

Global Unichip Corp. and Subsidiaries

**Consolidated Financial Statements for the
Nine Months Ended September 30, 2020 and 2019 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Global Unichip Corp.

Introduction

We have reviewed the accompanying consolidated balance sheets of Global Unichip Corp. and its subsidiaries (collectively, the "Company") as of September 30, 2020 and 2019, the related consolidated statements of comprehensive income for the three months ended September 30, 2020 and 2019 and for the nine months ended September 30, 2020 and 2019, the consolidated statements of changes in equity and cash flows for the nine months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as 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 International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects the consolidated financial position of the Company as of September 30, 2020 and 2019, its consolidated financial performance for the three months ended September 30, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Yih-Shin Kao and Yu Feng Huang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 5, 2020

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 review such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' review 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' review report and consolidated financial statements shall prevail.

GLOBAL UNICHIP CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	September 30, 2020 (Reviewed)		December 31, 2019 (Audited)		September 30, 2019 (Reviewed)		LIABILITIES AND EQUITY	September 30, 2020 (Reviewed)		December 31, 2019 (Audited)		September 30, 2019 (Reviewed)	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
CURRENT ASSETS							CURRENT LIABILITIES						
Cash and cash equivalents	\$ 2,336,258	28	\$ 2,541,628	30	\$ 2,972,719	38	Contract liabilities (Note 16)	\$ 1,530,205	19	\$ 1,109,042	13	\$ 677,335	9
Financial assets at fair value through profit or loss(Note 7)	630,755	8	-	-	-	-	Accounts payable	883,580	11	783,908	9	894,660	11
Contract assets (Note 16)	148,248	2	324,965	4	263,306	3	Payables to related parties (Note 27)	701,436	8	750,637	9	892,103	11
Accounts receivable, net (Notes 6 and 16)	1,155,142	14	1,377,203	17	1,071,149	13	Accrued employees' compensation and remuneration to directors (Note 23)	33,459	-	80,691	1	44,102	1
Receivables from related parties (Note 27)	8,990	-	41,108	-	10,172	-	Payables on machinery and equipment	-	-	58,524	1	257	-
Inventories (Note 8)	1,933,889	23	1,778,484	21	1,310,458	17	Current tax liabilities (Note 21)	15,836	-	76,627	1	34,709	-
Other financial assets	408	-	342	-	589	-	Lease liabilities - current (Notes 10, 24 and 27)	54,014	1	50,955	-	50,296	1
Other current assets (Note 12)	542,257	7	552,198	7	521,926	7	Accrued expenses and other current liabilities (Notes 13 and 27)	789,084	10	727,853	9	825,337	10
Total current assets	6,755,947	82	6,615,928	79	6,150,319	78	Total current liabilities	4,007,614	49	3,638,237	43	3,418,799	43
NON-CURRENT ASSETS							NON-CURRENT LIABILITIES						
Property, plant and equipment (Note 9)	835,186	10	982,487	12	924,561	12	Deferred income tax liabilities (Note 21)	58,793	1	41,826	1	38,283	1
Right-of-use assets (Note 10)	240,923	3	248,327	3	257,211	3	Lease liabilities - non-current (Notes 10, 24 and 27)	191,758	2	199,622	3	208,453	3
Intangible assets (Note 11)	321,541	4	412,047	5	469,207	6	Other long-term payables (Note 13)	52,973	1	112,877	1	154,230	2
Deferred income tax assets (Note 21)	23,581	-	38,810	1	56,967	1	Net defined benefit liabilities (Note 14)	31,839	-	32,104	-	27,938	-
Refundable deposits (Note 27)	25,676	1	20,916	-	22,266	-	Guarantee deposits (Note 24)	3,025	-	3,075	-	3,172	-
Pledged time deposits (Note 28)	22,200	-	22,200	-	22,200	-	Total non-current liabilities	338,388	4	389,504	5	432,076	6
Total non-current assets	1,469,107	18	1,724,787	21	1,752,412	22	Total liabilities	4,346,002	53	4,027,741	48	3,850,875	49
							EQUITY (Note 15)						
							Share capital	1,340,119	16	1,340,119	16	1,340,119	17
							Capital surplus	32,618	-	32,578	1	32,578	-
							Retained earnings						
							Appropriated as legal reserve	825,628	10	762,708	9	762,708	10
							Appropriated as special reserve	20,745	-	8,636	-	8,636	-
							Unappropriated earnings	1,686,545	21	2,189,678	26	1,918,682	24
							Others	(26,603)	-	(20,745)	-	(10,867)	-
							Total equity	3,879,052	47	4,312,974	52	4,051,856	51
TOTAL	\$ 8,225,054	100	\$ 8,340,715	100	\$ 7,902,731	100	TOTAL	\$ 8,225,054	100	\$ 8,340,715	100	\$ 7,902,731	100

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

GLOBAL UNICHIP CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	Three Months Ended September 30				Nine Months Ended September 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
NET REVENUE (Notes 16 and 27)	\$ 3,528,522	100	\$ 2,425,458	100	\$ 9,625,187	100	\$ 7,413,137	100
COST OF REVENUE (Notes 23 and 27)	<u>2,653,674</u>	<u>75</u>	<u>1,597,013</u>	<u>66</u>	<u>7,212,350</u>	<u>75</u>	<u>4,964,415</u>	<u>67</u>
GROSS PROFIT	<u>874,848</u>	<u>25</u>	<u>828,445</u>	<u>34</u>	<u>2,412,837</u>	<u>25</u>	<u>2,448,722</u>	<u>33</u>
OPERATING EXPENSES								
Sales and marketing (Notes 23 and 27)	61,032	2	70,085	3	179,316	2	214,036	3
General and administrative (Notes 23 and 27)	78,018	2	75,112	3	217,123	2	219,225	3
Research and development (Notes 23 and 27)	609,616	17	563,661	23	1,756,722	18	1,638,233	22
Expected credit loss (Note 6)	<u>-</u>	<u>-</u>	<u>(770)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,846</u>	<u>-</u>
Total operating expenses	<u>748,666</u>	<u>21</u>	<u>708,088</u>	<u>29</u>	<u>2,153,161</u>	<u>22</u>	<u>2,094,340</u>	<u>28</u>
INCOME FROM OPERATIONS	<u>126,182</u>	<u>4</u>	<u>120,357</u>	<u>5</u>	<u>259,676</u>	<u>3</u>	<u>354,382</u>	<u>5</u>
NON-OPERATING INCOME AND EXPENSES								
Interest income (Note 17)	2,169	-	5,334	-	9,732	-	19,471	-
Other income (Notes 10 and 18)	1,557	-	2,874	-	61,724	-	59,974	1
Other gains and losses (Note 19)	(5,615)	-	1,236	-	(20,350)	-	11,966	-
Finance costs (Notes 20 and 27)	<u>(880)</u>	<u>-</u>	<u>(929)</u>	<u>-</u>	<u>(2,777)</u>	<u>-</u>	<u>(2,361)</u>	<u>-</u>
Total non-operating income and expenses	<u>(2,769)</u>	<u>-</u>	<u>8,515</u>	<u>-</u>	<u>48,329</u>	<u>-</u>	<u>89,050</u>	<u>1</u>
INCOME BEFORE INCOME TAX	123,413	4	128,872	5	308,005	3	443,432	6
INCOME TAX EXPENSE (Note 21)	<u>16,960</u>	<u>1</u>	<u>27,119</u>	<u>1</u>	<u>66,049</u>	<u>-</u>	<u>85,224</u>	<u>1</u>
NET INCOME	106,453	3	101,753	4	241,956	3	358,208	5
OTHER COMPREHENSIVE LOSS								
Items that may be reclassified subsequently to profit or loss								
Exchange differences on translation of foreign operations (Note 15)	<u>2,564</u>	<u>-</u>	<u>(6,441)</u>	<u>-</u>	<u>(5,858)</u>	<u>(1)</u>	<u>(2,231)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 109,017</u>	<u>3</u>	<u>\$ 95,312</u>	<u>4</u>	<u>\$ 236,098</u>	<u>2</u>	<u>\$ 355,977</u>	<u>5</u>
EARNINGS PER SHARE (Note 22)								
Basic earnings per share	<u>\$ 0.80</u>		<u>\$ 0.76</u>		<u>\$ 1.81</u>		<u>\$ 2.67</u>	
Diluted earnings per share	<u>\$ 0.79</u>		<u>\$ 0.76</u>		<u>\$ 1.80</u>		<u>\$ 2.67</u>	

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

GLOBAL UNICHIP CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars, Unless Specified Otherwise) (Reviewed, Not Audited)

	Share Capital - Common Stock			Retained Earnings				Others	
	Share (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	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	-	-	35	-	-	-	-	-	35
Net income for the nine months ended September 30, 2019	-	-	-	-	-	358,208	358,208	-	358,208
Other comprehensive loss for the nine months ended September 30, 2019, net of income tax	-	-	-	-	-	-	-	(2,231)	(2,231)
Total comprehensive income (loss) for the nine months ended September 30, 2019	-	-	-	-	-	358,208	358,208	(2,231)	355,977
BALANCE, SEPTEMBER 30, 2019	<u>134,011</u>	<u>\$ 1,340,119</u>	<u>\$ 32,578</u>	<u>\$ 762,708</u>	<u>\$ 8,636</u>	<u>\$ 1,918,682</u>	<u>\$ 2,690,026</u>	<u>\$ (10,867)</u>	<u>\$ 4,051,856</u>
BALANCE, JANUARY 1, 2020	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	-	-	40	-	-	-	-	-	40
Net income for the nine months ended September 30, 2020	-	-	-	-	-	241,956	241,956	-	241,956
Other comprehensive loss for the nine months ended September 30, 2020, net of income tax	-	-	-	-	-	-	-	(5,858)	(5,858)
Total comprehensive income (loss) for the nine months ended September 30, 2020	-	-	-	-	-	241,956	241,956	(5,858)	236,098
BALANCE, SEPTEMBER 30, 2020	<u>134,011</u>	<u>\$ 1,340,119</u>	<u>\$ 32,618</u>	<u>\$ 825,628</u>	<u>\$ 20,745</u>	<u>\$ 1,686,545</u>	<u>\$ 2,532,918</u>	<u>\$ (26,603)</u>	<u>\$ 3,879,052</u>

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)

(Reviewed, Not Audited)

	Nine Months Ended September 30	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 308,005	\$ 443,432
Adjustments for:		
Depreciation	277,058	259,454
Amortization	228,912	187,583
Expected credit impairment loss	-	22,846
Gain on financial assets at fair value through profit or loss	(2,159)	(773)
Finance costs	2,777	2,361
Interest income	(9,732)	(19,471)
Gain on foreign exchange, net	(4,446)	(225)
Gain on lease modification	-	(26)
Changes in operating assets and liabilities:		
Contract assets	176,717	(206,330)
Accounts receivable (including related parties)	235,831	(208,591)
Inventories	(155,405)	(35,504)
Other financial assets	-	212
Other current assets	2,160	(94,273)
Contract liabilities	421,163	(191,839)
Accounts payable (including related parties)	69,803	616,250
Accrued employees' compensation and remuneration to directors	(47,232)	(123,331)
Accrued expenses and other current liabilities	68,807	(111,708)
Net defined benefit liabilities	(265)	(295)
Cash generated from operations	1,571,994	539,772
Income tax paid	(87,805)	(153,933)
Net cash generated from operating activities	1,484,189	385,839
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Financial assets at fair value through profit or loss	(2,750,000)	(1,705,000)
Property, plant and equipment	(143,895)	(418,823)
Intangible assets	(201,277)	(205,929)
Proceeds from disposal of:		
Financial assets at fair value through profit or loss	2,121,404	1,705,773
Refundable deposits paid	(8,010)	(4,259)
Refundable deposits refunded	3,079	2,894
Interest received	9,666	19,515
Net cash used in investing activities	(969,033)	(605,829)

(Continued)

GLOBAL UNICHIP CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Nine Months Ended September 30	
	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES		
Guarantee deposits received	\$ 51	\$ 14
Guarantee deposits refunded	(13)	(18)
Repayment of the principal portion of lease liabilities	(42,308)	(39,448)
Cash dividends paid	(670,060)	(670,060)
Interest paid	(2,777)	(2,361)
Dividends from claims extinguished by prescription reclassified to capital surplus	<u>40</u>	<u>35</u>
Net cash used in financing activities	<u>(715,067)</u>	<u>(711,838)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(5,459)</u>	<u>(1,644)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(205,370)	(933,472)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>2,541,628</u>	<u>3,906,191</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 2,336,258</u>	<u>\$ 2,972,719</u>

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

(Concluded)

GLOBAL UNICHIP CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

(Reviewed, Not Audited)

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 6th 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 agreed by the Audit Committee and reported to the Board of Directors for issue on November 5, 2020.

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. 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 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
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
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 are 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” are 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” are 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 first 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

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual financial statements.

Basis of Preparation

These interim 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 the Company 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 accord with those used by the Company.

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

The subsidiaries in the consolidated financial statements

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

Name of Investor	Name of Investee	Main Businesses and Products	Establishment and Operating Location	Percentage of Ownership			Remark
				September 30, 2020	December 31, 2019	September 30, 2019	
GUC	Global Unichip Corp.-NA (GUC-NA)	Products consulting, design and technical support service	U.S.A.	100%	100%	100%	Note 1
	Global Unichip Japan Co., Ltd. (GUC-Japan)	Products consulting, design and technical support service	Japan	100%	100%	100%	Note 1
	Global Unichip Corp. Europe B.V. (GUC-Europe)	Products consulting, design and technical support service	Netherlands	100%	100%	100%	Note 1
	Global Unichip (BVI) Corp. (GUC-BVI)	Investing activities	British Virgin Islands	-	-	100%	Notes 1 & 2
	Global Unichip Corp. Korea (GUC-Korea)	Products consulting, design and technical support service	Korea	100%	100%	100%	Note 1
	Global Unichip (Nanjing) Ltd. (GUC-Nanjing)	Products consulting, design and technical support service	Nanjing, China	100%	100%	100%	Note 1
	Global Unichip (Shanghai) Company, Limited (GUC-Shanghai)	Products consulting, design and technical support service	Shanghai, China	100%	100%	100%	Notes 1 & 2

Note 1: The subsidiaries are not significant subsidiaries. Except for GUC-NA's financial reports of all periods and GUC-NJ's financial report for the nine months ended Sep.30, 2020, the financial statements of other subsidiaries have not been reviewed.

Note 2: In order to restructure 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 presentation currency of the consolidated financial statements are both New Taiwan Dollars (NT\$). In

preparing the consolidated financial statement, the operating results and financial positions 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. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Such exchange differences 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 shall be recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and liabilities are initially recognized at fair values. 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 includes the financial assets are mandatorily classified as at FVTPL, which includes 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 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 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 arising 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 the lessee's 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 assets are limited in a certain useful life. The initial book value is recorded on the purchasing cost itself. After that the subsequent book value is measured by cost less accumulated amortization and accumulated impairment losses. 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 so that the increased carrying amount does 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

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

Recognized the revenue when the NRE service is completed, which meet the qualifications of customer's contract. 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, revenues of the contract service will be 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 they occur, 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.

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings. The effect of a change in tax rate resulting from a change in tax law is recognized consistently with the accounting for the transaction itself which gives rise to the tax consequence, and is recognized in profit or loss in full in the period in which the change in tax rate occurs.

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 in the consolidated financial statements 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 that 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 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 they 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 originally not recognized is also reviewed at the end of each reporting period and increased 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 and deferred tax for the period

Current 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. The estimates and underlying assumptions are reviewed on an ongoing basis. 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 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 allowances in the same period the related revenue is recorded. Provision for estimated sales allowances is generally made and adjusted based on management judgement, historical experience and any known factors that would significantly affect the allowance, and our 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 realization of the 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, and the Company has to determine and estimate to 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 the 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

	September 30, 2020	December 31, 2019	September 30, 2019
At amortized cost of accounts receivable			
Gross carrying amount	\$ 1,175,063	\$ 1,397,124	\$ 1,093,995
Less: Allowance for credit impairment loss	<u>(19,921)</u>	<u>(19,921)</u>	<u>(22,846)</u>
	<u>\$ 1,155,142</u>	<u>\$ 1,377,203</u>	<u>\$ 1,071,149</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 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 debtors and an assessment of all the gross domestic product growth rates, unemployment rates and industrial indicators at the reporting date. The Company estimates expected credit losses based on the number of days for which 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; and poor credit rating customers have accounts receivable balances past due over 90 days, should be recognized 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

	September 30, 2020	December 31, 2019	September 30, 2019
No past due	\$ 1,086,560	\$ 1,261,142	\$ 988,018
Past due			
Past due within 1-30 days	47,901	112,515	73,893
Past due within 31-60 days	21,776	4,072	8,945
Past due within 121-150 days	-	-	14,758
Past due within 151-180 days	-	-	8,381
Past due over 180 days	18,826	19,395	-
Less: Loss allowance	<u>(19,921)</u>	<u>(19,921)</u>	<u>(22,846)</u>
	<u>\$ 1,155,142</u>	<u>\$ 1,377,203</u>	<u>\$ 1,071,149</u>

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

	Nine Months Ended September 30	
	2020	2019
Balance at January 1	\$ 19,921	\$ -
Add: Net remeasurement of credit impairment loss allowance	<u>-</u>	<u>22,846</u>
Balance at September 30	<u>\$ 19,921</u>	<u>\$ 22,846</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2020	December 31, 2019	September 30, 2019
Financial assets mandatorily classified as at FVTPL			
Non-derivative financial assets			
Mutual funds	<u>\$ 630,755</u>	<u>\$ -</u>	<u>\$ -</u>

8. INVENTORIES

	September 30, 2020	December 31, 2019	September 30, 2019
Finished goods	\$ 75,737	\$ 85,663	\$ 120,419
Work in process	1,629,700	1,244,852	895,191
Raw materials	<u>228,452</u>	<u>447,969</u>	<u>294,848</u>
	<u>\$ 1,933,889</u>	<u>\$ 1,778,484</u>	<u>\$ 1,310,458</u>

Write-down of inventories to net realizable value was included in the cost of revenue, which was as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Write down of inventories	<u>\$ 72,956</u>	<u>\$ 21,482</u>	<u>\$ 65,389</u>	<u>\$ 46,654</u>

9. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery and Equipment	Research and Development Equipment	Transportation Equipment	Office Equipment	Miscellaneous Equipment	Total
<u>Cost</u>							
Balance at January 1, 2020	\$ 242,923	\$ 24,741	\$ 1,506,119	\$ 1,375	\$ 29,728	\$ 430,306	\$ 2,235,192
Additions	-	31,395	42,392	-	1,454	9,879	85,120
Disposals	-	-	(4,939)	-	(996)	-	(5,935)
Effect of exchange rate changes	-	-	(326)	-	(126)	(474)	(926)
Balance at September 30, 2020	<u>\$ 242,923</u>	<u>\$ 56,136</u>	<u>\$ 1,543,246</u>	<u>\$ 1,375</u>	<u>\$ 30,060</u>	<u>\$ 439,711</u>	<u>\$ 2,313,451</u>

(Continued)

	Buildings	Machinery and Equipment	Research and Development Equipment	Transportation Equipment	Office Equipment	Miscellaneous Equipment	Total
<u>Accumulated depreciation</u>							
Balance at January 1, 2020	\$ 73,330	\$ 8,560	\$ 847,771	\$ 424	\$ 23,338	\$ 299,282	\$ 1,252,705
Depreciation	3,575	4,070	197,769	199	1,725	24,833	232,171
Disposals	-	-	(4,939)	-	(996)	-	(5,935)
Effect of exchange rate changes	-	-	(178)	-	(76)	(422)	(676)
Balance at September 30, 2020	<u>\$ 76,905</u>	<u>\$ 12,630</u>	<u>\$ 1,040,423</u>	<u>\$ 623</u>	<u>\$ 23,991</u>	<u>\$ 323,693</u>	<u>\$ 1,478,265</u>
Carrying amount at January 1, 2020	<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>
Carrying amount at September 30, 2020	<u>\$ 166,018</u>	<u>\$ 43,506</u>	<u>\$ 502,823</u>	<u>\$ 752</u>	<u>\$ 6,069</u>	<u>\$ 116,018</u>	<u>\$ 835,186</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	-	-	42,561	-	456	11,580	54,597
Disposals	-	(1,319)	(12,881)	-	-	(4,018)	(18,218)
Effect of exchange rate changes	-	-	98	-	(60)	(215)	(177)
Balance at September 30, 2019	<u>\$ 242,923</u>	<u>\$ 24,588</u>	<u>\$ 1,398,172</u>	<u>\$ 1,375</u>	<u>\$ 29,956</u>	<u>\$ 410,750</u>	<u>\$ 2,107,764</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2019	\$ 68,564	\$ 6,470	\$ 616,956	\$ 158	\$ 21,425	\$ 269,465	\$ 983,038
Depreciation	3,574	2,556	184,649	200	1,589	25,851	218,419
Disposals	-	(1,319)	(12,881)	-	-	(4,018)	(18,218)
Effect of exchange rate changes	-	-	34	-	(44)	(26)	(36)
Balance at September 30, 2019	<u>\$ 72,138</u>	<u>\$ 7,707</u>	<u>\$ 788,758</u>	<u>\$ 358</u>	<u>\$ 22,970</u>	<u>\$ 291,272</u>	<u>\$ 1,183,203</u>
Carrying amount at January 1, 2019	<u>\$ 174,359</u>	<u>\$ 19,437</u>	<u>\$ 751,438</u>	<u>\$ 1,217</u>	<u>\$ 8,135</u>	<u>\$ 133,938</u>	<u>\$ 1,088,524</u>
Carrying amount at September 30, 2019	<u>\$ 170,785</u>	<u>\$ 16,881</u>	<u>\$ 609,414</u>	<u>\$ 1,017</u>	<u>\$ 6,986</u>	<u>\$ 119,478</u>	<u>\$ 924,561</u>

(Concluded)

10. LEASE ARRANGEMENTS

a. Right-of-use assets

	Land	Buildings	Transportation Equipment	Total
<u>Cost</u>				
Balance at January 1, 2020	\$ 58,995	\$ 239,159	\$ 4,957	\$ 303,111
Additions	-	37,277	-	37,277
Effect of exchange rate changes	-	(87)	-	(87)
Balance at September 30, 2020	<u>\$ 58,995</u>	<u>\$ 276,349</u>	<u>\$ 4,957</u>	<u>\$ 340,301</u>
<u>Accumulated depreciation</u>				
Balance at January 1, 2020	\$ 1,612	\$ 51,968	\$ 1,204	\$ 54,784
Depreciation	1,210	42,764	913	44,887
Effect of exchange rate changes	-	(293)	-	(293)
Balance at September 30, 2020	<u>\$ 2,822</u>	<u>\$ 94,439</u>	<u>\$ 2,117</u>	<u>\$ 99,378</u>
Carrying amounts at January 1, 2020	<u>\$ 57,383</u>	<u>\$ 187,191</u>	<u>\$ 3,753</u>	<u>\$ 248,327</u>
Carrying amounts at September 30, 2020	<u>\$ 56,173</u>	<u>\$ 181,910</u>	<u>\$ 2,840</u>	<u>\$ 240,923</u>

(Continued)

	Land	Buildings	Transportation Equipment	Total
<u>Cost</u>				
Balance at January 1, 2019	\$ -	\$ -	\$ -	\$ -
Effect of retrospective application of IFRS 16	<u>58,995</u>	<u>158,683</u>	<u>5,653</u>	<u>223,331</u>
Balance at January 1, 2019 (restated)	58,995	158,683	5,653	223,331
Additions	-	76,755	467	77,222
Lease modification	-	-	(1,163)	(1,163)
Effect of exchange rate changes	<u>-</u>	<u>(1,389)</u>	<u>-</u>	<u>(1,389)</u>
Balance at September 30, 2019	<u>\$ 58,995</u>	<u>\$ 234,049</u>	<u>\$ 4,957</u>	<u>\$ 298,001</u>
<u>Accumulated depreciation</u>				
Balance at January 1, 2019	\$ -	\$ -	\$ -	\$ -
Effect of retrospective application of IFRS 16	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at January 1, 2019 (restated)	-	-	-	-
Depreciation	1,209	38,756	1,070	41,035
Lease modification	-	-	(170)	(170)
Effect of exchange rate changes	<u>-</u>	<u>(75)</u>	<u>-</u>	<u>(75)</u>
Balance at September 30, 2019	<u>\$ 1,209</u>	<u>\$ 38,681</u>	<u>\$ 900</u>	<u>\$ 40,790</u>
Carrying amounts at September 30, 2019	<u>\$ 57,786</u>	<u>\$ 195,368</u>	<u>\$ 4,057</u>	<u>\$ 257,211</u> (Concluded)
	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Income from the subleasing of right-of-use assets (presented in other income)	<u>\$ 75</u>	<u>\$ 75</u>	<u>\$ 224</u>	<u>\$ 224</u>

b. Lease liabilities

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Carrying amounts</u>			
Current	<u>\$ 54,014</u>	<u>\$ 50,955</u>	<u>\$ 50,296</u>
Non-current	<u>\$ 191,758</u>	<u>\$ 199,622</u>	<u>\$ 208,453</u>

Range of discount rate for lease liabilities were as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Land	1.62%	1.62%	1.62%
Buildings	0.654%-4.75%	0.825%-4.75%	0.825%-4.75%
Transportation equipment	0.825%	0.825%	0.825%

c. Material lease-in activities and terms

The Company also 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 ROC. 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 options 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 leases 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:

	September 30, 2020	December 31, 2019	September 30, 2019
Year 1	\$ 299	\$ 299	\$ 299
Year 2	299	299	299
Year 3	74	299	299
Year 4	<u>-</u>	<u>-</u>	<u>74</u>
	<u>\$ 672</u>	<u>\$ 897</u>	<u>\$ 971</u>

e. Other lease information

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Expenses relating to short-term leases	<u>\$ 1,375</u>	<u>\$ 2,574</u>	<u>\$ 4,998</u>	<u>\$ 8,863</u>
Expenses relating to low-value asset leases	<u>\$ 12</u>	<u>\$ 14</u>	<u>\$ 23</u>	<u>\$ 39</u>
Total cash outflow for leases			<u>\$ (50,127)</u>	<u>\$ (51,145)</u>

The Company leases certain buildings, transportation equipment and miscellaneous equipment which qualify as short-term leases and certain office equipment and miscellaneous equipment which 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	138,406	-	138,406
Effect of exchange rate changes	<u>(1)</u>	<u>-</u>	<u>(1)</u>
Balance at September 30, 2020	<u>\$ 1,069,135</u>	<u>\$ 519</u>	<u>\$ 1,069,654</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2020	\$ 518,750	\$ 452	\$ 519,202
Amortization	228,891	21	228,912
Effect of exchange rate changes	<u>(1)</u>	<u>-</u>	<u>(1)</u>
Balance at September 30, 2020	<u>\$ 747,640</u>	<u>\$ 473</u>	<u>\$ 748,113</u>
Carrying amount at January 1, 2020	<u>\$ 411,980</u>	<u>\$ 67</u>	<u>\$ 412,047</u>
Carrying amount at September 30, 2020	<u>\$ 321,495</u>	<u>\$ 46</u>	<u>\$ 321,541</u>
<u>Cost</u>			
Balance at January 1, 2019	\$ 822,789	\$ 519	\$ 823,308
Additions	368,597	-	368,597
Effect of exchange rate changes	<u>(5)</u>	<u>-</u>	<u>(5)</u>
Balance at September 30, 2019	<u>\$ 1,191,381</u>	<u>\$ 519</u>	<u>\$ 1,191,900</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2019	\$ 534,689	\$ 424	\$ 535,113
Amortization	187,562	21	187,583
Effect of exchange rate changes	<u>(3)</u>	<u>-</u>	<u>(3)</u>
Balance at September 30, 2019	<u>\$ 722,248</u>	<u>\$ 445</u>	<u>\$ 722,693</u>
Carrying amount at January 1, 2019	<u>\$ 288,100</u>	<u>\$ 95</u>	<u>\$ 288,195</u>
Carrying amount at September 30, 2019	<u>\$ 469,133</u>	<u>\$ 74</u>	<u>\$ 469,207</u>

12. OTHER CURRENT ASSETS

	September 30, 2020	December 31, 2019	September 30, 2019
Prepaid license fees	\$ 191,300	\$ 172,536	\$ 202,730
Prepayment for purchases	186,401	205,732	134,683
VAT tax receivable	113,906	100,343	78,268
Prepaid expenses	38,730	36,398	78,582
Temporary payments	8,772	27,244	20,019
Prepaid income tax	<u>3,148</u>	<u>9,945</u>	<u>7,644</u>
	<u>\$ 542,257</u>	<u>\$ 552,198</u>	<u>\$ 521,926</u>

13. OTHER LIABILITIES

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Current</u>			
Payable for salaries and bonuses	\$ 164,837	\$ 239,236	\$ 176,564
License fees payable	153,003	160,579	187,026
Payable for royalties	53,941	59,556	53,598
Refund liabilities	621	621	621
Others	<u>416,682</u>	<u>267,861</u>	<u>407,528</u>
	<u>\$ 789,084</u>	<u>\$ 727,853</u>	<u>\$ 825,337</u>
<u>Non-current</u>			
License fees payable	<u>\$ 52,973</u>	<u>\$ 112,877</u>	<u>\$ 154,230</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 recognizes the estimation of 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\$13,316 thousand and NT\$15,079 thousand in the consolidated statements of comprehensive income for the three months ended September 30, 2020 and 2019, respectively; and NT\$40,199 thousand and NT\$45,215 thousand in the consolidated statements of comprehensive income for the nine months ended September 30, 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, 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, GUC has no right to influence the investment policy and strategy.

GUC adopted projected unit credit method to measure the present value of the defined benefit obligation, current service costs and prior service costs.

GUC adopted the pension cost rate from the actuarial valuation as of December 31, 2019 and 2018 to determine and recognize pension expenses in general and administrative expenses of NT\$394 thousand and NT\$379 thousand in the consolidated statements of comprehensive income for the three months ended September 30, 2020 and 2019, respectively; and NT\$1,181 thousand and NT\$1,138 thousand in the consolidated statements of comprehensive income for the nine months ended September 30, 2020 and 2019, respectively.

15. EQUITY

a. Share capital

	September 30, 2020	December 31, 2019	September 30, 2019
Authorized	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>
Issued	<u>\$ 1,340,119</u>	<u>\$ 1,340,119</u>	<u>\$ 1,340,119</u>

As of September 30, 2020, December 31, 2019 and September 30, 2019 the authorized shares are 150,000 thousand shares, with par value of \$10 per share is entitled to the right to vote and to receive dividends; GUC's issued and paid shares were 134,011 thousand shares.

b. Capital surplus

	September 30, 2020	December 31, 2019	September 30, 2019
From merger	\$ 16,621	\$ 16,621	\$ 16,621
Additional paid-in capital	13,232	13,232	13,232
Donations	2,660	2,660	2,660
Dividends from claims extinguished by prescription	<u>105</u>	<u>65</u>	<u>65</u>
	<u>\$ 32,618</u>	<u>\$ 32,578</u>	<u>\$ 32,578</u>

Under the Company Law, the capital surplus generated from the excess of the issuance price over the par value of capital stock (including the stock issued for new capital and mergers) and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be appropriated as cash dividends or stock dividends, which are limited to a certain percentage of GUC's paid-in capital under capital surplus. In addition, 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 for each fiscal year, GUC shall offset its losses in previous years before set aside the following items accordingly:

- 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, please refer to Note 23.

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 cash needs.

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 GUC's shareholders' meetings 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

d. Others

Changes in foreign currency translation reserve were as follows:

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2020	2019	2020	2019
Balance, beginning of period	\$ (29,167)	\$ (4,426)	\$ (20,745)	\$ (8,636)
Exchange differences on translation of foreign operations	2,564	(6,441)	(5,858)	(2,231)
Balance, end of period	\$ (26,603)	\$ (10,867)	\$ (26,603)	\$ (10,867)

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:

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Revenue from customer contracts				
Net revenue from sale of goods	\$ 2,087,267	\$ 1,841,803	\$ 6,631,639	\$ 4,902,481
Net revenue from NRE service	<u>1,441,255</u>	<u>583,655</u>	<u>2,993,548</u>	<u>2,510,656</u>
	<u>\$ 3,528,522</u>	<u>\$ 2,425,458</u>	<u>\$ 9,625,187</u>	<u>\$ 7,413,137</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 recognizes the estimation of refund liabilities based on historical experience and the consideration of varying contractual terms, which is classified under accrued expenses and other current liabilities.

a. Contract balances

	September 30, 2020	December 31, 2019	September 30, 2019	January 1, 2019
Account receivables	\$ 1,155,142	\$ 1,377,203	\$ 1,071,149	\$ 903,168
Contract assets - current	<u>\$ 148,248</u>	<u>\$ 324,965</u>	<u>\$ 263,306</u>	<u>\$ 56,976</u>
Contract liabilities - current	<u>\$ 1,530,205</u>	<u>\$ 1,109,042</u>	<u>\$ 677,335</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 nine months ended September 30, 2020 and 2019, the Company recognized NT\$871,586 thousand and NT\$751,014 thousand in revenue from the beginning balance of contract liability, respectively.

b. Disaggregation of revenue from contracts with customers

	Three Months Ended September 30		Nine Months Ended September 30	
Production	2020	2019	2020	2019
ASIC and wafer product	\$ 2,087,267	\$ 1,841,803	\$ 6,631,639	\$ 4,902,481
NRE	1,374,755	493,803	2,667,973	2,247,628
Others	<u>66,500</u>	<u>89,852</u>	<u>325,575</u>	<u>263,028</u>
	<u>\$ 3,528,522</u>	<u>\$ 2,425,458</u>	<u>\$ 9,625,187</u>	<u>\$ 7,413,137</u>

Region	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
United States	\$ 867,681	\$ 1,006,489	\$ 2,914,613	\$ 2,760,645
China	770,410	362,625	2,035,167	916,286
Taiwan	848,979	378,618	2,035,804	1,130,111
Korea	364,004	319,690	1,191,992	1,025,233
Europe	531,914	185,820	1,062,227	535,098
Japan	<u>145,534</u>	<u>172,216</u>	<u>385,384</u>	<u>1,045,764</u>
	<u>\$ 3,528,522</u>	<u>\$ 2,425,458</u>	<u>\$ 9,625,187</u>	<u>\$ 7,413,137</u>

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

Application Type	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Digital Consumer	\$ 1,419,802	\$ 1,216,448	\$ 4,310,787	\$ 3,715,935
Networking	769,224	559,810	2,088,091	1,473,650
Industry	372,441	411,917	1,552,818	980,205
AI/ML	790,961	173,305	1,121,788	607,009
Others	<u>176,094</u>	<u>63,978</u>	<u>551,703</u>	<u>636,338</u>
	<u>\$ 3,528,522</u>	<u>\$ 2,425,458</u>	<u>\$ 9,625,187</u>	<u>\$ 7,413,137</u>

Customer Type	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
System House	\$ 2,112,059	\$ 1,370,131	\$ 6,238,562	\$ 4,479,278
Fabless	<u>1,416,463</u>	<u>1,055,327</u>	<u>3,386,625</u>	<u>2,933,859</u>
	<u>\$ 3,528,522</u>	<u>\$ 2,425,458</u>	<u>\$ 9,625,187</u>	<u>\$ 7,413,137</u>

Resolution	Three Months Ended September 30, 2020		Three Months Ended September 30, 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	\$ 610,313	\$ -	\$ 12,041	\$ -
16-nanometer	445,721	280,718	145,473	15,227
28-nanometer	207,508	473,935	233,341	681,656
40-nanometer	13,228	611,430	10,805	379,596
65-nanometer and above	97,985	721,184	92,143	765,324
Others	<u>66,500</u>	<u>-</u>	<u>89,852</u>	<u>-</u>
	<u>\$ 1,441,255</u>	<u>\$ 2,087,267</u>	<u>\$ 583,655</u>	<u>\$ 1,841,803</u>

Resolution	Nine Months Ended September 30, 2020		Nine Months Ended September 30, 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	\$ 748,639	\$ -	\$ 180,113	\$ 174,980
16-nanometer	838,608	558,152	960,331	26,882
28-nanometer	655,361	2,300,487	698,049	1,783,046
40-nanometer	213,168	1,616,499	91,852	945,550
65-nanometer and above	212,197	2,156,501	317,283	1,972,023
Others	<u>325,575</u>	<u>-</u>	<u>263,028</u>	<u>-</u>
	<u>\$ 2,993,548</u>	<u>\$ 6,631,639</u>	<u>\$ 2,510,656</u>	<u>\$ 4,902,481</u>

17. INTEREST INCOME

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Bank deposits	<u>\$ 2,169</u>	<u>\$ 5,334</u>	<u>\$ 9,732</u>	<u>\$ 19,471</u>

18. OTHER INCOME

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Government grants	\$ 709	\$ -	\$ 56,038	\$ 54,012
Rental income	75	75	224	224
Other income	<u>773</u>	<u>2,799</u>	<u>5,462</u>	<u>5,738</u>
	<u>\$ 1,557</u>	<u>\$ 2,874</u>	<u>\$ 61,724</u>	<u>\$ 59,974</u>

19. OTHER GAINS AND LOSSES

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Gain on financial assets at fair value through profit or loss	\$ 871	\$ 218	\$ 2,159	\$ 773
Foreign exchange (loss) gain, net	(6,486)	996	(22,509)	11,180
Gain on lease modification	-	26	-	26
Others	<u>-</u>	<u>(4)</u>	<u>-</u>	<u>(13)</u>
	<u>\$ (5,615)</u>	<u>\$ 1,236</u>	<u>\$ (20,350)</u>	<u>\$ 11,966</u>

20. FINANCE COSTS

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Interest on lease liabilities	\$ 880	\$ 929	\$ 2,752	\$ 2,361
Interest on bank loans	<u>-</u>	<u>-</u>	<u>25</u>	<u>-</u>
	<u>\$ 880</u>	<u>\$ 929</u>	<u>\$ 2,777</u>	<u>\$ 2,361</u>

21. INCOME TAX

a. Income tax expense recognized in profit or loss

Income tax expense consisted of the following:

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Current income tax expense				
Current tax expense recognized in the current period	\$ 19,390	\$ 29,646	\$ 34,634	\$ 69,305
Income tax adjustments on prior years	<u>(334)</u>	<u>(1,985)</u>	<u>(781)</u>	<u>(2,276)</u>
	<u>19,056</u>	<u>27,661</u>	<u>33,853</u>	<u>67,029</u>
Deferred income tax expense (benefit)				
Temporary differences	(2,096)	(542)	32,196	16,174
Operating loss carryforwards	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,021</u>
	<u>(2,096)</u>	<u>(542)</u>	<u>32,196</u>	<u>18,195</u>
Income tax expense recognized in profit or loss	<u>\$ 16,960</u>	<u>\$ 27,119</u>	<u>\$ 66,049</u>	<u>\$ 85,224</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 the amount of capital expenditure from the unappropriated earnings that was reinvested when calculating the tax on unappropriated earnings.

b. Income tax examination

The tax authorities have examined income tax returns of GUC through 2017.

22. EARNINGS PER SHARE

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Basic EPS	<u>\$ 0.80</u>	<u>\$ 0.76</u>	<u>\$ 1.81</u>	<u>\$ 2.67</u>
Diluted EPS	<u>\$ 0.79</u>	<u>\$ 0.76</u>	<u>\$ 1.80</u>	<u>\$ 2.67</u>

EPS is computed as follows:

	Amounts (Numerator)	Number of Shares (Denominator) (In Thousands)	EPS (NT\$)
<u>Three months ended September 30, 2020</u>			
Basic EPS			
Net income available to common shareholders	\$ 106,453	134,011	<u>\$0.80</u>
Effect of dilutive potential common stock	<u>-</u>	<u>124</u>	
Diluted EPS			
Net income available to common shareholders (including effect of dilutive potential common stock)	<u>\$ 106,453</u>	<u>134,135</u>	<u>\$0.79</u>
<u>Three months ended September 30, 2019</u>			
Basic EPS			
Net income available to common shareholders	\$ 101,753	134,011	<u>\$0.76</u>
Effect of dilutive potential common stock	<u>-</u>	<u>167</u>	
Diluted EPS			
Net income available to common shareholders (including effect of dilutive potential common stock)	<u>\$ 101,753</u>	<u>134,178</u>	<u>\$0.76</u>
<u>Nine months ended September 30, 2020</u>			
Basic EPS			
Net income available to common shareholders	\$ 241,956	134,011	<u>\$1.81</u>
Effect of dilutive potential common stock	<u>-</u>	<u>166</u>	
Diluted EPS			
Net income available to common shareholders (including effect of dilutive potential common stock)	<u>\$ 241,956</u>	<u>134,177</u>	<u>\$1.80</u>

(Continued)

	Amounts (Numerator)	Number of Shares (Denominator) (In Thousands)	EPS (NT\$)
<u>Nine months ended September 30, 2019</u>			
Basic EPS			
Net income available to common shareholders	\$ 358,208	134,011	<u>\$2.67</u>
Effect of dilutive potential common stock	<u>-</u>	<u>252</u>	
Diluted EPS			
Net income available to common shareholders (including effect of dilutive potential common stock)	<u>\$ 358,208</u>	<u>134,263</u>	<u>\$2.67</u> (Concluded)

If the Company settles employees' compensation by issuing share or by cash, the Company assumes the entire amount of the compensation will be settled in shares which should be included in the weighted average number of shares outstanding in calculation of diluted EPS, if the shares have a dilutive effect. Such dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until employees' compensation to be settled in the form of common stocks are approved in the following year.

23. ADDITIONAL INFORMATION OF EXPENSES BY NATURE

Net income included the following items:

	<u>Three Months Ended September 30</u>		<u>Nine Months Ended September 30</u>	
	2020	2019	2020	2019
a. Depreciation expenses				
Depreciation of property, plant and equipment				
Recognized in cost of revenue	\$ 2,425	\$ 1,320	\$ 5,415	\$ 3,936
Recognized in operating expenses	<u>75,819</u>	<u>70,745</u>	<u>226,756</u>	<u>214,483</u>
	<u>78,244</u>	<u>72,065</u>	<u>232,171</u>	<u>218,419</u>
Depreciation of right-of-use assets				
Recognized in cost of revenue	1,006	969	2,997	2,917
Recognized in operating expenses	<u>14,102</u>	<u>13,560</u>	<u>41,890</u>	<u>38,118</u>
	<u>15,108</u>	<u>14,529</u>	<u>44,887</u>	<u>41,035</u>
	<u>\$ 93,352</u>	<u>\$ 86,594</u>	<u>\$ 277,058</u>	<u>\$ 259,454</u>

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
b. Amortization of intangible assets				
Recognized in cost of revenue	\$ -	\$ -	\$ -	\$ 193
Recognized in operating expenses	<u>76,797</u>	<u>64,650</u>	<u>228,912</u>	<u>187,390</u>
	<u>\$ 76,797</u>	<u>\$ 64,650</u>	<u>\$ 228,912</u>	<u>\$ 187,583</u>
c. Research and development costs expensed as occurred	<u>\$ 609,616</u>	<u>\$ 563,661</u>	<u>\$ 1,756,722</u>	<u>\$ 1,638,233</u>
d. Employee benefits expenses				
Post-employment benefits (Note 14)				
Defined contribution plans	\$ 13,316	\$ 15,079	\$ 40,199	\$ 45,215
Defined benefit plans	<u>394</u>	<u>379</u>	<u>1,181</u>	<u>1,138</u>
	13,710	15,458	41,380	46,353
Other employee benefits	<u>485,712</u>	<u>458,409</u>	<u>1,401,074</u>	<u>1,403,290</u>
	<u>\$ 499,422</u>	<u>\$ 473,867</u>	<u>\$ 1,442,454</u>	<u>\$ 1,449,643</u>
Employee benefits expense summarized by function				
Recognized in cost of revenue	\$ 42,765	\$ 39,573	\$ 123,226	\$ 121,447
Recognized in operating expenses	<u>456,657</u>	<u>434,294</u>	<u>1,319,228</u>	<u>1,328,196</u>
	<u>\$ 499,422</u>	<u>\$ 473,867</u>	<u>\$ 1,442,454</u>	<u>\$ 1,449,643</u>
e. Employee's compensation and remuneration to directors				

GUC shall allocate employees' compensation and remuneration to directors no less than 2% and no more than 2% of net income before tax which is not deducted from employees' compensation and remuneration to directors, respectively. 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 then allocate 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 the three months ended September 30, and for the nine months ended September 30, 2020 and 2019, GUC accrued employees' compensation and remuneration to directors were based on certain percentage of net income before tax without deduction of the employees' compensation and remuneration to directors. The accrued amounts were as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Employees' compensation	\$ 15,371	\$ 12,501	\$ 32,046	\$ 41,665
Remuneration to directors	1,036	656	1,412	2,437

If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

GUC's employees' compensation and remuneration to directors in the amounts of NT\$75,228 thousand and NT\$5,463 thousand in cash for 2019, respectively, and in the amounts of NT\$153,240 thousand and NT\$14,193 thousand in cash for 2018, respectively, were approved by the Board of Directors in their meetings held on February 6, 2020 and January 31, 2019, respectively. The aforementioned approved amounts did not have any difference with the amounts recognized in the consolidated financial statements for the years ended December 31, 2019 and 2018, respectively.

The information about appropriations of GUC's employees' compensation and remuneration to directors is available on the Market Observation Post System website.

24. CASH FLOW INFORMATION

Reconciliation of liabilities arising from financing activities:

	Balance as of January 1, 2020	Cash Flows	Non-cash Changes			Balance as of September 30, 2020
			Lease Additions	Lease Decrease	Foreign Exchange Movement	
Guarantee deposits	\$ 3,075	\$ 38	\$ -	\$ -	\$ (88)	\$ 3,025
Lease liabilities	250,577	(42,308)	37,277	-	226	245,772

	Balance as of January 1, 2019	Cash Flows	Non-cash Changes			Balance as of September 30, 2019
			Lease Additions	Lease Decrease	Foreign Exchange Movement	
Guarantee deposits	\$ 3,146	\$ (4)	\$ -	\$ -	\$ 30	\$ 3,172
Lease liabilities	223,331	(39,448)	77,222	(1,019)	(1,337)	258,749

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

September 30, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	\$ <u>630,755</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>630,755</u>

The Company's financial assets at FVTPL were zero on December 31, 2019 and September 30, 2019.

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

b. Categories of financial instruments

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Financial assets</u>			
FVTPL			
Mandatorily classified as at FVTPL	\$ 630,755	\$ -	\$ -
Amortized cost			
Cash and cash equivalents	2,336,258	2,541,628	2,972,719
Accounts receivable, net (including related parties)	1,164,132	1,418,311	1,081,321
Other financial assets	408	342	589
Refundable deposits	2,360	1,652	2,613
Pledged time deposits	<u>22,200</u>	<u>22,200</u>	<u>22,200</u>
	<u>\$ 4,156,113</u>	<u>\$ 3,984,133</u>	<u>\$ 4,079,442</u>
<u>Financial liabilities</u>			
Amortized cost			
Accounts payable (including related parties)	\$ 1,585,016	\$ 1,534,545	\$ 1,786,763
Payables on machinery and equipment	-	58,524	257
Accrued expenses and other current liabilities	453,822	318,196	444,680
Other long-term payables	205,976	273,456	341,256
Guarantee deposits	<u>2,910</u>	<u>2,998</u>	<u>3,104</u>
	<u>\$ 2,247,724</u>	<u>\$ 2,187,719</u>	<u>\$ 2,576,060</u>

c. Financial risk management objectives and policies

The Company's objectives of 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 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 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 nine months ended September 30, 2020 and 2019 would have increased by NT\$3,743 thousand and decreased by NT\$41,901 thousand, respectively.

e. Credit risk management

Credit risk refers to the risk that a counter party 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 of 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 outstanding with its customers worldwide. A substantial 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 September 30, 2020, December 31, 2019 and September 30, 2019, the Company's ten largest customers accounted for 52%, 69% and 53% 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 counter parties and adjusts the concentration limit according to market conditions and the credit standing of the counter parties regularly. The Company mitigates its exposure by selecting financial institution with well credit.

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 September 30, 2020, December 31, 2019 and September 30, 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>September 30, 2020</u>				
Accounts payable (including related parties)	\$ 1,585,016	\$ -	\$ -	\$ 1,585,016
Accrued expenses and other current liabilities	453,822	-	-	453,822
Lease liabilities	56,964	104,602	107,539	269,105
Other long-term payables	153,003	52,973	-	205,976
Guarantee deposits	-	-	2,910	2,910
	<u>\$ 2,248,805</u>	<u>\$ 157,575</u>	<u>\$ 110,449</u>	<u>\$ 2,516,829</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	<u>\$ 161,566</u>	<u>\$ 54,434</u>	<u>\$ 10,692</u>	<u>\$ 10,692</u>	<u>\$ 31,721</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 for 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>

Non-derivative financial liabilities	Less Than 1 Year	2-3 Years	4+ Years	Total
<u>September 30, 2019</u>				
Accounts payable (including related parties)	\$ 1,786,763	\$ -	\$ -	\$ 1,786,763
Payables on machinery and equipment	257	-	-	257
Accrued expenses and other current liabilities	444,680	-	-	444,680
Lease liabilities	53,870	104,127	127,171	285,168
Other long-term payables	187,026	154,230	-	341,256
Guarantee deposits	-	-	3,104	3,104
	<u>\$ 2,472,596</u>	<u>\$ 258,357</u>	<u>\$ 130,275</u>	<u>\$ 2,861,228</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	<u>\$ 157,997</u>	<u>\$ 70,573</u>	<u>\$ 12,047</u>	<u>\$ 10,692</u>	<u>\$ 33,859</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 categories

Related Party Name	Related Party Categories
Taiwan Semiconductor Manufacturing Co., Ltd. (TSMC)	An investor accounted for using 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 Categories	Three Months Ended September 30		Nine Months Ended September 30	
		2020	2019	2020	2019
Net revenue from sale	Investors with significant influence over the company	<u>\$ 56,122</u>	<u>\$ 28,556</u>	<u>\$ 134,702</u>	<u>\$ 68,606</u>
Purchases	Investors with significant influence over the company				
	TSMC	\$ 967,963	\$ 830,645	\$ 2,641,588	\$ 1,933,868
	TSMC-NA	<u>339,045</u>	<u>320,097</u>	<u>724,981</u>	<u>725,059</u>
		1,307,008	1,150,742	3,366,569	2,658,927
	Other related parties	<u>6,839</u>	<u>3,188</u>	<u>59,304</u>	<u>31,130</u>
		<u>\$ 1,313,847</u>	<u>\$ 1,153,930</u>	<u>\$ 3,425,873</u>	<u>\$ 2,690,057</u>
Manufacturing overhead	Investors with significant influence over the company				
	TSMC	\$ 391,772	\$ 106,357	\$ 1,116,350	\$ 501,926
	TSMC-NA	201,458	20,981	383,565	261,762
	VisEra	<u>395</u>	<u>293</u>	<u>933</u>	<u>293</u>
		<u>\$ 593,625</u>	<u>\$ 127,631</u>	<u>\$ 1,500,848</u>	<u>\$ 763,981</u>
Operating expenses	Investors with significant influence over the company	<u>\$ 3,954</u>	<u>\$ 4,049</u>	<u>\$ 10,321</u>	<u>\$ 11,553</u>

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

Items	Related Party Name and Categories	September 30, 2020	December 31, 2019	September 30, 2019
Receivables from related parties	Investors with significant influence over the company			
	TSMC	<u>\$ 8,990</u>	<u>\$ 41,108</u>	<u>\$ 10,172</u>
Refundable deposits	Investors with significant influence over the company			
	VisEra	\$ 2,832	\$ 2,832	\$ 2,832
	TSMC-NA	<u>428</u>	<u>441</u>	<u>457</u>
		<u>\$ 3,260</u>	<u>\$ 3,273</u>	<u>\$ 3,289</u>

(Continued)

Items	Related Party Name and Categories	September 30, 2020	December 31, 2019	September 30, 2019
Payables to related parties	Investors with significant influence over the company			
	TSMC	\$ 556,569	\$ 457,222	\$ 683,366
	TSMC-NA	144,155	283,396	205,567
	VisEra	<u>391</u>	<u>134</u>	<u>-</u>
		701,115	740,752	888,933
	Other related parties	<u>321</u>	<u>9,885</u>	<u>3,170</u>
		<u>\$ 701,436</u>	<u>\$ 750,637</u>	<u>\$ 892,103</u>
Accrued expenses and other current liabilities	Investors with significant influence over the company	<u>\$ 156</u>	<u>\$ 842</u>	<u>\$ 417</u>

(Concluded)

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 Categories	September 30, 2020	December 31, 2019	September 30, 2019
Lease liabilities - current	Investors with significant influence over the company			
	VisEra	\$ 16,195	\$ 16,074	\$ 16,033
	TSMC-NA	<u>3,680</u>	<u>7,493</u>	<u>7,297</u>
		<u>\$ 19,875</u>	<u>\$ 23,567</u>	<u>\$ 23,330</u>
Lease liabilities - non-current	Investors with significant influence over the company			
	VisEra	\$ 70,670	\$ 82,831	\$ 86,865
	TSMC-NA	<u>-</u>	<u>1,759</u>	<u>3,924</u>
		<u>\$ 70,670</u>	<u>\$ 84,590</u>	<u>\$ 90,789</u>

Items	Related Party Name and Categories	Three Months Ended September 30		Nine Months Ended September 30	
		2020	2019	2020	2019
Interest expense	Investors with significant influence over the company				
	VisEra	\$ 225	\$ 265	\$ 704	\$ 824
	TSMC-NA	<u>36</u>	<u>73</u>	<u>149</u>	<u>200</u>
		<u>\$ 261</u>	<u>\$ 338</u>	<u>\$ 853</u>	<u>\$ 1,024</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:

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Short-term employee benefits	\$ 18,480	\$ 15,595	\$ 54,422	\$ 48,488
Post-employment benefits	<u>216</u>	<u>86</u>	<u>486</u>	<u>355</u>
	<u>\$ 18,696</u>	<u>\$ 15,681</u>	<u>\$ 54,908</u>	<u>\$ 48,843</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 September 30, 2020, December 31, 2019 and September 30, 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 a parcel of land from the Science Park Administration (SPA).

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant comments

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 agreement, GUC shall pay at least US\$5,000 thousand, US\$5,500 thousand and US\$4,200 thousand to the counter party in the period from May 2019 to April 2022, from May 2019 to October 2021 and from April 2020 to April 2023, 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 has recognized impairment loss of the related asset amounted to around US\$2,500 thousand and incremental labor costs amounted to around US\$562 thousand subject to the onerous contract.

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 Company entities. The significant foreign-currency financial assets and liabilities were as follows:

(Unit: Foreign Currency in Thousands)

	Foreign Currencies (In Thousands)	Exchange Rate (Note)	Carrying Amount
<u>September 30, 2020</u>			
Monetary items of financial assets			
USD	\$ 60,180	29.10	\$ 1,751,235
Monetary items of financial liabilities			
USD	60,389	29.10	1,757,319
JPY	63,593	0.2756	17,526
RMB	2,638	4.2690	11,261
<u>December 31, 2019</u>			
Monetary items of financial assets			
USD	94,947	29.98	2,846,524
Monetary items of financial liabilities			
USD	60,445	29.98	1,812,142
JPY	68,933	0.2760	19,026
RMB	2,781	4.2975	11,953
<u>September 30, 2019</u>			
Monetary items of financial assets			
USD	92,433	31.040	2,869,126
Monetary items of financial liabilities			
USD	77,959	31.040	2,419,841
JPY	62,740	0.2878	18,057
RMB	2,316	4.3886	10,162

Note: Exchange rate represents the number of N.T. dollars for which one foreign currency could be exchanged.

The significant (realized and unrealized) foreign exchange gains (losses) were as follows:

Three Months Ended September 30				
Foreign Currencies	2020		2019	
	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
JPY	0.2776 (JPY:NTD)	\$ 229	0.2908 (JPY:NTD)	\$ 666
KRW	0.02501 (KRW:NTD)	1	0.02633 (KRW:NTD)	8
EUR	34.4352 (EUR:NTD)	(118)	34.6899 (EUR:NTD)	107
RMB	4.2570 (RMB:NTD)	(700)	4.4890 (RMB:NTD)	241
USD	29.4499 (USD:NTD)	(1,353)	31.1974 (USD:NTD)	(2,030)
USD	1,173.0279 (USD:KRW)	46	1,182.6883 (USD:KRW)	(6)
USD	6.9729 (USD:RMB)	<u>(4,499)</u>	6.9512 (USD:RMB)	<u>2,010</u>
		<u>\$ (6,486)</u>		<u>\$ 996</u>
Nine Months Ended September 30				
Foreign Currencies	2020		2019	
	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
RMB	4.2595 (RMB:NTD)	\$ 499	4.5494 (RMB:NTD)	\$ 94
KRW	0.02507 (KRW:NTD)	(3)	0.02694 (KRW:NTD)	10
EUR	33.5188 (EUR:NTD)	(237)	34.8992 (EUR:NTD)	8
JPY	0.2774 (JPY:NTD)	(610)	0.2847 (JPY:NTD)	360
USD	29.8170 (USD:NTD)	(20,478)	31.0543 (USD:NTD)	9,211
USD	1,186.3121 (USD:KRW)	(6)	1,150.6525 (USD:KRW)	(29)
USD	7.0071 (USD:RMB)	<u>(1,674)</u>	6.8277 (USD:RMB)	<u>1,526</u>
		<u>\$ (22,509)</u>		<u>\$ 11,180</u>

31. OPERATING SEGMENT INFORMATION

The Company operates in individual industry on the basis of how the Company's chief operating decision maker regularly reviews 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. Please refer to the consolidated financial statements for the related operating segment information and Note 16 for information about disaggregation of revenue.

32. ADDITIONAL DISCLOSURES

a. Significant transactions and b. Related information of reinvestment

- 1) Financings provided: None;
- 2) Endorsements/guarantees provided: None;
- 3) Marketable securities held (excluding investments in subsidiaries, associates and jointly controlled entities): Please 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: Please 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: Please 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: Please 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): Please 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: Please 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: Please 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: Please see Table 7 attached.

TABLE 1

GLOBAL UNICHIP CORP. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
SEPTEMBER 30, 2020
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	September 30, 2020				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
GUC	<u>Mutual funds</u>							
	Jih Sun Money Market Fund	-	Financial assets at fair value through profit or loss - current	26,813,425	\$ 400,456	-	\$ 400,456	
	Taishin 1699 Money Market Fund	-	Financial assets at fair value through profit or loss - current	16,891,903	230,299	-	230,299	
	<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. 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
NINE MONTHS ENDED SEPTEMBER 30, 2020
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counter party	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Units	Amount	Units	Amount	Units	Amount	Carrying Amount	Gains on Disposal	Units	Amount
GUC	Taishin 1699 Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	\$ -	67,604,570	\$ 920,000	50,712,667	\$ 690,523	\$ 689,937	\$ 586	16,891,903	\$ 230,299
	Jih Sun Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	63,059,494	940,000	36,246,069	540,462	540,000	462	26,813,425	400,456
	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	350,000	210	-	-
	Yuanta Wan Tai Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	17,733,487	270,000	17,733,487	270,110	270,000	110	-	-
	Fuh Haw Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	18,595,107	270,000	18,595,107	270,099	270,000	99	-	-

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
NINE MONTHS ENDED SEPTEMBER 30, 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 accounted for using equity method	Sales	\$ 134,702	1	30 days after monthly closing	Note 27	Note 27	\$ 8,990	1	
	TSMC-NA	TSMC-NA is a subsidiary of TSMC	Purchases	2,641,588	77	30 days after monthly closing	Note 27	Note 27	(578,779)	(37)	
			Purchases	724,981	21	30 days after invoice date and 30 days after monthly closing	Note 27	Note 27	(148,893)	(9)	

TABLE 4

GLOBAL UNICHIP CORP. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
NINE MONTHS ENDED SEPTEMBER 30, 2020
(Amounts in Thousands of New Taiwan Dollars)

No.	Company Name	Counter Party	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	1	Manufacturing overhead	\$ 44,423	-	-
				Operating expenses	147,683	-	2%
				Accrued expenses and other current liabilities	17,478	-	-
		GUC-Japan	1	Manufacturing overhead	117,151	-	1%
				Operating expenses	61,818	-	1%
				Accrued expenses and other current liabilities	17,526	-	-
		GUC-Europe	1	Manufacturing overhead	3,527	-	-
				Operating expenses	20,177	-	-
				Accrued expenses and other current liabilities	2,547	-	-
		GUC-Korea	1	Manufacturing overhead	2,648	-	-
				Operating expenses	2,451	-	-
				Accrued expenses and other current liabilities	511	-	-
		GUC-Shanghai	1	Manufacturing overhead	34,913	-	-
				Operating expenses	22,747	-	-
				Accrued expenses and other current liabilities	5,541	-	-
		GUC-Nanjing	1	Manufacturing overhead	38,972	-	-
				Operating expenses	11,035	-	-
				Other current assets	74,879	-	1%
				Accrued expenses and other current liabilities	5,721	-	-

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 compared with.

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)
NINE MONTHS ENDED SEPTEMBER 30, 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 September 30, 2020			Net Income (Losses) of the Investee	Investment Income (Losses)	Note
				September 30, 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	\$ 40,268	800,000	100	\$ 131,352	\$ 7,169	\$ 7,169	
	GUC-Japan	Japan	Products consulting, design and technical support service	(US\$ 1,264)	(US\$ 1,264)	1,100	100	58,630	7,824	7,824	
	GUC-Europe	Netherlands	Products consulting, design and technical support service	(YEN 55,000)	(YEN 55,000)	-	100	11,453	1,108	1,108	
	GUC-Korea	Korea	Products consulting, design and technical support service	(EUR 200)	(EUR 200)	44,000	100	6,707	277	277	
				5,974	5,974						
				(KRW 222,545)	(KRW 222,545)						

TABLE 6**GLOBAL UNICHIP CORP. AND SUBSIDIARIES****INFORMATION ON INVESTMENT IN MAINLAND CHINA****NINE MONTHS ENDED SEPTEMBER 30, 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 September 30, 2020 (US\$ in Thousands)	Net Income (Losses) of the Investee	Percentage of Ownership	Investment Income (Losses)	Carrying Amount as of September 30, 2020	Accumulated Inward Remittance of Earnings as of September 30, 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)	\$ 65,773	100%	\$ 65,773 (Note 2)	\$ 215,273	\$ -
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)	2,921	100%	2,921 (Note 3)	38,426	-

Accumulated Investment in Mainland China as of September 30, 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)	\$ 121,303 (US\$ 4,000)	\$ 2,327,431 (Note 4)

Note 1: The Company invested the investee directly.

Note 2: Investment income (losses) was determined based on reviewed financial statements.

Note 3: Investment income (losses) was determined based on unreviewed 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
SEPTEMBER 30, 2020**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Taiwan Semiconductor Manufacturing Co., Ltd.	46,687,859	34.83
Nan Shan Life Insurance Company, Ltd.	6,937,000	5.17

- Note 1: This table is based on the information provided by the Taiwan Depository & Clearing Corporation for stockholders holding greater than 5% of GUC’s stocks completed the process of registration and book-entry delivery in dematerialized form on the last business date of current quarter. There may be a discrepancy in the number of shares recorded on the Company’s consolidated financial statements and its dematerialized securities arising from the difference in basis of preparation.
- Note 2: As table above, the shareholder who delivers the shares to the trust is disclosed by the individual trustee who opened the trust account. In accordance with the Securities Exchange Act, the shareholders have to disclose the insider equity more than 10% of the shares, include their own shares and their delivery to the trust and have the right to make decisions on the trust property. Information on insider equity declaration is available on the Market Observation Post System website.