NT\$5.00 per share	-	-	-	-	12,109	(745,089)	(670,060)	-	(670,060)
Total	-	-	-	-	-	-	-	-	40
Dividends from claims extinguished by prescription	-	-	40	-	-	-	-	-	40
Net income in 2020	-	-	-	-	-	850,007	850,007	-	850,007
Other comprehensive income (loss) in 2020, net of income tax	-	-	-	-	-	(4,569)	(4,569)	(1,408)	(5,977)
Total comprehensive income (loss) in 2020	-	-	-	-	-	845,438	845,438	(1,408)	844,030
BALANCE, DECEMBER 31, 2020	134,011	\$ 1,340,119	\$ 32,618	\$ 825,628	\$ 20,745	\$ 2,290,027	\$ 3,136,400	\$ (22,153)	\$ 4,486,984

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)

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 1,001,563	\$ 783,102
Adjustments for:		
Depreciation	370,910	345,217
Amortization	306,821	252,857
Expected credit loss	-	19,921
Gain on financial assets at fair value through profit or loss	(2,802)	(944)
Finance costs	3,625	3,337
Interest income	(12,353)	(25,397)
Loss on disposal of property, plant and equipment, net	-	3
Gain on foreign exchange, net	(8,000)	(10,860)
Gain on lease modification	-	(26)
Changes in operating assets and liabilities:		
Contract assets	324,965	(267,989)
Accounts receivable (including related parties)	225,520	(543,150)
Inventories	104,018	(503,530)
Other financial assets	-	196
Other current assets	(168,215)	(51,502)
Contract liabilities	1,272,736	239,868
Accounts payable (including related parties)	(483,462)	292,996
Accrued employees' compensation and remuneration to directors	64,943	(86,742)
Accrued expenses and other current liabilities	376,015	(182,745)
Net defined benefit liabilities	(353)	(392)
Cash generated from operations	3,375,931	264,220
Income tax paid	(86,009)	(156,267)
Net cash generated from operating activities	<u>3,289,922</u>	<u>107,953</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of:		
Financial assets at fair value through profit or loss	(3,610,000)	(2,085,000)
Property, plant and equipment	(161,391)	(490,304)
Intangible assets	(322,203)	(271,317)
Proceeds from disposal of:		
Financial assets at fair value through profit or loss	2,882,802	2,085,944
Refundable deposits paid	(8,435)	(4,797)
Refundable deposits refunded	4,577	4,375
Interest received	12,312	25,704
Net cash used in investing activities	<u>(1,202,338)</u>	<u>(735,395)</u>

(Continued)

## GLOBAL UNICHIP CORP. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES		
Guarantee deposits received	\$ 51	\$ 40
Guarantee deposits refunded	(21)	(33)
Repayment of the principal portion of lease liabilities	(57,495)	(53,241)
Cash dividends paid	(670,060)	(670,060)
Interest paid	(3,625)	(3,337)
Dividends from claims extinguished by prescription reclassified to capital surplus	40	35
Net cash used in financing activities	<u>(731,110)</u>	<u>(726,596)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(1,349)</u>	<u>(10,525)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,355,125	(1,364,563)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,541,628</u>	<u>3,906,191</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,896,753</u>	<u>\$ 2,541,628</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, 2020 AND 2019

(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 28, 2021.

## 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 "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Company's accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2021

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase 2"	January 1, 2021
Amendment to IFRS 16 "Covid-19-Related Rent Concessions"	June 1, 2020

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

New IFRSs	Effective Date Announced by IASB (Note 1)
"Annual Improvements to IFRS Standards 2018-2020"	January 1, 2022 (Note 2)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 3)
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

(Continued)



New IFRSs	Effective Date Announced by IASB (Note 1)
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)
(Concluded)	

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

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

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 SIGNIFICANT ACCOUNTING POLICIES

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.

Significant 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 IFRSs 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 and relevant information

Name of Investor	Name of Investee	Main Businesses and Products	Establishment and Operating Location	Percentage of Ownership December 31		Remark
				2020	2019	
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%	Notes 1 & 2

Note 1: The subsidiaries are not significant subsidiaries, their financial statements have not been audited, except for GUC-NA and GUC-Nanjing which was audited for 2020.

Note 2: In order to restructure the organization, GUC acquired all equity interest of GUC-Shanghai from GUC-BVI in August 2019. GUC BVI has been liquidated in November 2019.

##### 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:

- a. Assets held primarily for the purpose of trading;
- b. Assets expected to be realized within twelve months after the reporting period; and
- c. 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:

- a. Liabilities held primarily for the purpose of trading;
- b. Liabilities due to be settled within twelve months after the reporting period; and
- c. 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 trade receivables) and contract assets.

The Company always recognizes lifetime Expected Credit Losses (ECLs) for trade receivables. 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	4 to 7 years
Research and development equipment	3 to 5 years
Transportation equipment	5 years
Office equipment	3 to 5 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 Law, 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.

#### 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. CRITICAL 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.

The Company considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. The COVID-19 did not have material impact on the Company's accounting estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period, or in the period of the revisions and future periods if the revisions affect both current and future periods.

### **CRITICAL ACCOUNTING JUDGMENTS**

#### **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 trade receivables is based on assumptions about the risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's past history, 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 flows 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>2020</b>	<b>2019</b>
At amortized cost accounts receivable		
Gross carrying amount	\$ 1,156,992	\$ 1,397,124
Less: Allowance for credit loss	<u>(19,921)</u>	<u>(19,921)</u>
	<u>\$ 1,137,071</u>	<u>\$ 1,377,203</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 trade receivables at an amount equal to lifetime expected credit losses. The expected credit losses on trade receivables 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 a trade 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 trade receivables 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>2020</b>	<b>2019</b>
No past due	\$ 1,098,680	\$ 1,261,142
Past due		
Past due within 1-30 days	24,149	112,515
Past due within 31-60 days	15,738	4,072
Past due over 180 days	18,425	19,395
Less: Loss allowance	<u>(19,921)</u>	<u>(19,921)</u>
	<u>\$ 1,137,071</u>	<u>\$ 1,377,203</u>

The movement of the loss allowance of accounts receivable was as follows:

	<b>Years Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 19,921	\$ -
Add: Net remeasurement of credit loss allowance	<u>-</u>	<u>19,921</u>
Balance at December 31	<u>\$ 19,921</u>	<u>\$ 19,921</u>

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	<u>\$ 730,000</u>	<u>\$ -</u>

## 8. INVENTORIES

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Finished goods	\$ 122,300	\$ 85,663
Work in process	1,380,771	1,244,852
Raw materials	<u>171,395</u>	<u>447,969</u>
	<u>\$ 1,674,466</u>	<u>\$ 1,778,484</u>

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

	<b>Years Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Write-down of inventories	<u>\$ 55,193</u>	<u>\$ 76,020</u>

## 9. PROPERTY, PLANT AND EQUIPMENT

	<b>Buildings</b>	<b>Machinery and Equipment</b>	<b>Research and Development Equipment</b>	<b>Transportation Equipment</b>	<b>Office Equipment</b>	<b>Miscellaneous Equipment</b>	<b>Total</b>
<u>Cost</u>							
Balance at January 1, 2020	\$ 242,923	\$ 24,741	\$ 1,506,119	\$ 1,375	\$ 29,728	\$ 430,306	\$ 2,235,192
Additions	-	31,395	61,303	-	1,454	12,686	106,838
Disposals	-	-	(5,932)	-	(1,699)	(13,640)	(21,271)
Effect of exchange rate changes	-	-	(551)	-	(33)	(52)	(636)
Balance at December 31, 2020	<u>\$ 242,923</u>	<u>\$ 56,136</u>	<u>\$ 1,560,939</u>	<u>\$ 1,375</u>	<u>\$ 29,450</u>	<u>\$ 429,300</u>	<u>\$ 2,320,123</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2020	\$ 73,330	\$ 8,560	\$ 847,771	\$ 424	\$ 23,338	\$ 299,282	\$ 1,252,705
Depreciation	4,766	6,048	264,567	265	2,293	32,986	310,925
Disposals	-	-	(5,932)	-	(1,699)	(13,640)	(21,271)
Effect of exchange rate changes	-	-	(315)	-	(35)	(240)	(590)
Balance at December 31, 2020	<u>\$ 78,096</u>	<u>\$ 14,608</u>	<u>\$ 1,106,091</u>	<u>\$ 689</u>	<u>\$ 23,897</u>	<u>\$ 318,388</u>	<u>\$ 1,541,769</u>
Carrying amount at December 31, 2020	<u>\$ 164,827</u>	<u>\$ 41,528</u>	<u>\$ 454,848</u>	<u>\$ 686</u>	<u>\$ 5,553</u>	<u>\$ 110,912</u>	<u>\$ 778,354</u>
<u>Cost</u>							
Balance at January 1, 2019	\$ 242,923	\$ 25,907	\$ 1,368,394	\$ 1,375	\$ 29,560	\$ 403,403	\$ 2,071,562
Additions	-	153	151,495	-	456	32,241	184,345
Disposals	-	(1,319)	(13,539)	-	(46)	(4,087)	(18,991)
Effect of exchange rate changes	-	-	(231)	-	(242)	(1,251)	(1,724)
Balance at December 31, 2019	<u>\$ 242,923</u>	<u>\$ 24,741</u>	<u>\$ 1,506,119</u>	<u>\$ 1,375</u>	<u>\$ 29,728</u>	<u>\$ 430,306</u>	<u>\$ 2,235,192</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2019	\$ 68,564	\$ 6,470	\$ 616,956	\$ 158	\$ 21,425	\$ 269,465	\$ 983,038
Depreciation	4,766	3,409	244,484	266	2,117	34,605	289,647
Disposals	-	(1,319)	(13,539)	-	(43)	(4,087)	(18,988)
Effect of exchange rate changes	-	-	(130)	-	(161)	(701)	(992)
Balance at December 31, 2019	<u>\$ 73,330</u>	<u>\$ 8,560</u>	<u>\$ 847,771</u>	<u>\$ 424</u>	<u>\$ 23,338</u>	<u>\$ 299,282</u>	<u>\$ 1,252,705</u>
Carrying amount at December 31, 2019	<u>\$ 169,593</u>	<u>\$ 16,181</u>	<u>\$ 658,348</u>	<u>\$ 951</u>	<u>\$ 6,390</u>	<u>\$ 131,024</u>	<u>\$ 982,487</u>

## 10. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<b>Land</b>	<b>Buildings</b>	<b>Transportation Equipment</b>	<b>Total</b>
<u>Cost</u>				
Balance at January 1, 2020	\$ 58,995	\$ 239,159	\$ 4,957	\$ 303,111
Additions	-	48,815	-	48,815
Effect of exchange rate changes	-	996	-	996
Balance at December 31, 2020	<u>\$ 58,995</u>	<u>\$ 288,970</u>	<u>\$ 4,957</u>	<u>\$ 352,922</u>

(Continued)



## b. Lease liabilities

	December 31	
	2020	2019
<u>Carrying amount</u>		
Current	\$ 53,693	\$ 50,955
Non-current	\$ 189,398	\$ 199,622

Range of discount rates for lease liabilities was as follows:

	December 31	
	2020	2019
Land	1.62%	1.62%
Buildings	0.642%-4.75%	0.825%-4.75%
Transportation equipment	0.825%	0.825%

## 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 3 years and with an option to extend for an additional 1 year.

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

	December 31	
	2020	2019
Year 1	\$ 299	\$ 299
Year 2	299	299
Year 3	-	299
	\$ 598	\$ 897

## e. Other lease information

	Years Ended December 31	
	2020	2019
Expenses relating to short-term leases	\$ 6,433	\$ 11,059
Expenses relating to low-value asset leases	\$ 34	\$ 55

	Land	Buildings	Transportation Equipment	Total
<u>Accumulated depreciation</u>				
Balance at January 1, 2020	\$ 1,612	\$ 51,968	\$ 1,204	\$ 54,784
Depreciation	1,613	57,155	1,217	59,985
Effect of exchange rate changes	-	(110)	-	(110)
Balance at December 31, 2020	\$ 3,225	\$ 109,013	\$ 2,421	\$ 114,659
Carrying amount at December 31, 2020	\$ 55,770	\$ 179,957	\$ 2,536	\$ 238,263
<u>Cost</u>				
Balance at January 1, 2019	\$ -	\$ -	\$ -	\$ -
Effect of retrospective application of IFRS 16	58,995	158,683	5,653	223,331
Balance at January 1, 2019 (restated)	58,995	158,683	5,653	223,331
Additions	-	84,405	467	84,872
Lease modification	-	-	(1,163)	(1,163)
Effect of exchange rate changes	-	(3,929)	-	(3,929)
Balance at December 31, 2019	\$ 58,995	\$ 239,159	\$ 4,957	\$ 303,111
<u>Accumulated depreciation</u>				
Balance at January 1, 2019	\$ -	\$ -	\$ -	\$ -
Effect of retrospective application of IFRS 16	-	-	-	-
Balance at January 1, 2019 (restated)	-	-	-	-
Depreciation	1,612	52,584	1,374	55,570
Lease modification	-	-	(170)	(170)
Effect of exchange rate changes	-	(616)	-	(616)
Balance at December 31, 2019	\$ 1,612	\$ 51,968	\$ 1,204	\$ 54,784
Carrying amount at December 31, 2019	\$ 57,383	\$ 187,191	\$ 3,753	\$ 248,327 (Concluded)
	Years Ended December 31			
	2020	2019		
Income from the subleasing of right-of-use assets (presented in other income)	\$ 299	\$ 299		

The Company's leases for certain buildings, transportation equipment 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, 2020	\$ 930,730	\$ 519	\$ 931,249
Additions	338,659	-	338,659
Disposals	(210,037)	-	(210,037)
Effect of exchange rate changes	4	-	4
Balance at December 31, 2020	<u>\$ 1,059,356</u>	<u>\$ 519</u>	<u>\$ 1,059,875</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2020	\$ 518,750	\$ 452	\$ 519,202
Amortization	306,793	28	306,821
Disposals	(210,037)	-	(210,037)
Effect of exchange rate changes	4	-	4
Balance at December 31, 2020	<u>\$ 615,510</u>	<u>\$ 480</u>	<u>\$ 615,990</u>
Carrying amount at December 31, 2020	<u>\$ 443,846</u>	<u>\$ 39</u>	<u>\$ 443,885</u>
<u>Cost</u>			
Balance at January 1, 2019	\$ 822,789	\$ 519	\$ 823,308
Additions	376,713	-	376,713
Disposals	(268,763)	-	(268,763)
Effect of exchange rate changes	(9)	-	(9)
Balance at December 31, 2019	<u>\$ 930,730</u>	<u>\$ 519</u>	<u>\$ 931,249</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2019	\$ 534,689	\$ 424	\$ 535,113
Amortization	252,829	28	252,857
Disposals	(268,763)	-	(268,763)
Effect of exchange rate changes	(5)	-	(5)
Balance at December 31, 2019	<u>\$ 518,750</u>	<u>\$ 452</u>	<u>\$ 519,202</u>
Carrying amount at December 31, 2019	<u>\$ 411,980</u>	<u>\$ 67</u>	<u>\$ 412,047</u>

## 12. OTHER CURRENT ASSETS

	December 31	
	2020	2019
Prepaid license fees	\$ 359,389	\$ 172,536
Prepayment for purchases	235,125	205,732
VAT tax receivable	104,685	100,343
Prepaid expenses	30,736	36,398
Temporary payments	8,898	27,244
Prepaid income tax	<u>3,235</u>	<u>9,945</u>
	<u>\$ 742,068</u>	<u>\$ 552,198</u>

## 13. OTHER LIABILITIES

	December 31	
	2020	2019
<u>Current</u>		
Payable for salaries and bonuses	\$ 323,839	\$ 239,236
License fees payable	206,942	160,579
Payable for royalties	10,431	59,556
Refund liabilities	621	621
Others	<u>608,397</u>	<u>267,861</u>
	<u>\$ 1,150,230</u>	<u>\$ 727,853</u>
<u>Non-current</u>		
License fees payable	<u>\$ 74,921</u>	<u>\$ 112,877</u>

The Company estimates and recognizes refund liabilities based on historical experience and the consideration of varying contractual terms.

The license fees payable are 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\$53,860 thousand and NT\$60,024 thousand in the consolidated statements of comprehensive income for the years ended December 31, 2020 and 2019, 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	
	2020	2019
Present value of defined benefit obligation	\$ 78,670	\$ 72,709
Fair value of plan assets	<u>(42,350)</u>	<u>(40,605)</u>
Net defined benefit liabilities	<u>\$ 36,320</u>	<u>\$ 32,104</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, 2019	\$ 65,279	\$ (37,046)	\$ 28,233
Service cost			
Current service cost	1,245	-	1,245
Net interest expense (income)	<u>652</u>	<u>(379)</u>	<u>273</u>
Recognized in profit or loss	<u>1,897</u>	<u>(379)</u>	<u>1,518</u>
Remeasurement			
Return on plan assets	-	(1,270)	(1,270)
Actuarial loss - changes in demographic assumptions	1,271	-	1,271
Actuarial loss - changes in financial assumptions	2,374	-	2,374
Actuarial loss - experience adjustments	<u>1,888</u>	<u>-</u>	<u>1,888</u>
Recognized in other comprehensive (income) loss	<u>5,533</u>	<u>(1,270)</u>	<u>4,263</u>
Contributions from the employer	<u>-</u>	<u>(1,910)</u>	<u>(1,910)</u>
Balance at December 31, 2019	<u>72,709</u>	<u>(40,605)</u>	<u>32,104</u>
Service cost			
Current service cost	1,342	-	1,342
Net interest expense (income)	<u>545</u>	<u>(312)</u>	<u>233</u>
Recognized in profit or loss	<u>1,887</u>	<u>(312)</u>	<u>1,575</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Remeasurement			
Return on plan assets	\$ -	\$ (1,295)	\$ (1,295)
Actuarial loss - changes in demographic assumptions	1,010	-	1,010
Actuarial loss - changes in financial assumptions	3,953	-	3,953
Actuarial loss - experience adjustments	<u>901</u>	<u>-</u>	<u>901</u>
Recognized in other comprehensive (income) loss	<u>5,864</u>	<u>(1,295)</u>	<u>4,569</u>
Benefits paid	<u>-</u>	<u>(1,928)</u>	<u>(1,928)</u>
Contributions from the employer	<u>(1,790)</u>	<u>1,790</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 78,670</u>	<u>\$ 42,350</u>	<u>\$ 36,320</u> (Concluded)

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	
	2020	2019
General and administrative expenses	<u>\$ 1,575</u>	<u>\$ 1,518</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	
	2020	2019
Discount rate	0.35%	0.75%
Expected rate of salary increase	3.00%	3.00%
Turnover rate	2.00%	2.44%

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	
	2020	2019
Discount rate		
0.25% increase	\$ (2,555)	\$ (2,432)
0.25% decrease	\$ 2,669	\$ 2,539
Expected rate of salary increase		
0.25% increase	\$ 2,587	\$ 2,472
0.25% decrease	\$ (2,492)	\$ (2,381)
Turnover rate		
10% increase	\$ (595)	\$ (705)
10% decrease	\$ 609	\$ 720

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	
	2020	2019
The expected contributions to the plan for the next year	\$ 2,037	\$ 2,053
The average duration of the defined benefit obligation	13 years	13 years

The maturity analysis of undiscounted pension benefit is as follows:

	December 31	
	2020	2019
Later than 1 year and not later than 5 years	\$ 8,666	\$ 6,141
Later than 5 years	72,389	74,150
	\$ 81,055	\$ 80,291

## 15. EQUITY

### a. Share capital

	December 31	
	2020	2019
Authorized	\$ 1,500,000	\$ 1,500,000
Issued	\$ 1,340,119	\$ 1,340,119

As of December 31, 2020 and 2019, GUC is authorized to issue 150,000 thousand shares, with par value of \$10; each share is entitled to the right to vote and to receive dividends; a total of 134,011 thousand shares have been paid and issued.

### b. Capital surplus

	December 31	
	2020	2019
From merger	\$ 16,621	\$ 16,621
Additional paid-in capital	13,232	13,232
Donations	2,660	2,660
Dividends from claims extinguished by prescription	105	65
	\$ 32,618	\$ 32,578

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 from dividends from 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;
- 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's 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 appropriation for legal reserve shall be made until the reserve equals GUC'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 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 2019 and 2018 had been approved in the meetings of the shareholders of GUC held on May 14, 2020 and May 16, 2019, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings For the Year Ended December 31	
	2019	2018
Legal reserve	\$ 62,920	\$ 98,816
Special reserve (reversal of special reserve)	\$ 12,109	\$ (2,304)
Cash dividends	\$ 670,060	\$ 670,060
Cash dividends per share (NT\$)	\$ 5.00	\$ 5.00



The appropriations of earnings for 2020 had been proposed by the Board of Directors of GUC on January 28, 2021. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 84,544	
Special reserve	1,408	
Cash dividends to shareholders	<u>670,060</u>	\$ 5
	<u>\$ 756,012</u>	

The appropriations of earnings for 2020 are to be resolved in the meeting of the shareholders of GUC which is expected to be held on May 20, 2021.

d. Others

Changes in foreign currency translation reserve were as follows:

	Years Ended December 31	
	2020	2019
Balance, beginning of year	\$ (20,745)	\$ (8,636)
Exchange differences on translation of foreign operations	<u>(1,408)</u>	<u>(12,109)</u>
Balance, end of year	<u>\$ (22,153)</u>	<u>\$ (20,745)</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:

	Years Ended December 31	
	2020	2019
Revenue from customer contracts		
Net revenue from sale of goods	\$ 8,524,887	\$ 7,188,728
Net revenue from NRE service	<u>5,044,554</u>	<u>3,521,340</u>
	<u>\$ 13,569,441</u>	<u>\$ 10,710,068</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

	December 31, 2020	December 31, 2019	January 1, 2019
Accounts receivable	\$ 1,137,071	\$ 1,377,203	\$ 903,168
Contract assets - current	\$ -	\$ 324,965	\$ 56,976
Contract liabilities - current	<u>\$ 2,381,778</u>	<u>\$ 1,109,042</u>	<u>\$ 869,174</u>

The changes in the contract asset and 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, 2020 and 2019, the Company recognized revenue of NT\$1,031,673 thousand and NT\$756,052 thousand, respectively, from the beginning balance of contract liability.

b. Disaggregation of revenue from contracts with customers

	Years Ended December 31	
	2020	2019
<b>Production</b>		
ASIC and wafer product	\$ 8,524,887	\$ 7,188,728
NRE	4,614,332	3,205,782
Others	<u>430,222</u>	<u>315,558</u>
	<u>\$ 13,569,441</u>	<u>\$ 10,710,068</u>

	Years Ended December 31	
	2020	2019
<b>Region</b>		
United States	\$ 3,566,953	\$ 3,752,928
China	3,052,989	1,622,604
Taiwan	2,711,874	1,543,054
Korea	2,082,344	1,430,262
Europe	1,326,307	1,047,434
Japan	<u>828,974</u>	<u>1,313,786</u>
	<u>\$ 13,569,441</u>	<u>\$ 10,710,068</u>

The Company categorized net revenue mainly based on the country in which the customer is headquartered.

	Years Ended December 31	
	2020	2019
<b>Application Type</b>		
Digital Consumer	\$ 6,393,465	\$ 5,440,185
Networking	2,969,194	2,088,044
Industry	1,974,845	1,622,150
AI/ML	1,475,312	830,138
Others	<u>756,625</u>	<u>729,551</u>
	<u>\$ 13,569,441</u>	<u>\$ 10,710,068</u>

Customer Type	Years Ended December 31	
	2020	2019
System House	\$ 9,103,510	\$ 6,688,962
Fabless	<u>4,465,931</u>	<u>4,021,106</u>
	<u>\$ 13,569,441</u>	<u>\$ 10,710,068</u>

Resolution	Year Ended December 31, 2020		Year Ended December 31, 2019	
	Net Revenue from NRE Service	Net Revenue from Sale of Goods	Net Revenue from NRE Service	Net Revenue from Sale of Goods
7-nanometer	\$ 1,188,995	\$ -	\$ 267,824	\$ 174,980
16-nanometer	1,925,356	990,233	1,354,368	233,805
28-nanometer	935,864	2,667,106	1,028,873	2,739,927
40-nanometer	253,285	2,029,677	116,640	1,253,001
65-nanometer and above	310,832	2,837,871	438,077	2,787,015
Others	<u>430,222</u>	<u>-</u>	<u>315,558</u>	<u>-</u>
	<u>\$ 5,044,554</u>	<u>\$ 8,524,887</u>	<u>\$ 3,521,340</u>	<u>\$ 7,188,728</u>

**17. INTEREST INCOME**

	Years Ended December 31	
	2020	2019
Bank deposits	<u>\$ 12,353</u>	<u>\$ 25,397</u>

**18. OTHER INCOME**

	Years Ended December 31	
	2020	2019
Government grants	\$ 59,574	\$ 60,992
Rental income	299	299
Other income	<u>7,810</u>	<u>7,553</u>
	<u>\$ 62,683</u>	<u>\$ 68,844</u>

**19. OTHER GAINS AND LOSSES**

	Years Ended December 31	
	2020	2019
Gain on financial assets at fair value through profit or loss	\$ 2,802	\$ 944
Gain on lease modification	-	26
Loss on disposal of property, plant and equipment, net	-	(3)
Loss on foreign exchange, net	(41,583)	(5,985)
Others	<u>-</u>	<u>(13)</u>
	<u>\$ (38,781)</u>	<u>\$ (5,031)</u>

**20. FINANCE COSTS**

	Years Ended December 31	
	2020	2019
Interest on lease liabilities	\$ 3,600	\$ 3,337
Interest on bank loans	<u>25</u>	<u>-</u>
	<u>\$ 3,625</u>	<u>\$ 3,337</u>

**21. INCOME TAX**

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

Income tax expense consisted of the following:

	Years Ended December 31	
	2020	2019
Current income tax expense		
Current tax expense recognized in the current period	\$ 117,148	\$ 111,507
Adjustments to income tax of prior years	<u>(5,509)</u>	<u>(1,950)</u>
	<u>111,639</u>	<u>109,557</u>
Deferred income tax expense (benefit)		
Temporary differences	39,917	38,682
Operating loss carryforwards	-	2,029
Effect of tax rate changes	<u>-</u>	<u>(633)</u>
	<u>39,917</u>	<u>40,078</u>
Income tax expense recognized in profit or loss	<u>\$ 151,556</u>	<u>\$ 149,635</u>

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

	Years Ended December 31	
	2020	2019
Income before tax	<u>\$ 1,001,563</u>	<u>\$ 783,102</u>
Income tax expense at the statutory rate	\$ 222,203	\$ 177,605
Tax effect of adjusting items:		
Nondeductible items in determining taxable income	329	30,649
Tax-exempt income	(28,236)	(37,466)
Investment tax credits used	(37,231)	(29,560)
Additional income tax on unappropriated earnings	-	10,990
Adjustments to income tax of prior years	(5,509)	(1,950)
Effect of tax rate changes	<u>-</u>	<u>(633)</u>
Income tax expense recognized in profit or loss	<u>\$ 151,556</u>	<u>\$ 149,635</u>

In July 2019, the president of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction



when computing the income tax on unappropriated earnings. GUC deducted from the unappropriated earnings the amount that was reinvested as capital expenditure when calculating the tax on unappropriated earnings.

b. Deferred income tax

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

	December 31	
	2020	2019
<u>Deferred income tax assets</u>		
Temporary differences		
Write-down of inventory	\$ 13,077	\$ 29,768
Allowance for credit loss in excess of amount allowed by law	1,598	1,106
Provisions	124	124
Others	<u>5,486</u>	<u>7,812</u>
	<u>\$ 20,285</u>	<u>\$ 38,810</u>
<u>Deferred income tax liabilities</u>		
Temporary differences		
Share of profit of subsidiaries accounted for using equity method	\$ (62,521)	\$ (41,127)
Others	<u>(579)</u>	<u>(699)</u>
	<u>\$ (63,100)</u>	<u>\$ (41,826)</u>

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

Year ended December 31, 2020

	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	\$ 29,768	\$ (16,691)	\$ -	\$ 13,077
Allowance for credit loss in excess of amount allowed by law	1,106	492	-	1,598
Provisions	124	-	-	124
Others	<u>7,812</u>	<u>(2,326)</u>	<u>-</u>	<u>5,486</u>
	<u>\$ 38,810</u>	<u>\$ (18,525)</u>	<u>\$ -</u>	<u>\$ 20,285</u>

Year ended December 31, 2019

	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	\$ 14,706	\$ 15,062	\$ -	\$ 29,768
Allowance for credit loss in excess of amount allowed by law	-	1,106	-	1,106
Provisions	13,435	(13,311)	-	124
Share of loss of subsidiaries accounted for using equity method	21,851	(21,851)	-	-
Others	8,728	(916)	-	7,812
Operating loss carryforwards	<u>2,021</u>	<u>(2,029)</u>	<u>8</u>	<u>-</u>
	<u>\$ 60,741</u>	<u>\$ (21,939)</u>	<u>\$ 8</u>	<u>\$ 38,810</u>

Year ended December 31, 2020

	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	\$ (41,127)	\$ (21,394)	\$ -	\$ (62,521)
Others	<u>(699)</u>	<u>2</u>	<u>118</u>	<u>(579)</u>
	<u>\$ (41,826)</u>	<u>\$ (21,392)</u>	<u>\$ 118</u>	<u>\$ (63,100)</u>

Year ended December 31, 2019

	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	\$ (22,141)	\$ (18,986)	\$ -	\$ (41,127)
Others	<u>(1,721)</u>	<u>847</u>	<u>175</u>	<u>(699)</u>
	<u>\$ (23,862)</u>	<u>\$ (18,139)</u>	<u>\$ 175</u>	<u>\$ (41,826)</u>

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

As of December 31, 2020 and 2019, the aggregate deductible temporary differences for which no deferred income tax assets have been recognized amounted to NT\$4,431 thousand and NT\$4,149 thousand, respectively.

- d. Information about tax exemption

As of December 31, 2020, the profits generated from the following projects of GUC are exempt from income tax for a five-year period:

**Tax-exemption Period**

Construction and expansion of 2009 2016 to 2020

- e. Income tax examination

The tax authorities have examined the income tax returns of GUC through 2018.

## 22. EARNINGS PER SHARE

	<b>Years Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Basic EPS	<u>\$6.34</u>	<u>\$4.73</u>
Diluted EPS	<u>\$6.32</u>	<u>\$4.71</u>

EPS is computed as follows:

	<b>Amounts (Numerator)</b>	<b>Number of Shares (Denominator) (In Thousands)</b>	<b>EPS (NT\$)</b>
<u>Year ended December 31, 2020</u>			
Basic EPS			
Net income available to common shareholders	\$ 850,007	134,011	<u>\$6.34</u>
Effect of dilutive potential common stock	<u>-</u>	<u>426</u>	
Diluted EPS			
Net income available to common shareholders (including effect of dilutive potential common stock)	<u>\$ 850,007</u>	<u>134,437</u>	<u>\$6.32</u>
<u>Year ended December 31, 2019</u>			
Basic EPS			
Net income available to common shareholders	\$ 633,467	134,011	<u>\$4.73</u>
Effect of dilutive potential common stock	<u>-</u>	<u>377</u>	
Diluted EPS			
Net income available to common shareholders (including effect of dilutive potential common stock)	<u>\$ 633,467</u>	<u>134,388</u>	<u>\$4.71</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.

## 23. ADDITIONAL INFORMATION OF EXPENSES BY NATURE

Net income included the following items:

	<b>Years Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
a. Depreciation expense		
Depreciation of property, plant and equipment		
Recognized in cost of revenue	\$ 7,833	\$ 5,259
Recognized in operating expenses	<u>303,092</u>	<u>284,388</u>
	<u>310,925</u>	<u>289,647</u>
Depreciation of right-of-use assets		
Recognized in cost of revenue	4,006	3,901
Recognized in operating expenses	<u>55,979</u>	<u>51,669</u>
	<u>59,985</u>	<u>55,570</u>
	<u>\$ 370,910</u>	<u>\$ 345,217</u>
b. Amortization of intangible assets		
Recognized in cost of revenue	\$ -	\$ 193
Recognized in operating expenses	<u>306,821</u>	<u>252,664</u>
	<u>\$ 306,821</u>	<u>\$ 252,857</u>
c. Research and development costs expensed as incurred	<u>\$ 2,504,010</u>	<u>\$ 2,219,515</u>
d. Employee benefits expense		
Post-employment benefits (Note 14)		
Defined contribution plans	\$ 53,860	\$ 60,024
Defined benefit plans	<u>1,575</u>	<u>1,518</u>
	<u>55,435</u>	<u>61,542</u>
Other employee benefits	<u>2,092,396</u>	<u>1,890,115</u>
	<u>\$ 2,147,831</u>	<u>\$ 1,951,657</u>
Employee benefits expense summarized by function		
Recognized in cost of revenue	\$ 187,312	\$ 166,265
Recognized in operating expenses	<u>1,960,519</u>	<u>1,785,392</u>
	<u>\$ 2,147,831</u>	<u>\$ 1,951,657</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 2020 and 2019, GUC accrued employees' compensation and remuneration to directors; the accruals were approved in the meetings of the Board of Directors held on January 28, 2021 and February 6, 2020, respectively; the accruals were made at the approved percentage of net income before tax and before deduction of the employees' compensation and remuneration to directors. The accrued amounts were as follows:

	Years Ended December 31	
	2020	2019
Employees' compensation	\$ 133,640	\$ 75,228
Remuneration to directors	11,994	5,463

The aforementioned approved amounts were the same as the amounts reported as expenses in 2020 and 2019.

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\$153,240 thousand and NT\$14,193 thousand in cash for 2018 were approved by the Board of Directors in their meeting held on January 31, 2019. The aforementioned approved amounts did not have any difference with the amounts recognized in the consolidated financial statements for the year ended December 31, 2018.

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, 2020	Cash Flows	Non-cash Changes			Balance as of December 31, 2020
			Lease Additions	Lease Decrease	Foreign Exchange Movement	
Guarantee deposits	\$ 3,075	\$ 30	\$ -	\$ -	\$ (148)	\$ 2,957
Lease liabilities	250,577	(57,495)	48,815	-	1,194	243,091
	Balance as of January 1, 2019	Cash Flows	Non-cash Changes			Balance as of December 31, 2019
			Lease Additions	Lease Decrease	Foreign Exchange Movement	
Guarantee deposits	\$ 3,146	\$ 7	\$ -	\$ -	\$ (78)	\$ 3,075
Lease liabilities	223,331	(53,241)	84,872	(1,019)	(3,366)	250,577

## 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, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	\$ 730,000	\$ -	\$ -	\$ 730,000

The Company did not have financial assets at FVTPL on December 31, 2019.

There were no transfers between Levels 1 and 2 in the current and prior period.

b. Categories of financial instruments

	December 31	
	2020	2019
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 730,000	\$ -
Amortized cost		
Cash and cash equivalents	3,896,753	2,541,628
Accounts receivable, net (including related parties)	1,174,442	1,418,311
Other financial assets	383	342
Refundable deposits	1,328	1,652
Pledged time deposits	22,200	22,200
	<u>\$ 5,825,106</u>	<u>\$ 3,984,133</u>

(Continued)

	December 31	
	2020	2019
<u>Financial liabilities</u>		
Amortized cost		
Accounts payable (including related parties)	\$ 1,061,100	\$ 1,534,545
Payables on machinery and equipment	4,171	58,524
Accrued expenses and other current liabilities	612,556	318,196
Other long-term payables	281,863	273,456
Guarantee deposits	<u>2,848</u>	<u>2,998</u>
	<u>\$ 1,962,538</u>	<u>\$ 2,187,719</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, 2020 and 2019 would have decreased by NT\$65,864 thousand and NT\$100,111 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 trade receivables, 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 trade receivables from its customers worldwide. Majority of the Company's outstanding trade receivables are not covered by collateral or credit insurance. While the Company has procedures to monitor and limit exposure to credit risk on trade receivables, there can be no assurance such procedures will effectively limit its credit risk and avoid losses.

As of December 31, 2020 and 2019, the Company's ten largest customers accounted for 31% and 69% of accounts receivable, respectively. The Company believes the concentration of credit risk is insignificant for the remaining accounts receivable.

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, 2020 and 2019, 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, 2020</u>				
Accounts payable (including related parties)	\$ 1,061,100	\$ -	\$ -	\$ 1,061,100
Payables on machinery and equipment	4,171	-	-	4,171
Accrued expenses and other current liabilities	612,556	-	-	612,556
Lease liabilities	56,593	106,365	102,968	265,926
Other long-term payables	206,942	74,921	-	281,863
Guarantee deposits	<u>-</u>	<u>-</u>	<u>2,848</u>	<u>2,848</u>
	<u>\$ 1,941,362</u>	<u>\$ 181,286</u>	<u>\$ 105,816</u>	<u>\$ 2,228,464</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>\$ 162,958</u>	<u>\$ 50,398</u>	<u>\$ 10,692</u>	<u>\$ 10,692</u>	<u>\$ 31,186</u>



Non-derivative Financial Liabilities	Less Than 1 Year	2-3 Years	4+ Years	Total
<u>December 31, 2019</u>				
Accounts payable (including related parties)	\$ 1,534,545	\$ -	\$ -	\$ 1,534,545
Payables on machinery and equipment	58,524	-	-	58,524
Accrued expenses and other current liabilities	318,196	-	-	318,196
Lease liabilities	54,321	100,328	121,364	276,013
Other long-term payables	160,579	112,877	-	273,456
Guarantee deposits	-	-	2,998	2,998
	<u>\$ 2,126,165</u>	<u>\$ 213,205</u>	<u>\$ 124,362</u>	<u>\$ 2,463,732</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>\$ 154,649</u>	<u>\$ 66,118</u>	<u>\$ 11,229</u>	<u>\$ 10,692</u>	<u>\$ 33,325</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 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

b. Operating transactions

Items	Related Party Name and Category	Years Ended December 31	
		2020	2019
Net revenue from sale	Investors with significant influence over the Company	<u>\$ 228,500</u>	<u>\$ 120,699</u>
Purchases	Investors with significant influence over the Company		
	TSMC	<u>\$ 3,271,489</u>	<u>\$ 2,921,516</u>
	TSMC-NA	<u>1,007,193</u>	<u>1,193,214</u>
		<u>4,278,682</u>	<u>4,114,730</u>
	Other related parties	<u>68,136</u>	<u>46,568</u>
		<u>\$ 4,346,818</u>	<u>\$ 4,161,298</u>
Manufacturing overhead	Investors with significant influence over the Company		
	TSMC	<u>\$ 1,816,286</u>	<u>\$ 736,573</u>
	TSMC-NA	<u>421,575</u>	<u>317,231</u>
	VisEra	<u>1,712</u>	<u>567</u>
		<u>\$ 2,239,573</u>	<u>\$ 1,054,371</u>
Operating expenses	Investors with significant influence over the Company	<u>\$ 14,804</u>	<u>\$ 15,791</u>

The following balances were outstanding at the end of the reporting period:

Items	Related Party Name and Category	December 31	
		2020	2019
Receivables from related parties	Investors with significant influence over the Company		
	TSMC	<u>\$ 37,371</u>	<u>\$ 41,108</u>
Refundable deposits	Investors with significant influence over the Company		
	VisEra	<u>\$ 2,832</u>	<u>\$ 2,832</u>
	TSMC-NA	<u>419</u>	<u>441</u>
		<u>\$ 3,251</u>	<u>\$ 3,273</u>
Payables to related parties	Investors with significant influence over the Company		
	TSMC	<u>\$ 317,199</u>	<u>\$ 457,222</u>
	TSMC-NA	<u>58,136</u>	<u>283,396</u>
	VisEra	<u>234</u>	<u>134</u>
		<u>375,569</u>	<u>740,752</u>
	Other related parties	<u>3,441</u>	<u>9,885</u>
		<u>\$ 379,010</u>	<u>\$ 750,637</u>
Accrued expenses and other current liabilities	Investors with significant influence over the Company	<u>\$ 1,057</u>	<u>\$ 842</u>

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

Items	Related Party Name and Category	December 31	
		2020	2019
Lease liabilities - current	Investors with significant influence over the Company		
	VisEra	\$ 16,236	\$ 16,074
	TSMC-NA	<u>1,671</u>	<u>7,493</u>
		<u>\$ 17,907</u>	<u>\$ 23,567</u>
Lease liabilities - non-current	Investors with significant influence over the Company		
	VisEra	\$ 66,595	\$ 82,831
	TSMC-NA	<u>-</u>	<u>1,759</u>
		<u>\$ 66,595</u>	<u>\$ 84,590</u>
Interest expense	Investors with significant influence over the Company		
	VisEra	\$ 918	\$ 1,079
	TSMC-NA	<u>171</u>	<u>275</u>
		<u>\$ 1,089</u>	<u>\$ 1,354</u>

The Company leased server room and office from related parties. The lease terms and prices were determined in accordance with mutual agreements. The rental expense was paid monthly.

d. Compensation of key management personnel:

The remuneration to directors and other key management personnel were as follows:

	Years Ended December 31	
	2020	2019
Short-term employee benefits	\$ 74,557	\$ 60,803
Post-employment benefits	<u>648</u>	<u>436</u>
	<u>\$ 75,205</u>	<u>\$ 61,239</u>

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, 2020 and 2019, 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

Significant 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\$5,000 thousand, US\$5,500 thousand, US\$4,200 thousand and US\$4,200 thousand to the counterparty in the period from May 2019 to April 2022, from May 2019 to October 2021, from April 2020 to April 2023 and from October 2020 to October 2023, respectively.

Under the agreements, GUC shall pay at least US\$1,350 thousand and US\$2,000 thousand to the counterparty in the period from December 2020 to December 2023 and from January 2021 to January 2022, respectively.

GUC has identified an onerous contract in which the unavoidable costs of performance obligations exceed the economic benefits expected to be received from the contract. In the third quarter of 2020, GUC recognized on the onerous contract and related asset impairment loss of around US\$2,500 thousand and incremental labor costs of around US\$562 thousand. There was no significant impairment loss in the subsequent evaluation.

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 (In Thousands)	Exchange Rate (Note)	Carrying Amount
<u>December 31, 2020</u>			
Monetary item - financial assets			
USD	\$ 82,639	28.48	\$ 2,353,564
Monetary item - financial liabilities			
USD	58,306	28.48	1,660,554
JPY	66,988	0.2763	18,509
RMB	3,077	4.377	13,468
			(Continued)



	Foreign Currency (In Thousands)	Exchange Rate (Note)	Carrying Amount
--	---------------------------------------	-------------------------	--------------------

December 31, 2019

Monetary item - financial assets			
USD	\$ 94,947	29.98	\$ 2,846,524
Monetary item - financial liabilities			
USD	60,445	29.98	1,812,142
JPY	68,933	0.2760	19,026
RMB	2,781	4.2975	11,953
			(Concluded)

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:

Foreign Currency	Years Ended December 31			
	2020	Net Foreign Exchange Gain (Loss)	2019	Net Foreign Exchange Gain (Loss)
	Exchange Rate		Exchange Rate	
RMB	4.2816 (RMB:NTD)	\$ 113	4.4934 (RMB:NTD)	\$ 251
KRW	0.02529 (KRW:NTD)	(16)	0.02674 (KRW:NTD)	5
EUR	33.7084 (EUR:NTD)	(278)	34.6128 (EUR:NTD)	1
JPY	0.2769 (JPY:NTD)	(443)	0.2837 (JPY:NTD)	1,093
USD	29.5491 (USD:NTD)	(39,613)	30.9117 (USD:NTD)	(8,247)
USD	1,165.8161 (USD:KRW)	(45)	1,153.9261 (USD:KRW)	(52)
USD	6.9284 (USD:RMB)	(1,301)	6.8826 (USD:RMB)	964
		<u>\$ (41,583)</u>		<u>\$ (5,985)</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	
	2020	2019
Taiwan	\$ 1,387,190	\$ 1,548,177
Europe	26,836	28,691
China	19,835	25,583
Japan	17,552	25,363
United States	8,283	14,744
Korea	806	303
	<u>\$ 1,460,502</u>	<u>\$ 1,642,861</u>

Non-current assets include property, plant and equipment, right-of-use assets and intangible assets, but exclude financial instrument and deferred income tax assets.

#### b. Major customers representing at least 10% of net revenue

	Years Ended December 31			
	2020		2019	
	Amount	%	Amount	%
Customer A	\$ 1,497,659	11	\$ (Note)	-
Customer B	(Note)	-	1,176,194	11

Note: The customer did not exceed 10% of net revenue in the current year, 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, 2020  
(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, 2020			Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	
GUC	Mutual funds						
	Jih Sun Money Market Fund	-	Financial assets at fair value through profit or loss - current	26,755,853	\$ 400,000	-	\$ 400,000
	Taishin 1699 Money Market Fund	-	Financial assets at fair value through profit or loss - current	20,518,984	280,000	-	280,000
	Fuh Haw Money Market Fund	-	Financial assets at fair value through profit or loss - current	3,437,844	50,000	-	50,000
	Preferred stock						
	eTopus Technology Inc.	-	Financial assets at fair value through profit or loss - non-current	1,515,151	-	3.0	-



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, 2020  
(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	-	-	-	\$ -	89,815,348	\$ 1,340,000	63,059,495	\$ 941,323	26,755,853	\$ 400,000
	Taishin 1699 Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	91,788,329	1,250,000	71,269,345	971,037	20,518,984	280,000
	Fuh Haw Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	27,535,620	400,000	24,097,776	350,121	3,437,844	50,000
	UPAMC James Bond Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	20,837,266	350,000	20,837,266	350,210	-	-
	Yuanta Wan Tai Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	17,733,487	270,000	17,733,487	270,111	-	-

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, 2020  
(Amounts in Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Accounts Payable or Receivable	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	Purchases	\$ 3,265,893	75	30 days after monthly closing	Note 27	Note 27	\$ (102,549)	(10)
	TSMC-NA	TSMC-NA is a subsidiary of TSMC	Sales Purchases	228,500 1,007,193	2 23	30 days after monthly closing 30 days after invoice date and 30 days after monthly closing	Note 27 Note 27	Note 27 Note 27	37,371 (58,136)	3 (5)

TABLE 4

## GLOBAL UNICHIP CORP. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(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	1	Manufacturing overhead	\$ 56,349	-	-
				Operating expenses	198,119	-	1%
				Accrued expenses and other current liabilities	25,217	-	-
				Manufacturing overhead	153,443	-	1%
				Operating expenses	79,160	-	1%
				Accrued expenses and other current liabilities	18,509	-	-
				Manufacturing overhead	4,706	-	-
				Operating expenses	26,174	-	-
				Accrued expenses and other current liabilities	2,451	-	-
				Manufacturing overhead	3,418	-	-
				Operating expenses	3,232	-	-
				Accrued expenses and other current liabilities	528	-	-
				Manufacturing overhead	45,150	-	-
				Operating expenses	30,909	-	-
			1	Accrued expenses and other current liabilities	7,677	-	-
				Manufacturing overhead	498,076	-	4%
				Operating expenses	15,911	-	-
				Accrued expenses and other current liabilities	5,791	-	-

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 INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(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, 2020			Net Income (Losses) of the Investee	Investment Income (Losses)	Note
				December 31, 2020 (Foreign Currencies in Thousands)	December 31, 2019 (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	\$ 131,222	\$ 9,857	\$ 9,857	
	GUC-Japan	Japan	Products consulting, design and technical support service	15,393 (YEN 55,000)	15,393 (YEN 55,000)	1,100	100	60,843	9,881	9,881	
	GUC-Europe	Netherlands	Products consulting, design and technical support service	8,109 (EUR 200)	8,109 (EUR 200)	-	100	12,088	1,444	1,444	
	GUC-Korea	Korea	Products consulting, design and technical support service	5,974 (KRW 222,545)	5,974 (KRW 222,545)	44,000	100	7,117	328	328	



TABLE 6

## GLOBAL UNICHIP CORP. AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2020

(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, 2020 (US\$ in Thousands)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020 (US\$ in Thousands)	Net Income (Loss) of the Investee	Percentage of Ownership	Investment Income (Loss)	Carrying Amount as of December 31, 2020	Accumulated Inward Remittance of Earnings as of December 31, 2020
					Outflow	Inflow						
GUC-Nanjing	Products consulting, design and technical support service	\$ 90,138 (US\$ 3,000)	(Note 1)	\$ 90,138 (US\$ 3,000)	\$ -	\$ -	\$ 90,138 (US\$ 3,000)	\$ 80,594 (Note 2)	100%	\$ 80,594 (Note 2)	\$ 235,564	\$ -
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)	4,867 (Note 3)	100%	4,867 (Note 3)	41,356	-

Accumulated Investment in Mainland China as of December 31, 2020 (US\$ in Thousands)	Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousands)	Upper Limit on Investment (US\$ in Thousands)
\$ 121,303 (US\$ 4,000)	\$ 207,998 (US\$ 7,000)	\$ 2,692,190 (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. AND SUBSIDIARIES

INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2020

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 trustee who opened the trust account. 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.



# Chapter 7

## Standalone Financial Statements



## Global Unichip Corp.

### Parent Company Only Financial Statements for the Years Ended December 31, 2020 and 2019 and Independent Auditors' Report

**Deloitte.**

**勤業眾信**

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## 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, 2020 and 2019, 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, 2020 and 2019, 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 auditing standards generally accepted in 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, 2020. 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, 2020 the carrying amount of inventory was NT\$1,457,605 thousand, which accounted for 15% 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' demands. 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 auditing standards generally accepted in 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 auditing standards generally accepted in 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.

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 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.
5. 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.
6. 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, 2020, 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 Yih-Shin Kao and Yu Feng Huang.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

January 28, 2021

#### 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.*



**GLOBAL UNICHIP CORP.**  
**PARENT COMPANY ONLY BALANCE SHEETS**  
**(In Thousands of New Taiwan Dollars)**

The accompanying notes are an integral part of the parent company only financial statements.

**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**  
**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

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		Foreign Currency Translation Reserve	Total Equity
BALANCE, JANUARY 1, 2019	134,011	\$ 1,340,119	\$ 32,543	\$ 663,892	\$ 10,940	\$ 2,327,046	\$ 3,001,878	\$ (8,636)	\$ 4,365,904
Appropriation and distribution of prior year's earnings									
Legal reserve	-	-	-	98,816	-	(98,816)	-	-	-
Reversal of special reserve	-	-	-	-	(2,304)	2,304	-	-	-
Cash dividends to shareholders - NT\$5.00 per share	-	-	-	-	-	(670,060)	(670,060)	-	(670,060)
Total	-	-	-	98,816	(2,304)	(766,572)	(670,060)	-	(670,060)
Dividends from claims extinguished by prescription									
Net income in 2019	-	-	35	-	-	-	-	-	35
Other comprehensive income (loss) in 2019, net of income tax	-	-	-	-	-	(4,263)	(4,263)	(12,109)	(16,372)
Total comprehensive income (loss) in 2019	-	-	-	-	-	629,204	629,204	(12,109)	617,095
BALANCE, DECEMBER 31, 2019	134,011	1,340,119	32,578	762,708	8,636	2,189,678	2,961,022	(20,745)	4,312,974
Appropriation and distribution of prior year's earnings									
Legal reserve	-	-	-	62,920	-	(62,920)	-	-	-
Special reserve	-	-	-	-	12,109	(12,109)	-	-	-
Cash dividends to shareholders - NT\$5.00 per share	-	-	-	-	-	(670,060)	(670,060)	-	(670,060)
Total	-	-	-	62,920	12,109	(745,089)	(670,060)	-	(670,060)
Dividends from claims extinguished by prescription									
Net income in 2020	-	-	40	-	-	-	-	-	40
Other comprehensive income (loss) in 2020, net of income tax	-	-	-	-	-	850,007	850,007	-	850,007
Total comprehensive income (loss) in 2020	-	-	-	-	-	(4,569)	(4,569)	(1,408)	(5,977)
BALANCE, DECEMBER 31, 2020	134,011	\$ 1,340,119	\$ 32,618	\$ 825,628	\$ 20,745	\$ 2,290,027	\$ 3,136,400	\$ (22,153)	\$ 4,486,984

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)

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 978,900	\$ 760,917
Adjustments for:		
Depreciation	337,384	314,014
Amortization	306,747	252,779
Expected credit loss	-	19,921
Gain on financial assets at fair value through profit or loss	(2,802)	(944)
Finance costs	2,154	2,202
Interest income	(10,810)	(24,786)
Share of profit of subsidiaries	(106,971)	(92,180)
Loss on disposal of investments accounted for using equity method	-	625
Gain on foreign exchange, net	(8,000)	(10,860)
Gain on lease modification	-	(26)
Changes in operating assets and liabilities:		
Contract assets	324,965	(267,989)
Accounts receivable (including related parties)	226,662	(543,150)
Inventories	320,879	(503,530)
Other financial assets	-	212
Other current assets	(186,373)	(40,746)
Contract liabilities	1,237,461	239,868
Accounts payable (including related parties)	(745,588)	322,970
Accrued employees' compensation and remuneration to directors	64,943	(86,742)
Accrued expenses and other current liabilities	373,484	(178,528)
Net defined benefit liabilities	(353)	(392)
Cash generated from operations	3,112,682	163,635
Income tax paid	(68,486)	(128,458)
Net cash generated from operating activities	3,044,196	35,177
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of:		
Financial assets at fair value through profit or loss	(3,610,000)	(2,085,000)
Investments accounted for using equity method	-	(35,784)
Property, plant and equipment	(154,261)	(485,710)
Intangible assets	(322,203)	(271,317)
Proceeds from disposal of:		
Financial assets at fair value through profit or loss	2,882,802	2,085,944
Investments accounted for using equity method	-	37,898
Refundable deposits paid	(3,140)	(2,377)
Refundable deposits refunded	3,450	3,028
Interest received	10,824	25,089
Net cash used in investing activities	(1,192,528)	(728,229)

(Continued)



## GLOBAL UNICHIP CORP.

### PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of the principal portion of lease liabilities	\$ (34,821)	\$ (33,809)
Cash dividends paid	(670,060)	(670,060)
Interest paid	(2,154)	(2,202)
Dividends from claims extinguished by prescription reclassified to capital surplus	<u>40</u>	<u>35</u>
Net cash used in financing activities	<u>(706,995)</u>	<u>(706,036)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,144,673	(1,399,088)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,298,887</u>	<u>3,697,975</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,443,560</u>	<u>\$ 2,298,887</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, 2020 AND 2019 (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 28, 2021.

#### 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 "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Company's accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2021

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase 2"	January 1, 2021
Amendment to IFRS 16 "Covid-19-Related Rent Concessions"	June 1, 2020

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

New IFRSs	Effective Date Announced by IASB (Note 1)
"Annual Improvements to IFRS Standards 2018-2020"	January 1, 2022 (Note 2)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 3)
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

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

(Concluded)

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

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

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 SIGNIFICANT ACCOUNTING POLICIES

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.

Significant 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



- c. 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 27: 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 trade receivables) and contract assets.

The Company always recognizes lifetime Expected Credit Losses (ECLs) for trade receivables. 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	4 to 7 years
Research and development equipment	3 to 5 years
Transportation equipment	5 years
Office equipment	3 to 5 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 Law, 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.

#### 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. CRITICAL 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.

The Company considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. The COVID-19 did not have material impact on the Company's accounting estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period, or in the period of the revisions and future periods if the revisions affect both current and future periods.

### CRITICAL ACCOUNTING JUDGMENTS

#### **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 trade receivables is based on assumptions about the risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's past history, 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 flows 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	
	2020	2019
At amortized cost accounts receivable		
Gross carrying amount	\$ 1,155,850	\$ 1,397,124
Less: Allowance for credit loss	<u>(19,921)</u>	<u>(19,921)</u>
	<u>\$ 1,135,929</u>	<u>\$ 1,377,203</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 trade receivables at an amount equal to lifetime expected credit losses. The expected credit losses on trade receivables 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 a trade 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 trade receivables 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	
	2020	2019
No past due	\$ 1,097,538	\$ 1,261,142
Past due		
Past due within 1-30 days	24,149	112,515
Past due within 31-60 days	15,738	4,072
Past due over 180 days	18,425	19,395
Less: Loss allowance	<u>(19,921)</u>	<u>(19,921)</u>
	<u>\$ 1,135,929</u>	<u>\$ 1,377,203</u>

The movement of the loss allowance of accounts receivable was as follows:

	Years Ended December 31	
	2020	2019
Balance at January 1	\$ 19,921	\$ -
Add: Net remeasurement of credit loss allowance	<u>-</u>	<u>19,921</u>
Balance at December 31	<u>\$ 19,921</u>	<u>\$ 19,921</u>

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

	December 31	
	2020	2019
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	<u>\$ 730,000</u>	<u>\$ -</u>

**8. INVENTORIES**

	December 31	
	2020	2019
Finished goods	\$ 122,300	\$ 85,663
Work in process	1,163,910	1,244,852
Raw materials	<u>171,395</u>	<u>447,969</u>
	<u>\$ 1,457,605</u>	<u>\$ 1,778,484</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	
	2020	2019
Write-down of inventories	<u>\$ 55,193</u>	<u>\$ 76,020</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	
			2020	2019	2020	2019
Global Unichip (Nanjing) Ltd. (GUC-Nanjing)	Products consulting, design and technical support service	Nanjing, China	\$ 235,564	\$ 150,997	100%	100%
Global Unichip Corp.-NA (GUC-NA)	Products consulting, design and technical support service	U.S.A.	131,222	128,110	100%	100%
Global Unichip Japan Co., Ltd. (GUC-Japan)	Products consulting, design and technical support service	Japan	60,843	50,925	100%	100%
Global Unichip (Shanghai) Company, Limited (GUC-Shanghai)	Products consulting, design and technical support service	Shanghai, China	41,356	35,735	100%	100%
Global Unichip Corp. Europe B.V. (GUC-Europe)	Products consulting, design and technical support service	Netherlands	12,088	10,156	100%	100%
Global Unichip Corp. Korea (GUC-Korea)	Products consulting, design and technical support service	Korea	<u>7,117</u>	<u>6,704</u>	100%	100%
			<u>\$ 488,190</u>	<u>\$ 382,627</u>		

In order to restructure the organization, the Company acquired all equity interest of GUC-Shanghai from GUC-BVI in August 2019. GUC-BVI has been liquidated in November 2019.

**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, 2020	\$ 242,923	\$ 24,741	\$ 1,496,503	\$ 1,375	\$ 22,664	\$ 392,500	\$ 2,180,706
Additions	-	31,395	60,054	-	-	8,259	99,708
Disposals	-	-	(5,932)	-	(996)	(3,538)	(10,466)
Balance at December 31, 2020	<u>\$ 242,923</u>	<u>\$ 56,136</u>	<u>\$ 1,550,625</u>	<u>\$ 1,375</u>	<u>\$ 21,668</u>	<u>\$ 397,221</u>	<u>\$ 2,269,948</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2020	\$ 73,330	\$ 8,560	\$ 842,906	\$ 424	\$ 18,724	\$ 275,347	\$ 1,219,291
Depreciation	4,766	6,048	262,551	265	1,162	26,874	301,666
Disposals	-	-	(5,932)	-	(996)	(3,538)	(10,466)
Balance at December 31, 2020	<u>\$ 78,096</u>	<u>\$ 14,608</u>	<u>\$ 1,099,525</u>	<u>\$ 689</u>	<u>\$ 18,890</u>	<u>\$ 298,683</u>	<u>\$ 1,510,491</u>
Carrying amount at December 31, 2020	<u>\$ 164,827</u>	<u>\$ 41,528</u>	<u>\$ 451,100</u>	<u>\$ 686</u>	<u>\$ 2,778</u>	<u>\$ 98,538</u>	<u>\$ 759,457</u>
<u>Cost</u>							
Balance at January 1, 2019	\$ 242,923	\$ 25,907	\$ 1,359,166	\$ 1,375	\$ 22,664	\$ 365,574	\$ 2,017,609
Additions	-	153	150,876	-	-	28,722	179,751
Disposals	-	(1,319)	(13,539)	-	-	(1,796)	(16,654)
Balance at December 31, 2019	<u>\$ 242,923</u>	<u>\$ 24,741</u>	<u>\$ 1,496,503</u>	<u>\$ 1,375</u>	<u>\$ 22,664</u>	<u>\$ 392,500</u>	<u>\$ 2,180,706</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2019	\$ 68,564	\$ 6,470	\$ 613,686	\$ 158	\$ 17,562	\$ 250,154	\$ 956,594
Depreciation	4,766	3,409	242,759	266	1,162	26,989	279,351
Disposals	-	(1,319)	(13,539)	-	-	(1,796)	(16,654)
Balance at December 31, 2019	<u>\$ 73,330</u>	<u>\$ 8,560</u>	<u>\$ 842,906</u>	<u>\$ 424</u>	<u>\$ 18,724</u>	<u>\$ 275,347</u>	<u>\$ 1,219,291</u>
Carrying amount at December 31, 2019	<u>\$ 169,593</u>	<u>\$ 16,181</u>	<u>\$ 653,597</u>	<u>\$ 951</u>	<u>\$ 3,940</u>	<u>\$ 117,153</u>	<u>\$ 961,415</u>

## 11. LEASE ARRANGEMENTS

### a. Right-of-use assets

	Land	Buildings	Transportation Equipment	Total
<u>Cost</u>				
Balance at January 1, 2020	\$ 58,995	\$ 145,348	\$ 4,957	\$ 209,300
Additions	-	44,778	-	44,778
Balance at December 31, 2020	<u>\$ 58,995</u>	<u>\$ 190,126</u>	<u>\$ 4,957</u>	<u>\$ 254,078</u>
<u>Accumulated depreciation</u>				
Balance at January 1, 2020	\$ 1,612	\$ 31,677	\$ 1,204	\$ 34,493
Depreciation	1,613	32,888	1,217	35,718
Balance at December 31, 2020	<u>\$ 3,225</u>	<u>\$ 64,565</u>	<u>\$ 2,421</u>	<u>\$ 70,211</u>
Carrying amount at December 31, 2020	<u>\$ 55,770</u>	<u>\$ 125,561</u>	<u>\$ 2,536</u>	<u>\$ 183,867</u>
<u>Cost</u>				
Balance at January 1, 2019	\$ -	\$ -	\$ -	\$ -
Effect of retrospective application of IFRS 16	58,995	137,698	5,653	202,346
Balance at January 1, 2019 (restated)	58,995	137,698	5,653	202,346
Additions	-	7,650	467	8,117
Lease modification	-	-	(1,163)	(1,163)
Balance at December 31, 2019	<u>\$ 58,995</u>	<u>\$ 145,348</u>	<u>\$ 4,957</u>	<u>\$ 209,300</u>
<u>Accumulated depreciation</u>				
Balance at January 1, 2019	\$ -	\$ -	\$ -	\$ -
Effect of retrospective application of IFRS 16	-	-	-	-
Balance at January 1, 2019 (restated)	-	-	-	-
Depreciation	1,612	31,677	1,374	34,663
Lease modification	-	-	(170)	(170)
Balance at December 31, 2019	<u>\$ 1,612</u>	<u>\$ 31,677</u>	<u>\$ 1,204</u>	<u>\$ 34,493</u>
Carrying amount at December 31, 2019	<u>\$ 57,383</u>	<u>\$ 113,671</u>	<u>\$ 3,753</u>	<u>\$ 174,807</u>

Income from the subleasing of right-of-use assets (presented in other income)

Years Ended December 31	
2020	2019

\$ 299      \$ 299

### b. Lease liabilities

Carrying amount

	December 31 2020	December 31 2019
Current	\$ 34,718	\$ 29,413
Non-current	\$ 150,874	\$ 146,222

Range of discount rates for lease liabilities was as follows:

	December 31	
	2020	2019
Land	1.62%	1.62%
Buildings	0.642%-1.003%	0.825%-1.003%
Transportation equipment	0.825%	0.825%

### 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 3 years and with an option to extend for an additional 1 year.

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

	December 31	
	2020	2019
Year 1	\$ 299	\$ 299
Year 2	299	299
Year 3	-	299
	<u>\$ 598</u>	<u>\$ 897</u>



e. Other lease information

	Years Ended December 31	
	2020	2019
Expenses relating to short-term leases	\$ 3,184	\$ 3,496
Expenses relating to low-value asset leases	\$ 13	\$ 30
Total cash outflow for leases	\$ (40,195)	\$ (39,962)

The Company's leases for certain buildings, transportation equipment 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, 2020	\$ 930,506	\$ 519	\$ 931,025
Additions	338,659	-	338,659
Disposals	(210,037)	-	(210,037)
Balance at December 31, 2020	\$ 1,059,128	\$ 519	\$ 1,059,647
<u>Accumulated amortization</u>			
Balance at January 1, 2020	\$ 518,619	\$ 452	\$ 519,071
Amortization	306,719	28	306,747
Disposals	(210,037)	-	(210,037)
Balance at December 31, 2020	\$ 615,301	\$ 480	\$ 615,781
Carrying amount at December 31, 2020	\$ 443,827	\$ 39	\$ 443,866
<u>Cost</u>			
Balance at January 1, 2019	\$ 822,556	\$ 519	\$ 823,075
Additions	376,713	-	376,713
Disposals	(268,763)	-	(268,763)
Balance at December 31, 2019	\$ 930,506	\$ 519	\$ 931,025
<u>Accumulated amortization</u>			
Balance at January 1, 2019	\$ 534,631	\$ 424	\$ 535,055
Amortization	252,751	28	252,779
Disposals	(268,763)	-	(268,763)
Balance at December 31, 2019	\$ 518,619	\$ 452	\$ 519,071
Carrying amount at December 31, 2019	\$ 411,887	\$ 67	\$ 411,954

## 13. OTHER CURRENT ASSETS

	December 31	
	2020	2019
Prepaid license fees	\$ 359,389	\$ 172,536
Prepayment for purchases	235,125	174,624
VAT tax receivable	90,422	86,722
Prepaid expenses	24,878	30,085
Prepaid income tax	-	722
	\$ 709,814	\$ 464,689

## 14. OTHER LIABILITIES

	December 31	
	2020	2019
<u>Current</u>		
Payable for salaries and bonuses	\$ 310,299	\$ 235,445
License fees payable	206,942	160,579
Payable for royalties	10,431	59,556
Refund liabilities	621	621
Others	633,960	286,206
	\$ 1,162,253	\$ 742,407
<u>Non-current</u>		
License fees payable	\$ 74,921	\$ 112,877

The Company estimates and recognizes refund liabilities based on historical experience and the consideration of varying contractual terms.

The license fees payable are 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\$47,618 thousand and NT\$45,706 thousand in the parent company only statements of comprehensive income for the years ended December 31, 2020 and 2019, 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"); as such, 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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Present value of defined benefit obligation	\$ 78,670	\$ 72,709
Fair value of plan assets	<u>(42,350)</u>	<u>(40,605)</u>
Net defined benefit liabilities	<u>\$ 36,320</u>	<u>\$ 32,104</u>

Movements in net defined benefit liabilities were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2019	\$ 65,279	\$ (37,046)	\$ 28,233
Service cost			
Current service cost	1,245	-	1,245
Net interest expense (income)	<u>652</u>	<u>(379)</u>	<u>273</u>
Recognized in profit or loss	<u>1,897</u>	<u>(379)</u>	<u>1,518</u>
Remeasurement			
Return on plan assets	-	(1,270)	(1,270)
Actuarial loss - changes in demographic assumptions	1,271	-	1,271
Actuarial loss - changes in financial assumptions	2,374	-	2,374
Actuarial loss - experience adjustments	<u>1,888</u>	<u>-</u>	<u>1,888</u>
Recognized in other comprehensive (income) loss	<u>5,533</u>	<u>(1,270)</u>	<u>4,263</u>
Contributions from the employer	<u>-</u>	<u>(1,910)</u>	<u>(1,910)</u>
Balance at December 31, 2019	<u>72,709</u>	<u>(40,605)</u>	<u>32,104</u>

(Continued)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Service cost			
Current service cost	\$ 1,342	\$ -	\$ 1,342
Net interest expense (income)	<u>545</u>	<u>(312)</u>	<u>233</u>
Recognized in profit or loss	<u>1,887</u>	<u>(312)</u>	<u>1,575</u>
Remeasurement			
Return on plan assets	-	(1,295)	(1,295)
Actuarial loss - changes in demographic assumptions	1,010	-	1,010
Actuarial loss - changes in financial assumptions	3,953	-	3,953
Actuarial loss - experience adjustments	<u>901</u>	<u>-</u>	<u>901</u>
Recognized in other comprehensive (income) loss	<u>5,864</u>	<u>(1,295)</u>	<u>4,569</u>
Contributions from the employer	<u>-</u>	<u>(1,928)</u>	<u>(1,928)</u>
Benefits paid	<u>(1,790)</u>	<u>1,790</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 78,670</u>	<u>\$ (42,350)</u>	<u>\$ 36,320</u> (Concluded)

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

	<b>Years Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
General and administrative expenses	\$ 1,575	\$ 1,518

Through the defined benefit plan under the Labor Standards Act, the Company 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	
	2020	2019
Discount rate	0.35%	0.75%
Expected rate of salary increase	3.00%	3.00%
Turnover rate	2.00%	2.44%

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	
	2020	2019
Discount rate		
0.25% increase	\$ (2,555)	\$ (2,432)
0.25% decrease	\$ 2,669	\$ 2,539
Expected rate of salary increase		
0.25% increase	\$ 2,587	\$ 2,472
0.25% decrease	\$ (2,492)	\$ (2,381)
Turnover rate		
10% increase	\$ (595)	\$ (705)
10% decrease	\$ 609	\$ 720

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	
	2020	2019
The expected contributions to the plan for the next year	\$ 2,037	\$ 2,053
The average duration of the defined benefit obligation	13 years	13 years

The maturity analysis of undiscounted pension benefit is as follows:

	December 31	
	2020	2019
Later than 1 year and not later than 5 years	\$ 8,666	\$ 6,141
Later than 5 years	72,389	74,150
	\$ 81,055	\$ 80,291

## 16. EQUITY

### a. Share capital

	December 31	
	2020	2019
Authorized	\$ 1,500,000	\$ 1,500,000
Issued	\$ 1,340,119	\$ 1,340,119

As of December 31, 2020 and 2019, the Company is authorized to issue 150,000 thousand shares, with par value of \$10; each share is entitled to the right to vote and to receive dividends; a total of 134,011 thousand shares have been paid and issued.

### b. Capital surplus

	December 31	
	2020	2019
From merger	\$ 16,621	\$ 16,621
Additional paid-in capital	13,232	13,232
Donations	2,660	2,660
Dividends from claims extinguished by prescription	105	65
	\$ 32,618	\$ 32,578

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 from dividends from 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;
- 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 2019 and 2018 had been approved in the meetings of the shareholders of the Company held on May 14, 2020 and May 16, 2019, respectively. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Legal reserve	\$ 62,920	\$ 98,816
Special reserve (reversal of special reserve)	\$ 12,109	\$ (2,304)
Cash dividends	\$ 670,060	\$ 670,060
Cash dividends per share (NT\$)	\$ 5.00	\$ 5.00

The appropriations of earnings for 2020 had been proposed by the Board of Directors of the Company on January 28, 2021. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 84,544	
Special reserve	1,408	
Cash dividends to shareholders	670,060	\$ 5
	<u>\$ 756,012</u>	

The appropriations of earnings for 2020 are to be resolved in the meeting of the shareholders of the Company which is expected to be held on May 20, 2021.

d. Others

Changes in foreign currency translation reserve were as follows:

	<b>Years Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance, beginning of year	\$ (20,745)	\$ (8,636)
Exchange differences on translation of foreign operations	(1,408)	(12,109)
Balance, end of year	<u>\$ (22,153)</u>	<u>\$ (20,745)</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>2020</b>	<b>2019</b>
Revenue from customer contracts		
Net revenue from sale of goods	\$ 8,524,887	\$ 7,188,728
Net revenue from NRE service	<u>4,924,080</u>	<u>3,521,340</u>
	<u>\$ 13,448,967</u>	<u>\$ 10,710,068</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, 2020</b>	<b>December 31, 2019</b>	<b>January 1, 2019</b>
Accounts receivable	\$ 1,135,929	\$ 1,377,203	\$ 903,168
Contract assets - current	\$ -	\$ 324,965	\$ 56,976
Contract liabilities - current	<u>\$ 2,346,503</u>	<u>\$ 1,109,042</u>	<u>\$ 869,174</u>

The changes in the contract asset and 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, 2020 and 2019, the Company recognized revenue of NT\$1,031,673 thousand and NT\$756,052 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>2020</b>	<b>2019</b>
ASIC and wafer product	\$ 8,524,887	\$ 7,188,728
NRE	4,493,858	3,205,782
Others	<u>430,222</u>	<u>315,558</u>
	<u>\$ 13,448,967</u>	<u>\$ 10,710,068</u>

<b>Region</b>	<b>Years Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
United States	\$ 3,566,953	\$ 3,752,928
China	2,932,515	1,622,604
Taiwan	2,711,874	1,543,054
Korea	2,082,344	1,430,262
Europe	1,326,307	1,047,434
Japan	<u>828,974</u>	<u>1,313,786</u>
	<u>\$ 13,448,967</u>	<u>\$ 10,710,068</u>

The Company categorized net revenue mainly based on the country in which the customer is headquartered.

Application Type	Years Ended December 31	
	2020	2019
Digital Consumer	\$ 6,393,465	\$ 5,440,185
Networking	2,848,720	2,088,044
Industry	1,974,845	1,622,150
AI/ML	1,475,312	830,138
Others	<u>756,625</u>	<u>729,551</u>
	<u>\$ 13,448,967</u>	<u>\$ 10,710,068</u>

Customer Type	Years Ended December 31	
	2020	2019
System House	\$ 8,983,036	\$ 6,688,962
Fabless	<u>4,465,931</u>	<u>4,021,106</u>
	<u>\$ 13,448,967</u>	<u>\$ 10,710,068</u>

Resolution	Year Ended December 31, 2020		Year Ended December 31, 2019	
	Net Revenue from NRE Service	Net Revenue from Sale of Goods	Net Revenue from NRE Service	Net Revenue from Sale of Goods
7-nanometer	\$ 1,188,995	\$ -	\$ 267,824	\$ 174,980
16-nanometer	1,804,882	990,233	1,354,368	233,805
28-nanometer	935,864	2,667,106	1,028,873	2,739,927
40-nanometer	253,285	2,029,677	116,640	1,253,001
65-nanometer and above	310,832	2,837,871	438,077	2,787,015
Others	<u>430,222</u>	<u>-</u>	<u>315,558</u>	<u>-</u>
	<u>\$ 4,924,080</u>	<u>\$ 8,524,887</u>	<u>\$ 3,521,340</u>	<u>\$ 7,188,728</u>

## 18. INTEREST INCOME

	Years Ended December 31	
	2020	2019
Bank deposits	<u>\$ 10,810</u>	<u>\$ 24,786</u>

## 19. OTHER INCOME

	Years Ended December 31	
	2020	2019
Rental income	\$ 299	\$ 299
Other income	<u>7,478</u>	<u>6,745</u>
	<u>\$ 7,777</u>	<u>\$ 7,044</u>

## 20. OTHER GAINS AND LOSSES

	Years Ended December 31	
	2020	2019
Gain on financial assets at fair value through profit or loss	\$ 2,802	\$ 944
Gain on lease modification	-	26
Loss on disposal of investments accounted for using equity method	-	(625)
Loss on foreign exchange, net	<u>(40,237)</u>	<u>(6,897)</u>
	<u>\$ (37,435)</u>	<u>\$ (6,552)</u>

## 21. FINANCE COSTS

	Years Ended December 31	
	2020	2019
Interest on lease liabilities	\$ 2,129	\$ 2,202
Interest on bank loans	<u>25</u>	<u>-</u>
	<u>\$ 2,154</u>	<u>\$ 2,202</u>

## 22. INCOME TAX

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

Income tax expense consisted of the following:

	Years Ended December 31	
	2020	2019
Current income tax expense		
Current tax expense recognized in the current period	\$ 93,937	\$ 89,073
Adjustments to income tax of prior years	<u>(5,174)</u>	<u>(445)</u>
	88,763	88,628
Deferred income tax expense (benefit)		
Temporary differences	<u>40,130</u>	<u>38,822</u>
Income tax expense recognized in profit or loss	<u>\$ 128,893</u>	<u>\$ 127,450</u>



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

	<b>Years Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Income before tax	\$ 978,900	\$ 760,917
Income tax expense at the statutory rate	\$ 195,780	\$ 152,183
Tax effect of adjusting items:		
Nondeductible items in determining taxable income	451	28,851
Tax-exempt income	(28,236)	(37,466)
Investment tax credits used	(33,928)	(26,663)
Additional income tax on unappropriated earnings	-	10,990
Adjustments to income tax of prior years	(5,174)	(445)
Effect of tax rate changes	-	-
Income tax expense recognized in profit or loss	\$ 128,893	\$ 127,450

In July 2019, the president of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. The Company deducted from the unappropriated earnings the amount that was reinvested as capital expenditure when calculating the tax on unappropriated earnings.

b. Deferred income tax

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<b>Deferred income tax assets</b>		
Temporary differences		
Write-down of inventory	\$ 13,077	\$ 29,768
Allowance for credit loss in excess of amount allowed by law	1,598	1,106
Provisions	124	124
Others	5,209	7,746
	\$ 20,008	\$ 38,744
<b>Deferred income tax liabilities</b>		
Temporary differences		
Share of profit of subsidiaries accounted for using equity method	\$ (62,521)	\$ (41,127)

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

Year ended December 31, 2020

	<b>Balance, Beginning of Year</b>	<b>Recognized in Profit or Loss</b>	<b>Balance, End of Year</b>
<b>Deferred income tax assets</b>			
Temporary differences			
Write-down of inventory	\$ 29,768	\$ (16,691)	\$ 13,077
Allowance for credit loss in excess of amount allowed by law	1,106	492	1,598
Provisions	124	-	124
Others	7,746	(2,537)	5,209
	\$ 38,744	\$ (18,736)	\$ 20,008

Year ended December 31, 2019

	<b>Balance, Beginning of Year</b>	<b>Recognized in Profit or Loss</b>	<b>Balance, End of Year</b>
<b>Deferred income tax assets</b>			
Temporary differences			
Write-down of inventory	\$ 14,706	\$ 15,062	\$ 29,768
Allowance for credit loss in excess of amount allowed by law	-	1,106	1,106
Provisions	13,435	(13,311)	124
Share of loss of subsidiaries accounted for using equity method	21,851	(21,851)	-
Others	8,588	(842)	7,746
	\$ 58,580	\$ (19,836)	\$ 38,744

Year ended December 31, 2020

	<b>Balance, Beginning of Year</b>	<b>Recognized in Profit or Loss</b>	<b>Balance, End of Year</b>
<b>Deferred income tax liabilities</b>			
Temporary differences			
Share of profit of subsidiaries accounted for using equity method	\$ (41,127)	\$ (21,394)	\$ (62,521)

Year ended December 31, 2019

	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>\$ (22,141)</u>	<u>\$ (18,986)</u>	<u>\$ (41,127)</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, 2020 and 2019, the aggregate deductible temporary differences for which no deferred income tax assets have been recognized amounted to NT\$4,431 thousand and NT\$4,149 thousand, respectively.			
d. Information about tax exemption			
As of December 31, 2020, the profits generated from the following projects of the Company are exempt from income tax for a five-year period:			

#### Tax-exemption Period

Construction and expansion of 2009 2016 to 2020

e. Income tax examination

The tax authorities have examined the income tax returns of the Company through 2018.

### 23. EARNINGS PER SHARE

	<u>Years Ended December 31</u>		
	2020	2019	
Basic EPS	<u>\$6.34</u>	<u>\$4.73</u>	
Diluted EPS	<u>\$6.32</u>	<u>\$4.71</u>	
EPS is computed as follows:			
	Amounts (Numerator)	Number of Shares (Denominator) (In Thousands)	EPS (NT\$)
<u>Year ended December 31, 2020</u>			
Basic EPS			
Net income available to common shareholders	\$ 850,007	134,011	<u>\$6.34</u>
Effect of dilutive potential common stock	<u>-</u>	<u>426</u>	
Diluted EPS			
Net income available to common shareholders (including effect of dilutive potential common stock)	<u>\$ 850,007</u>	<u>134,437</u>	<u>\$6.32</u> (Continued)

	Amounts (Numerator)	Number of Shares (Denominator) (In Thousands)	EPS (NT\$)
--	------------------------	--	------------

Year ended December 31, 2019

Basic EPS			
Net income available to common shareholders	\$ 633,467	134,011	<u>\$4.73</u>
Effect of dilutive potential common stock	<u>-</u>	<u>377</u>	
Diluted EPS			
Net income available to common shareholders (including effect of dilutive potential common stock)	<u>\$ 633,467</u>	<u>134,388</u>	<u>\$4.71</u> (Concluded)

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:

	<u>Years Ended December 31</u>	
	2020	2019
a. Depreciation expense		
Depreciation of property, plant and equipment		
Recognized in cost of revenue	\$ 7,833	\$ 5,259
Recognized in operating expenses	<u>293,833</u>	<u>274,092</u>
	<u>301,666</u>	<u>279,351</u>
Depreciation of right-of-use assets		
Recognized in cost of revenue	4,006	3,901
Recognized in operating expenses	<u>31,712</u>	<u>30,762</u>
	<u>35,718</u>	<u>34,663</u>
	<u>\$ 337,384</u>	<u>\$ 314,014</u>
b. Amortization of intangible assets		
Recognized in cost of revenue	\$ -	\$ 193
Recognized in operating expenses	<u>306,747</u>	<u>252,586</u>
	<u>\$ 306,747</u>	<u>\$ 252,779</u>
c. Research and development costs expensed as incurred	<u>\$ 2,220,774</u>	<u>\$ 1,903,320</u>

**Years Ended December 31**

	2020	2019
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d. Employee benefits expense

Post-employment benefits (Note 15)		
Defined contribution plans	\$ 47,618	\$ 45,706
Defined benefit plans	<u>1,575</u>	<u>1,518</u>
	49,193	47,224
Other employee benefits	<u>1,632,113</u>	<u>1,404,704</u>
	<u>\$ 1,681,306</u>	<u>\$ 1,451,928</u>
Employee benefits expense summarized by function		
Recognized in cost of revenue	\$ 187,312	\$ 166,265
Recognized in operating expenses	<u>1,493,994</u>	<u>1,285,663</u>
	<u>\$ 1,681,306</u>	<u>\$ 1,451,928</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 2020 and 2019, the Company accrued employees' compensation and remuneration to directors; the accruals were approved in the meetings of the Board of Directors held on January 28, 2021 and February 6, 2020, respectively; the accruals were made at the approved percentage of net income before tax and before deduction of the employees' compensation and remuneration to directors. The accrued amounts were as follows:

	<b>Years Ended December 31</b>	
	2020	2019
Employees' compensation	\$ 133,640	\$ 75,228
Remuneration to directors	11,994	5,463

The aforementioned approved amounts were the same as the amounts reported as expenses in 2020 and 2019.

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\$153,240 thousand and NT\$14,193 thousand in cash for 2018 were approved by the Board of Directors in their meeting held on January 31, 2019. 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, 2018.

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, 2020	Cash Flows	Non-cash Changes			Balance as of December 31, 2020
			Lease Additions	Lease Decrease	Foreign Exchange Movement	
Guarantee deposits	\$ 2,998	\$ -	\$ -	\$ -	\$ (150)	\$ 2,848
Lease liabilities	175,635	(34,821)	44,778	-	-	185,592

	Balance as of January 1, 2019	Cash Flows	Non-cash Changes			Balance as of December 31, 2019
			Lease Additions	Lease Decrease	Foreign Exchange Movement	
Guarantee deposits	\$ 3,072	\$ -	\$ -	\$ -	\$ (74)	\$ 2,998
Lease liabilities	202,346	(33,809)	8,117	(1,019)	-	175,635

## 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, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	\$ 730,000	\$ -	\$ -	\$ 730,000

The Company did not have financial assets at FVTPL on December 31, 2019.

There were no transfers between Levels 1 and 2 in the current and prior period.



## b. Categories of financial instruments

	December 31	
	2020	2019
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 730,000	\$ -
Amortized cost		
Cash and cash equivalents	3,443,560	2,298,887
Accounts receivable, net (including related parties)	1,173,300	1,418,311
Other financial assets	316	330
Refundable deposits	1,230	1,598
Pledged time deposits	22,200	22,200
	<u>\$ 5,370,606</u>	<u>\$ 3,741,326</u>
<u>Financial liabilities</u>		
Amortized cost		
Accounts payable (including related parties)	\$ 839,106	\$ 1,543,569
Payables on machinery and equipment	4,171	58,524
Accrued expenses and other current liabilities	639,122	338,279
Other long-term payables	281,863	273,456
Guarantee deposits	2,848	2,998
	<u>\$ 1,767,110</u>	<u>\$ 2,216,826</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, 2020 and 2019 would have decreased by NT\$83,892 thousand and NT\$96,452 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 trade receivables, 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 trade receivables from its customers worldwide. Majority of the Company's outstanding trade receivables are not covered by collateral or credit insurance. While the Company has procedures to monitor and limit exposure to credit risk on trade receivables, there can be no assurance such procedures will effectively limit its credit risk and avoid losses.

As of December 31, 2020 and 2019, the Company's ten largest customers accounted for 38% and 69% of accounts receivable, respectively. The Company believes the concentration of credit risk is insignificant for the remaining accounts receivable.

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, 2020 and 2019, 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, 2020</u>				
Accounts payable (including related parties)	\$ 839,106	\$ -	\$ -	\$ 839,106
Payables on machinery and equipment	4,171	-	-	4,171
Accrued expenses and other current liabilities	639,122	-	-	639,122
Lease liabilities	36,656	83,394	85,638	205,688
Other long-term payables	206,942	74,921	-	281,863
Guarantee deposits	-	-	2,848	2,848
	<u>\$ 1,725,997</u>	<u>\$ 158,315</u>	<u>\$ 88,486</u>	<u>\$ 1,972,798</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	\$ 120,050	\$ 33,068	\$ 10,692	\$ 10,692	\$ 31,186

Non-derivative Financial Liabilities	Less Than 1 Year	2-3 Years	4+ Years	Total
<u>December 31, 2019</u>				
Accounts payable (including related parties)	\$ 1,543,569	\$ -	\$ -	\$ 1,543,569
Payables on machinery and equipment	58,524	-	-	58,524
Accrued expenses and other current liabilities	338,279	-	-	338,279
Lease liabilities	31,361	64,235	101,524	197,120
Other long-term payables	160,579	112,877	-	273,456
Guarantee deposits	-	-	2,998	2,998
	<u>\$ 2,132,312</u>	<u>\$ 177,112</u>	<u>\$ 104,522</u>	<u>\$ 2,413,946</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 4 Year	4-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	\$ 95,596	\$ 46,815	\$ 10,692	\$ 10,692	\$ 33,325

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

(Continued)

Related Party Name	Related Party Category
GUC - NA	Subsidiary
GUC - Japan	Subsidiary
GUC - Europe	Subsidiary
GUC - Korea	Subsidiary
GUC - Nanjing	Subsidiary
GUC - Shanghai	Subsidiary
(Concluded)	

b. Operating transactions

Items	Related Party Name and Category	Years Ended December 31	
		2020	2019
Net revenue from sale	Investors with significant influence over the Company	\$ 228,500	\$ 120,699
Purchases	Investors with significant influence over the Company		
	TSMC	\$ 3,265,893	\$ 2,921,516
	TSMC-NA	1,007,193	1,193,214
		4,273,086	4,114,730
	Other related parties	68,136	46,568
		<u>\$ 4,341,222</u>	<u>\$ 4,161,298</u>
Manufacturing overhead	Subsidiaries		
	GUC-Nanjing	\$ 498,076	\$ 400,188
	Others	263,066	290,051
		761,142	690,239
	Investors with significant influence over the Company		
	TSMC	1,231,643	412,343
	TSMC-NA	312,425	283,857
	VisEra	1,712	567
		<u>\$ 2,306,922</u>	<u>\$ 1,387,006</u>
Operating expenses	Subsidiaries	\$ 353,505	\$ 372,371
	Investors with significant influence over the Company	8,795	10,166
		<u>\$ 362,300</u>	<u>\$ 382,537</u>

The following balances were outstanding at the end of the reporting period:

Items	Related Party Name and Category	December 31	
		2020	2019
Receivables from related parties	Investors with significant influence over the Company TSMC	\$ 37,371	\$ 41,108
Refundable deposits	Investors with significant influence over the Company VisEra	\$ 2,832	\$ 2,832
Payables to related parties	Subsidiaries	\$ -	\$ 29,168
	Investors with significant influence over the Company		
	TSMC	102,549	437,078
	TSMC-NA	58,136	283,396
	VisEra	234	134
		160,919	749,776
	Other related parties	3,441	9,885
		\$ 164,360	\$ 759,661
Accrued expenses and other current liabilities	Subsidiaries	\$ 60,173	\$ 53,121
	Investors with significant influence over the Company	-	700
		\$ 60,173	\$ 53,821

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

Items	Related Party Name and Category	December 31	
		2020	2019
Lease liabilities - current	Investors with significant influence over the Company VisEra	\$ 16,236	\$ 16,074
Lease liabilities - non-current	Investors with significant influence over the Company VisEra	\$ 66,595	\$ 82,831

Items	Related Party Name and Category	Years Ended December 31	
		2020	2019
Interest expense	Investors with significant influence over the Company VisEra	\$ 918	\$ 1,079

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. Compensation of key management personnel:

The remuneration to directors and other key management personnel were as follows:

	Years Ended December 31	
	2020	2019
Short-term employee benefits	\$ 74,014	\$ 60,628
Post-employment benefits	648	436
	\$ 74,662	\$ 61,064

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, 2020 and 2019 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

### Significant 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\$5,000 thousand, US\$5,500 thousand, US\$4,200 thousand and US\$4,200 thousand to the counterparty in the period from May 2019 to April 2022, from May 2019 to October 2021, from April 2020 to April 2023 and from October 2020 to October 2023, respectively.

Under the agreements, the Company shall pay at least US\$1,350 thousand and US\$2,000 thousand to the counterparty in the period from December 2020 to December 2023 and from January 2021 to January 2022, respectively.



The Company has identified an onerous contract in which the unavoidable costs of performance obligations exceed the economic benefits expected to be received from the contract. In the third quarter of 2020, the Company has recognized on the onerous contract and related asset impairment loss of around US\$2,500 thousand and incremental labor costs of around US\$562 thousand. There was no significant impairment loss in the subsequent evaluation.

### 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 (In Thousands)	Exchange Rate (Note)	Carrying Amount
<u>December 31, 2020</u>			
Monetary item - financial assets			
USD	\$ 81,408	28.48	\$ 2,318,488
Non-monetary item -financial assets			
RMB	63,267	4.377	276,920
USD	4,608	28.48	131,222
JPY	220,208	0.2763	60,843
EUR	345	35.02	12,088
KRW	269,182	0.02644	7,117
Monetary item - financial liabilities			
USD	50,744	28.48	1,445,192
JPY	66,988	0.2763	18,509
RMB	3,077	4.377	13,468
<u>December 31, 2019</u>			
Monetary item - financial assets			
USD	93,055	29.98	2,789,790
Non-monetary item -financial assets			
RMB	43,452	4.2975	186,732
USD	4,273	29.98	128,110
JPY	184,510	0.2760	50,925
EUR	302	33.59	10,156
KRW	256,173	0.02617	6,704
Monetary item - financial liabilities			
USD	59,773	29.98	1,791,998
JPY	68,933	0.2760	19,026
RMB	2,781	4.2975	11,953

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:

Foreign Currencies	Years Ended December 31			
	2020	Net Foreign Exchange Gain (Loss)	2019	Net Foreign Exchange Gain (Loss)
Exchange Rate	Exchange Rate		Exchange Rate	
RMB	4.2816 (RMB:NTD)	\$ 113	4.4934 (RMB:NTD)	\$ 251
KRW	0.02529 (KRW:NTD)	(16)	0.02674 (KRW:NTD)	5
EUR	33.7084 (EUR:NTD)	(278)	34.6128 (EUR:NTD)	1
JPY	0.2769 (JPY:NTD)	(443)	0.2837 (JPY:NTD)	1,093
USD	29.5491 (USD:NTD)	(39,613)	30.9117 (USD:NTD)	(8,247)
		<u>\$ (40,237)</u>		<u>\$ (6,897)</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, 2020 and 2019.

### 33. 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) 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, 2020

(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, 2020			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	26,755,853	\$ 400,000	-	\$ 400,000
	Taishin 1699 Money Market Fund	-	Financial assets at fair value through profit or loss - current	20,518,984	280,000	-	280,000
	Fuh Haw Money Market Fund	-	Financial assets at fair value through profit or loss - current	3,437,844	50,000	-	50,000
	<u>Preferred stock</u>						
	eTopus Technology Inc.	-	Financial assets at fair value through profit or loss - non-current	1,515,151	-	3.0	-

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, 2020  
(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
The Company	Jih Sun Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	\$ -	89,815,348	\$ 1,340,000	63,059,495	\$ 941,323	26,755,853	\$ 400,000
	Taishin 1699 Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	91,788,329	1,250,000	71,269,345	971,037	20,518,984	280,000
	Fuh Haw Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	27,535,620	400,000	24,097,776	350,121	3,437,844	50,000
	UPAMC James Bond Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	20,837,266	350,000	20,837,266	350,210	-	-
	Yuanta Wan Tai Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	17,733,487	270,000	17,733,487	270,111	-	-

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, 2020  
(Amounts in Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Accounts Payable or Receivable		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	Purchases	\$ 3,265,893	75	30 days after monthly closing	Note 28	Note 28	\$ (102,549)	(12)	
	TSMC-NA	TSMC-NA is a subsidiary of TSMC	Sales Purchases	228,500 1,007,193	2 23	30 days after monthly closing 30 days after invoice date and 30 days after monthly closing	Note 28 Note 28	Note 28 Note 28	37,371 (58,136)	3 (7)	



TABLE 4

GLOBAL UNICHIP CORP.

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(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, 2020			Net Income (Losses) of the Investee	Investment Income (Losses)	Note
				December 31, 2020 (Foreign Currencies in Thousands)	December 31, 2019 (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	\$ 131,222	\$ 9,857	\$ 9,857	
	GUC-Japan	Japan	Products consulting, design and technical support service	15,393 (YEN 55,000)	15,393 (YEN 55,000)		1,100	100	60,843	9,881	9,881	
	GUC-Europe	Netherlands	Products consulting, design and technical support service	8,109 (EUR 200)	8,109 (EUR 200)		-	100	12,088	1,444	1,444	
	GUC-Korea	Korea	Products consulting, design and technical support service	5,974 (KRW222,545)	5,974 (KRW222,545)		44,000	100	7,117	328	328	

TABLE 5

GLOBAL UNICHIP CORP.

INFORMATION ON INVESTMENT IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(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, 2020 (US\$ in Thousands)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020 (US\$ in Thousands)	Net Income (Loss) of the Investee	Percentage of Ownership	Investment Income (Loss)	Carrying Amount as of December 31, 2020	Accumulated Inward Remittance of Earnings as of December 31, 2020
					Outflow	Inflow						
GUC-Nanjing	Products consulting, design and technical support service	\$ 90,138 (US\$ 3,000)	(Note 1)	\$ 90,138 (US\$ 3,000)	\$ -	\$ -	\$ 90,138 (US\$ 3,000)	\$ 80,594	100%	\$ 80,594 (Note 2)	\$ 235,564	\$ -
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)	4,867	100%	4,867 (Note 3)	41,356	-

Accumulated Investment in Mainland China as of December 31, 2020 (US\$ in Thousands)	Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousands)	Upper Limit on Investment (US\$ in Thousands)
\$ 121,303 (US\$ 4,000)	\$ 207,998 (US\$ 7,000)	\$ 2,692,190 (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.

GLOBAL UNICHIP CORP.  
SIGNIFICANT INTERCOMPANY TRANSACTIONS WITH INVESTEE IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(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	Manufacturing overhead	\$ 45,150	-	-
				Operating expenses	30,909	-	-
				Accrued expenses and other current liabilities	7,677	-	-
				Manufacturing overhead	498,076	-	4%
				Operating expenses	15,911	-	-
				Accrued expenses and other current liabilities	5,791	-	-

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..

GLOBAL UNICHIP CORP. AND SUBSIDIARIES  
INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2020

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 trustee who opened the trust account. 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.

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## GLOBAL UNICHIP CORP.

### STATEMENT OF CASH AND CASH EQUIVALENTS

**DECEMBER 31, 2020**

**(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Item	Description	Amount
Cash		
Cash in banks		
Time deposits	From 2020.7.23 to 2021.7.25, interest rates at 0.06%-0.765%	\$ 1,637,790
USD Time deposits	From 2020.12.29 to 2021.1.4, interest rates at 0.245%	370,240
Checking accounts and demand deposits		703,271
Foreign currency deposits	Including US\$26,465 thousand @28.48, JPY559 thousand @0.2763, EUR5 thousand @35.02 and RMB62 thousand @4.377	754,319
Petty cash		<u>140</u>
Less: Pledged time deposits	As collateral for customs clearance	20,000
	As collateral for lease a parcel of land from the Science Park Administration (SPA).	<u>2,200</u>
Total		<u>\$ 3,443,560</u>



**STATEMENT 2****GLOBAL UNICHIP CORP.****STATEMENT OF ACCOUNTS RECEIVABLE, NET  
DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)**

Client Name	Amount
Client A	\$ 216,448
Client B	115,177
Client C	108,479
Client D	99,563
Client E	63,437
Others (Note)	<u>552,746</u>
	1,155,850
Less: Allowance for credit impairment loss	<u>(19,921)</u>
Total	<u>\$ 1,135,929</u>

Note: The amount of individual client in others does not exceed 5% of the account balance.

**STATEMENT 3****GLOBAL UNICHIP CORP.****STATEMENT OF INVENTORIES  
DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)**

Item	Amount	
	Cost	Net Realizable Value (Note)
Finished goods	\$ 122,300	\$ 169,844
Work in process	1,163,910	1,438,491
Raw materials	<u>171,395</u>	<u>230,037</u>
Total	<u>\$ 1,457,605</u>	<u>\$ 1,838,372</u>

Note: Net realizable value is the estimated selling price of inventories less all estimated costs of completion and necessary selling costs.

## GLOBAL UNICHIP CORP.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investees	Balance, January 1, 2020		Share of Profit or Loss of Subsidiaries	Exchange Differences on Translation of Foreign Operations	Balance, December 31, 2020		Net Equity Value
	Shares	Amount			Shares	Amount	
GUC-Nanjing	-	\$ 150,997	\$ 80,594	\$ 3,973	-	\$ 235,564	\$ 235,564
GUC-NA	800,000	128,110	9,857	(6,745)	800,000	131,222	131,222
GUC-Japan	1,100	50,925	9,881	37	1,100	60,843	60,843
GUC-Shanghai	-	35,735	4,867	754	-	41,356	41,356
GUC-Europe	-	10,156	1,444	488	-	12,088	12,088
GUC- Korea	44,000	6,704	328	85	44,000	7,117	7,117
Total		<u>\$ 382,627</u>	<u>\$ 106,971</u>	<u>\$ (1,408)</u>		<u>\$ 488,190</u>	<u>\$ 488,190</u>

Note: The amounts of investments in subsidiaries were not pledged as collateral.

## STATEMENT 5

## GLOBAL UNICHIP CORP.

STATEMENT OF ACCOUNTS PAYABLE  
DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Siliconware Precision Industries Co., Ltd.	\$ 157,750
King Yuan Electronics Co., Ltd.	101,741
Advanced Semiconductor Engineering, Inc.	46,644
Ardentec Corporation	40,106
Others (Note)	<u>328,505</u>
Total	<u>\$ 674,746</u>

Note: The amount of individual vendor in others does not exceed 5% of the account balance.

**STATEMENT 6**

**GLOBAL UNICHIP CORP.**

**STATEMENT OF CONTRACT LIABILITIES  
DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)**

Client Name	Amount
Client I	\$ 977,445
Client II	262,526
Client III	134,938
Others (Note)	<u>971,594</u>
Total	<u>\$ 2,346,503</u>

Note: The amount of individual client in others does not exceed 5% of the account balance.

**STATEMENT 7**

**GLOBAL UNICHIP CORP.**

**STATEMENT OF NET REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Item	Quantity	Amount
ASIC and wafer product	155,314,548	\$ 8,524,887
NRE		4,493,858
Others		<u>430,222</u>
Total		<u>\$ 13,448,967</u>



**STATEMENT 8****GLOBAL UNICHIP CORP.**
**STATEMENT OF COST OF REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)**

Item	Amount
Raw materials, beginning of year	\$ 447,969
Raw material purchased	4,345,494
Raw materials, end of year	(171,395)
Others	<u>(25,470)</u>
Raw materials used	4,596,598
Manufacturing overhead	<u>5,185,544</u>
Manufacturing cost	9,782,142
Work in process, beginning of year	1,244,852
Work in process, end of year	<u>(1,163,910)</u>
Cost of finished goods	9,863,084
Finished goods, beginning of year	85,663
Finished goods, end of year	(122,300)
Others	<u>(97,049)</u>
Total	<u>\$ 9,729,398</u>

**STATEMENT 9****GLOBAL UNICHIP CORP.**
**STATEMENT OF OPERATING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)**

Item	Sales and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses
Professional service fee	\$ 174,099	\$ 24,344	\$ 256,334
Salaries	79,905	198,541	1,052,693
Depreciation	699	14,703	310,143
Repair and maintenance expense	18	19,664	26,676
Remuneration to directors	-	18,366	-
Amortization	-	8,128	298,619
Others (Note)	<u>22,086</u>	<u>45,311</u>	<u>276,309</u>
Total	<u>\$ 276,807</u>	<u>\$ 329,057</u>	<u>\$ 2,220,774</u>

Note: The amount of each item in others does not exceed 5% of the account balance.

GLOBAL UNICHIP CORP.

STATEMENT OF EMPLOYEE BENEFITS EXPENSES, DEPRECIATION AND AMORTIZATION BY FUNCTION  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars)

	Year Ended December 31, 2020			Year Ended December 31, 2019		
	Classified as Cost of Revenue	Classified as Operating Expenses	Total	Classified as Cost of Revenue	Classified as Operating Expenses	Total
Employee benefits expenses (Note)						
Salaries	\$ 166,868	\$ 1,331,139	\$ 1,498,007	\$ 146,771	\$ 1,136,280	\$ 1,283,051
Labor and health insurance	8,617	65,788	74,405	8,975	63,697	72,672
Pension	6,012	43,181	49,193	5,605	41,619	47,224
Remuneration to directors	-	18,366	18,366	-	11,819	11,819
Others	5,815	35,520	41,335	4,914	32,248	37,162
	\$ 187,312	\$ 1,493,994	\$ 1,681,306	\$ 166,265	\$ 1,285,663	\$ 1,451,928
Depreciation						
Amortization	\$ 11,839	\$ 325,545	\$ 337,384	\$ 9,160	\$ 304,854	\$ 314,014
		\$ 306,747	\$ 306,747	\$ 193	\$ 252,586	\$ 252,779

Note 1: For the years ended December 31, 2020 and 2019, the Company had 654 and 623 monthly average number of employees, respectively, which included 8 non-employee directors for both years.

Note 2: Average labor cost for the years ended December 31, 2020 and 2019 was NT\$2,574 thousand and NT\$2,342 thousand, respectively.

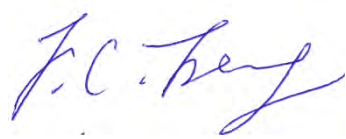
Note 3: Average amount of salary and bonus for the years ended December 31, 2020 and 2019 was NT\$2,319 thousand and NT\$2,086 thousand, respectively.

Note 4: The average salary and bonus increased by 11% year over year.

Note 5: The Company has established the Audit Committee, and the remuneration of independent directors has been incorporated into the remuneration to directors.

Note 6: Compensation and Remuneration Policy

- a. Remuneration to Directors is paid at prevailing rates according to Directors' Remuneration and Travel Allowance Policy of the Company. Guided by the established compensation and remuneration policy in the profit of the Company, compensation and remuneration to directors is accrued and reviewed by the Compensation Committee and the Board of Directors. The compensation arrangement shall be reported in the shareholders' meeting. Directors who also serve as executive officers will receive compensation based on the following rules b & c.
- b. The compensation and remuneration of the President and Vice Presidents of the Company is guided in accordance with Performance Management Policy. Executives' compensation packages are based on individual performance and their contribution to the Company's overall performance with benchmarking to market compensation surveys. The Compensation Committee shall review the KPIs and measurements, followed by performance appraisal, and consequently reward the Executives with the approval of the Board of Directors.
- c. Compensation and Remuneration Policy of the Company is based on individual competence, contribution, and performance appraisal results, which shows positive relation to the Company's overall performance. The combination of compensation and remuneration are base salary, incentive & profit sharing, and benefits. Base salary is determined by roles & responsibilities and employees' working experiences and also benchmarked with compensation market surveys. Incentives & profit sharing are in relation to individuals' contribution, achievements of departmental targets or the Company's performance. Benefits are not intended to only meet regulations and requirements but also designed to meet individuals' needs and for mutual good of all employees.



F. C. Tseng  
Chairman

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