

Global Unichip Corp. and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2023 and 2022 and
Independent Auditors' Report**

REPRESENTATION LETTER

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2023 are the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements.” Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Consequently, Global Unichip Corp. and its subsidiaries do not prepare a separate set of consolidated financial statements.

Very truly yours,

GLOBAL UNICHIP CORP.

By

DR. F. C. TSENG
Chairman

January 31, 2024

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Global Unichip Corp.

Opinion

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

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

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of inventory

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

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

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

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

Other Matter

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence on the financial information of components constituting the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2023, and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

January 31, 2024

Notice to Readers

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

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

GLOBAL UNICHP CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2023		December 31, 2022		LIABILITIES AND EQUITY	December 31, 2023		December 31, 2022						
	Amount	%	Amount	%		Amount	%	Amount	%					
CURRENT ASSETS														
Cash and cash equivalents (Note 27)	\$ 7,637,809	36	\$ 5,848,557	28	CURRENT LIABILITIES									
Financial assets at fair value through profit or loss (Note 7)	2,080,000	10	1,780,000	8	Contract liabilities (Notes 16 and 27)	\$ 6,250,159	30	\$ 6,349,476	30					
Accounts receivable, net (Notes 6 and 16)	1,967,388	9	2,981,616	14	Accounts payable	1,174,487	6	1,512,480	7					
Receivables from related parties (Note 27)	22,040	-	18,617	-	Payables to related parties (Note 27)	513,654	2	1,470,933	7					
Inventories (Note 8)	4,850,717	23	6,562,722	31	Accrued employees' compensation and remuneration to directors (Note 23)	1,454,645	7	740,818	3					
Other financial assets (Note 27)	3,862	-	1,531	-	Payables on machinery and equipment	16,416	-	17,452	-					
Other current assets (Notes 12 and 27)	<u>2,874,469</u>	<u>14</u>	<u>2,364,874</u>	<u>11</u>	Current tax liabilities (Note 21)	261,573	1	592,932	3					
Total current assets	<u>19,436,285</u>	<u>92</u>	<u>19,557,917</u>	<u>92</u>	Lease liabilities - current (Notes 10, 24 and 27)	78,372	-	68,808	-					
NON-CURRENT ASSETS														
Property, plant and equipment (Note 9)	558,637	3	646,035	3	Accrued expenses and other current liabilities (Note 13)	1,204,559	6	<u>1,845,578</u>	<u>9</u>					
Right-of-use assets (Note 10)	236,721	1	270,017	1	Total current liabilities	<u>10,953,865</u>	<u>52</u>	<u>12,598,477</u>	<u>59</u>					
Intangible assets (Note 11)	587,286	3	541,432	3	NON-CURRENT LIABILITIES									
Deferred income tax assets (Note 21)	15,655	-	19,322	-	NON-CURRENT LIABILITIES									
Prepayments for business facilities	1,244	-	1,036	-	Deferred income tax liabilities (Note 21)	127,918	1	116,463	1					
Refundable deposits (Note 27)	215,904	1	129,580	1	Lease liabilities - non-current (Notes 10, 24 and 27)	172,196	1	214,981	1					
Pledged time deposits (Notes 27 and 28)	<u>22,200</u>	<u>-</u>	<u>22,200</u>	<u>-</u>	Other long-term payables (Note 13)	112,618	-	165,659	1					
Total non-current assets	<u>1,637,647</u>	<u>8</u>	<u>1,629,622</u>	<u>8</u>	Net defined benefit liabilities (Note 14)	22,312	-	27,287	-					
TOTAL														
	<u>\$21,073,932</u>	<u>100</u>	<u>\$21,187,539</u>	<u>100</u>	Guarantee deposits (Note 24)	<u>3,464</u>	<u>-</u>	<u>3,474</u>	<u>-</u>					
					Total non-current liabilities	<u>438,508</u>	<u>2</u>	<u>527,864</u>	<u>3</u>					
					Total liabilities	<u>11,392,373</u>	<u>54</u>	<u>13,126,341</u>	<u>62</u>					
					EQUITY (Note 15)									
					Share capital	1,340,119	6	1,340,119	6					
					Capital surplus	32,801	-	32,676	-					
					Retained earnings									
					Appropriated as legal reserve	1,428,010	7	1,056,442	5					
					Appropriated as special reserve	18,234	-	38,471	-					
					Unappropriated earnings	6,896,402	33	5,611,724	27					
					Others	(34,007)	-	(18,234)	-					
					Total equity	<u>9,681,559</u>	<u>46</u>	<u>8,061,198</u>	<u>38</u>					

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

GLOBAL UNICHIP CORP. AND SUBSIDIARIES

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

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

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

GLOBAL UNICHIP CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

	Share Capital - Common Stock							Others Foreign Currency Translation Reserve	Total Equity		
	Share (In Thousands)		Capital Surplus	Legal Reserve	Retained Earnings		Total				
	Amount	Special Reserve			Unappropriated Earnings						
BALANCE, JANUARY 1, 2022	134,011	\$ 1,340,119	\$ 32,641	\$ 910,172	\$ 22,153	\$ 2,996,715	\$ 3,929,040	\$ (38,471)	\$ 5,263,329		
Appropriation and distribution of prior year's earnings											
Legal reserve	-	-	-	146,270	-	(146,270)	-	-	-		
Special reserve	-	-	-	-	16,318	(16,318)	-	-	-		
Cash dividends to shareholders - NT\$7.00 per share	-	-	-	-	-	(938,083)	(938,083)	-	(938,083)		
Total	-	-	-	146,270	16,318	(1,100,671)	(938,083)	-	(938,083)		
Dividends from claims extinguished by prescription	-	-	35	-	-	-	-	-	35		
Net income in 2022	-	-	-	-	-	3,710,442	3,710,442	-	3,710,442		
Other comprehensive income in 2022, net of income tax	-	-	-	-	-	5,238	5,238	20,237	25,475		
Total comprehensive income in 2022	-	-	-	-	-	3,715,680	3,715,680	20,237	3,735,917		
BALANCE, DECEMBER 31, 2022	134,011	1,340,119	32,676	1,056,442	38,471	5,611,724	6,706,637	(18,234)	8,061,198		
Appropriation and distribution of prior year's earnings											
Legal reserve	-	-	-	371,568	-	(371,568)	-	-	-		
Reversal of special reserve	-	-	-	-	(20,237)	20,237	-	-	-		
Cash dividends to shareholders - NT\$14.00 per share	-	-	-	-	-	(1,876,167)	(1,876,167)	-	(1,876,167)		
Total	-	-	-	371,568	(20,237)	(2,227,498)	(1,876,167)	-	(1,876,167)		
Donations from shareholders	-	-	50	-	-	-	-	-	50		
Dividends from claims extinguished by prescription	-	-	75	-	-	-	-	-	75		
Net income in 2023	-	-	-	-	-	3,507,885	3,507,885	-	3,507,885		
Other comprehensive income in 2023, net of income tax	-	-	-	-	-	4,291	4,291	(15,773)	(11,482)		
Total comprehensive income in 2023	-	-	-	-	-	3,512,176	3,512,176	(15,773)	3,496,403		
BALANCE, DECEMBER 31, 2023	134,011	\$ 1,340,119	\$ 32,801	\$ 1,428,010	\$ 18,234	\$ 6,896,402	\$ 8,342,646	\$ (34,007)	\$ 9,681,559		

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

GLOBAL UNICHIP CORP. AND SUBSIDIARIES

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

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

(Continued)

GLOBAL UNICHIP CORP. AND SUBSIDIARIES

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

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

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

(Concluded)

GLOBAL UNICHIP CORP. AND SUBSIDIARIES

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

1. GENERAL

Global Unichip Corp. (GUC), a Republic of China (R.O.C.) corporation, was incorporated on January 22, 1998. GUC is engaged mainly in researching, developing, producing, testing and selling of embedded memory and logic components for various application ICs, cell libraries for various application ICs, and EDA tools for various application ICs. On November 3, 2006, GUC's shares were listed on the Taiwan Stock Exchange (TWSE). The address of its registered office and principal place of business is No. 10 Li-Hsin 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 approved and authorized by GUC's Audit Committee and Board of Directors for issue on January 31, 2024.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

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

Material accounting policies are summarized as follows:

Statement of Compliance

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

Basis of Preparation

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

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

Basis of Consolidation

Principles for preparing consolidated financial statements

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

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

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

The subsidiaries in the consolidated financial statements

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

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

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

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

Foreign Currencies

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

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

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

Classification of Current and Non-current Assets and Liabilities

Current assets include:

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

Current liabilities include:

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

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

Cash Equivalents

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

Financial Instruments

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

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

Financial Assets

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

a. Measurement category

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

1) Financial assets at FVTPL

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

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

2) Financial assets at amortized cost

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

- a) The financial asset is held within a business model whose objective is collecting contractual cash flows; and
- b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

b. Impairment of financial assets and contract assets

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

The Company always recognizes lifetime Expected Credit Losses (ECLs) for accounts receivable. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the

financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

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

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

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

c. Derecognition of financial assets

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

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

Financial Liabilities and Equity Instruments

a. Classification as debt or equity

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

b. Equity instruments

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

c. Financial liabilities

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

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

d. Derecognition of financial liabilities

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

Inventories

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

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

Property, Plant and Equipment

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

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

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

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

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

Leases

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

a. The Company as lessor

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

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

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

b. The Company as lessee

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

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

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

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Intangible Assets

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

Software	2 to 5 years
Patents	Economic lives of the patents

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

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

Impairment of Tangible and Intangible Assets

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

Recoverable amount is the higher of fair value less costs to sell or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

Revenue Recognition

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

Revenue from sale of goods

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

Rendering of Non-Recurring Engineering (NRE) services

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

Retirement Benefits

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

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

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

Taxation

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

Current tax

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

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

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

Deferred tax

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

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

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

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

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

Current tax and deferred tax for the period

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

Government Grants

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

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

In the application of the Company's accounting policies, which are described in Note 4, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

MATERIAL ACCOUNTING JUDGMENTS

Revenue recognized at gross or net amount

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

Timing of revenue recognition

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

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

KEY SOURCES OF ESTIMATION AND UNCERTAINTY

Impairment of Financial Assets

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

Realization of Deferred Income Tax Assets

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

Valuation of Inventory

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

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

Lessees' Incremental Borrowing Rates

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

6. ACCOUNTS RECEIVABLE, NET

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

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

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

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

Aging analysis of accounts receivable

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

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

8. INVENTORIES

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

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

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

9. PROPERTY, PLANT AND EQUIPMENT

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

10. LEASE ARRANGEMENTS

a. Right-of-use assets

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

b. Lease liabilities

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

Range of discount rates for lease liabilities was as follows:

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

c. Material leasing activities and terms

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

d. Subleases

The other sublease transaction is set out below.

Sublease of right-of-use assets

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

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

	December 31	
	2023	2022
Year 1	\$ 150	\$ 300
Year 2	- <hr style="width: 100px; border: 0; border-top: 1px solid black; margin: 0;"/>	150 <hr style="width: 100px; border: 0; border-top: 1px solid black; margin: 0;"/>
	<u>\$ 150</u>	<u>\$ 450</u>

e. Other lease information

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

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

11. INTANGIBLE ASSETS

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

12. OTHER CURRENT ASSETS

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

13. OTHER LIABILITIES

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

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

14. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

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

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

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

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

Movements in net defined benefit liabilities were as follows:

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

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

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

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

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

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

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

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

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

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

	December 31	
	2023	2022
The expected contributions to the plan for the next year	\$ 2,203	\$ 2,168
The average duration of the defined benefit obligation	10 years	11 years
The maturity analysis of undiscounted pension benefit is as follows:		
	December 31	
	2023	2022
Later than 1 year and not later than 5 years	\$ 12,116	\$ 14,008
Later than 5 years	<u>74,436</u>	<u>75,526</u>
	<u><u>\$ 86,552</u></u>	<u><u>\$ 89,534</u></u>

15. EQUITY

a. Share capital

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

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

b. Capital surplus

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

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

c. Retained earnings and dividend policy

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

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

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

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

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

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

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

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

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

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

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

d. Others

Changes in foreign currency translation reserve were as follows:

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

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

16. NET REVENUE

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

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

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

a. Contract balances

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

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

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

b. Disaggregation of revenue from contracts with customers

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

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

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

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

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

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

17. INTEREST INCOME

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

18. OTHER INCOME

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

19. OTHER GAINS AND LOSSES

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

20. FINANCE COSTS

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

21. INCOME TAX

a. Income tax expense recognized in profit or loss

Income tax expense consisted of the following:

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

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

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

b. Deferred income tax

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

	December 31	
	2023	2022
<u>Deferred income tax assets</u>		
Temporary differences		
Write-down of inventory	\$ 5,091	\$ 1,793
Others	<u>10,564</u>	<u>17,529</u>
	<u>\$ 15,655</u>	<u>\$ 19,322</u>

Deferred income tax liabilities

Temporary differences			
Share of profit of subsidiaries accounted for using equity method	\$ (127,626)	\$ (116,014)	
Others	<u>(292)</u>	<u>(449)</u>	
	<u>\$ (127,918)</u>	<u>\$ (116,463)</u>	

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

Year ended December 31, 2023

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

Year ended December 31, 2022

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

Year ended December 31, 2023

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

Year ended December 31, 2022

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

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

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

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

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

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

e. Income tax examination

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

22. EARNINGS PER SHARE

	Years Ended December 31	
	2023	2022
Basic EPS	\$ <u>26.18</u>	\$ <u>27.69</u>
Diluted EPS	\$ <u>26.02</u>	\$ <u>27.47</u>

EPS is computed as follows:

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

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

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

23. ADDITIONAL INFORMATION OF EXPENSES BY NATURE

Net income included the following items:

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

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

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

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

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

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

	Year Ended December 31, 2022
The approved amounts by the Board of Directors	\$ 45,000
The amounts recognized in the consolidated financial statements	<u>\$ 72,544</u>

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

The employees' compensation and remuneration to directors of GUC in the amounts of NT\$271,773 thousand and NT\$27,722 thousand in cash for 2021 were approved by the Board of Directors in their meeting held on January 26, 2022. The aforementioned approved amounts did not have any difference with the amounts recognized in the consolidated financial statements for the year ended December 31, 2021.

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

24. CASH FLOW INFORMATION

Movements of liabilities with cash flows and non-cash changes:

	Balance as of January 1, 2023	Cash Flows	Non-cash Changes			Balance as of December 31, 2023
			Lease Additions	Lease Termination	Foreign Exchange Movement	
Guarantee deposits	\$ 3,474	\$ (2)	\$ -	\$ -	\$ (8)	\$ 3,464
Lease liabilities	283,789	(79,965)	48,408	-	(1,664)	250,568

	Balance as of January 1, 2022	Cash Flows	Non-cash Changes			Balance as of December 31, 2022
			Lease Additions	Lease Termination	Foreign Exchange Movement	
Guarantee deposits	\$ 2,911	\$ 257	\$ -	\$ -	\$ 306	\$ 3,474
Lease liabilities	271,227	(64,879)	68,178	(449)	9,712	283,789

25. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company are able to operate sustainability while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company engages in the semiconductor design services, which is closely tied with customer demand. Business is influenced by the cyclical nature of the semiconductor industry but not significantly. In consideration of the industry dynamics, the Company manages its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, capital asset purchases, research and development activities, dividend payments, debt service requirements and other business requirements associated with its existing operations over the next 12 months. Through capital management, the Company is capable of coping with changes in the industry, striving for improvement, and ultimately creating shareholder value.

26. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	<u>\$ 2,080,000</u>	\$ _____ -	\$ _____ -	<u>\$ 2,080,000</u>

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	<u>\$ 1,780,000</u>	\$ _____ -	\$ _____ -	<u>\$ 1,780,000</u>

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

b. Categories of financial instruments

	December 31	
	2023	2022
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 2,080,000	\$ 1,780,000
Amortized cost		
Cash and cash equivalents	7,637,809	5,848,557
Accounts receivable, net (including related parties)	1,989,428	3,000,233
Other financial assets	3,862	1,531
Refundable deposits	188,106	101,383
Pledged time deposits	22,200	22,200
	<u>\$ 11,921,405</u>	<u>\$ 10,753,904</u>
	(Continued)	

	December 31	
	2023	2022
<u>Financial liabilities</u>		
Amortized cost		
Accounts payable (including related parties)	\$ 1,688,141	\$ 2,983,413
Payables on machinery and equipment	16,416	17,452
Accrued expenses and other current liabilities	674,049	747,446
Other long-term payables	395,998	404,611
Guarantee deposits	<u>3,071</u>	<u>3,071</u>
	<u><u>\$ 2,777,675</u></u>	<u><u>\$ 4,155,993</u></u>
		(Concluded)

c. Financial risk management objectives and policies

The Company's objectives in financial risk management are to manage its exposure to market risk, credit risk and liquidity risk related to the operating activities. To reduce the related financial risks, the Company engages in identifying, assessing and avoiding the market uncertainties with the objective to reduce the potentially adverse effects the market uncertainties may have on its financial performance.

The plans for material treasury activities are reviewed by the Audit Committee and the Board of Directors in accordance with procedures required by relevant regulations and internal controls. During the implementation of such plans, the treasury function must comply with certain treasury procedures that provide guiding principles for overall financial risk management and segregation of duties.

d. Market risk

Foreign currency risk

The Company's operating activities are mainly denominated in foreign currency and exposed to foreign exchange risk. To protect against the volatility of future cash flows arising from changes in foreign exchange rates, the Company maintains a balance of net foreign currency assets and liabilities in hedge.

The Company's sensitivity analysis to foreign currency risk mainly focuses on the foreign currency monetary items at the end of the reporting period. Assuming a 10% strengthening of New Taiwan Dollars against the relevant currencies, the net income before tax for the years ended December 31, 2023 and 2022 would have decreased by NT\$11,556 thousand and NT\$54,688 thousand, respectively.

e. Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company is exposed to credit risk from operating activities, primarily accounts receivable, and from investing activities primarily deposits with banks. Credit risk is managed separately for business related and financial related exposures. As of the balance sheet date, the Company's maximum credit risk exposure is mainly from the carrying amount of financial assets recognized in the consolidated balance sheet.

Business related credit risk

The Company has considerable accounts receivable from its customers worldwide. Majority of the Company's outstanding accounts receivable are not covered by collateral or credit insurance. While the Company has procedures to monitor and limit exposure to credit risk on accounts receivable, there can be no assurance such procedures will effectively limit its credit risk and avoid losses.

As of December 31, 2023 and 2022, the Company's ten largest customers accounted for 54% and 59% of accounts receivable, respectively.

Financial credit risk

The Company monitors and reviews the transaction limit applied to counterparties and adjusts the concentration limit according to market conditions and the credit standing of the counterparties regularly. The Company mitigates its exposure by selecting financial institution with high credit rating.

f. Liquidity risk management

The objective of liquidity risk management is to ensure the Company has sufficient liquidity to fund its business requirements. The Company manages its liquidity risk by maintaining adequate cash and banking facilities.

As of December 31, 2023 and 2022, the unused financing facilities of the Company amounted to NT\$1,600,000 thousand.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

Non-derivative Financial Liabilities	Less Than 1 Year	2-3 Years	4+ Years	Total
<u>December 31, 2023</u>				
Accounts payable (including related parties)	\$ 1,688,141	\$ -	\$ -	\$ 1,688,141
Payables on machinery and equipment	16,416	-	-	16,416
Accrued expenses and other current liabilities	674,049	-	-	674,049
Lease liabilities	82,331	114,516	74,725	271,572
Other long-term payables	283,380	112,618	-	395,998
Guarantee deposits	-	-	3,071	3,071
	<u>\$ 2,744,317</u>	<u>\$ 227,134</u>	<u>\$ 77,796</u>	<u>\$ 3,049,247</u>

Additional information about the maturity analysis of lease liabilities:

Non-derivative Financial Liabilities	Less than 4 Year	4-10 Years	10-15 Years	15-20 Years	20+ Years
	Less Than 1 Year	2-3 Years	4+ Years	Total	
Lease liabilities	<u>\$ 196,847</u>	<u>\$ 28,365</u>	<u>\$ 10,740</u>	<u>\$ 10,740</u>	<u>\$ 24,880</u>
<u>December 31, 2022</u>					
Accounts payable (including related parties)	\$ 2,983,413	\$ -	\$ -	\$ -	\$ 2,983,413
Payables on machinery and equipment	17,452	-	-	-	17,452
Accrued expenses and other current liabilities	747,446	-	-	-	747,446
Lease liabilities	73,060	142,066	92,810	-	307,936
Other long-term payables	238,952	165,659	-	-	404,611
Guarantee deposits	-	-	3,071	-	3,071
	<u>\$ 4,060,323</u>	<u>\$ 307,725</u>	<u>\$ 95,881</u>	<u>\$ 4,463,929</u>	

Additional information about the maturity analysis of lease liabilities:

	Less than 4 Year	4-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	\$ 215,126	\$ 44,303	\$ 10,740	\$ 10,739	\$ 27,028

g. Fair value of financial instruments

The carrying amounts of the Company's financial assets and financial liabilities measured at amortized cost at the end of financial reporting period recognized in the consolidated financial statements approximate their fair values. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

27. RELATED PARTY TRANSACTIONS

Intercompany balances and transactions between GUC and its subsidiaries have been eliminated upon consolidation; therefore, those items are not disclosed in this note. The following is a summary of transactions between the Company and other related parties:

a. Related party name and category

Related Party Name	Related Party Category
Taiwan Semiconductor Manufacturing Co., Ltd. (TSMC)	An investor that accounts for its investment by using the equity method
TSMC North America (TSMC-NA)	A subsidiary of TSMC
TSMC Europe B.V. (TSMC-EU)	A subsidiary of TSMC
VisEra Technologies Co., Ltd. (VisEra)	A subsidiary of TSMC
Vanguard International Semiconductor Corporation (VIS)	An associate of TSMC
Bank SinoPac	Affiliate of GUC president's spouse

b. Operating transactions

Line Item	Related Party Name and Category	Years Ended December 31	
		2023	2022
Net revenue from sale	Investors and subsidiaries with significant influence over the Company	\$ 309,393	\$ 242,634
Purchases	Investors and subsidiaries with significant influence over the Company		
	TSMC	\$ 6,395,587	\$ 8,761,346
	TSMC-NA	2,495,246	2,021,946
		8,890,833	10,783,292
	Other related parties	-	77,802
		\$ 8,890,833	\$ 10,861,094

(Continued)

Line Item	Related Party Name and Category	Years Ended December 31	
		2023	2022
Manufacturing overhead	Investors and subsidiaries with significant influence over the Company		
	TSMC	\$ 1,322,736	\$ 1,562,568
	TSMC-NA	1,048,605	883,440
	VisEra	<u> </u> -	<u> </u> 1,164
		<u> </u> \$ 2,371,341	<u> </u> \$ 2,447,172
Operating expenses	Investors and subsidiaries with significant influence over the Company	\$ 38,339	\$ 24,096

(Concluded)

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

Line Item	Related Party Name and Category	December 31	
		2023	2022
Receivables from related parties	Investors and subsidiaries with significant influence over the Company		
	TSMC	\$ 22,040	\$ 18,617
Other current assets	Investors and subsidiaries with significant influence over the Company		
	TSMC	\$ 1,976,424	\$ 108,130
	TSMC-NA	<u> </u> -	<u> </u> 976,397
		<u> </u> \$ 1,976,424	<u> </u> \$ 1,084,527
Refundable deposits	Investors and subsidiaries with significant influence over the Company		
	VisEra	\$ 3,304	\$ 2,832
Contract liabilities	Investors and subsidiaries with significant influence over the Company	\$ <u> </u> -	\$ 4,497
Payables to related parties	Investors and subsidiaries with significant influence over the Company		
	TSMC	\$ 470,622	\$ 1,299,352
	TSMC-NA	43,032	171,035
	VisEra	<u> </u> -	<u> </u> 12
		<u> </u> 513,654	<u> </u> 1,470,399
	Other related parties	<u> </u> -	<u> </u> 534
		<u> </u> \$ 513,654	<u> </u> \$ 1,470,933

The terms of sales to related parties were not significantly different from those of sales to third parties. For other related party transactions, the terms of transactions were determined in accordance with mutual agreement because there were no comparable terms for third-party transactions. The payment term granted to related parties is due 30 days from the invoice date or 30 days from the end of the month when the invoice is issued, while the payment term granted to third parties is due 30 days from the invoice date or 75 days from the end of the month when the invoice is issued.

c. Lease arrangements

Line Item	Related Party Name and Category	December 31	
		2023	2022
Lease liabilities - current	Investors and subsidiaries with significant influence over the Company VisEra	<u>\$ 19,520</u>	<u>\$ 19,325</u>
Lease liabilities - non-current	Investors and subsidiaries with significant influence over the Company VisEra	<u>\$ 19,717</u>	<u>\$ 39,237</u>
Line Item	Related Party Name and Category	Years Ended December 31	
		2023	2022
Finance costs	Investors and subsidiaries with significant influence over the Company VisEra	<u>\$ 499</u>	<u>\$ 600</u>

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

d. Bank deposits and interest income

Line Item	Related Party Name and Category	December 31	
		2023	2022
Bank deposits	Substantive related parties Bank SinoPac	<u>\$ 955,794</u>	<u>\$ 1,963,705</u>
Other financial assets	Substantive related parties Bank SinoPac	<u>\$ 141</u>	<u>\$ 390</u>
Pledged time deposits	Substantive related parties Bank SinoPac	<u>\$ 20,000</u>	<u>\$ 20,000</u>

Range of interest rates for bank deposits was as follows:

Line Item	Related Party Name and Category	December 31	
		2023	2022
Bank deposits	Substantive related parties Bank SinoPac	0.001%-2.850%	0.001%-1.900%
Pledged time deposits	Substantive related parties Bank SinoPac	0.4575%-0.8828%	0.3180%-0.4575%

Line Item	Related Party Name and Category	Years Ended December 31	
		2023	2022
Interest income	Substantive related parties Bank SinoPac	\$ 18,142	\$ 7,176

e. Compensation of key management personnel:

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

	Years Ended December 31	
	2023	2022
Short-term employee benefits	\$ 196,525	\$ 234,540
Post-employment benefits	596	585
	\$ 197,121	\$ 235,125

The remuneration to directors and other key management personnel were determined by the Compensation Committee of GUC in accordance with the individual performance and the market trends.

28. PLEDGED OR MORTGAGED ASSETS

As of December 31, 2023 and 2022, GUC provided pledged time deposits of NT\$20,000 thousand as collateral for customs clearance and also provided pledged time deposits of NT\$2,200 thousand as collateral for lease of a parcel of land from the Science Park Administration (SPA).

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

GUC has entered into license agreements with several companies that own intellectual property rights. According to the agreements, GUC shall pay specific amounts of money to obtain licenses of their intellectual property rights or shall pay royalties at specific percentages of sales amount of identified products. Under the agreements, GUC shall pay at least US\$4,000 thousand, US\$8,200 thousand and US\$4,000 thousand to the counterparty in the period from April 2022 to April 2025, from July 2023 to July 2026 and from February 2024 to January 2027, respectively.

Under the agreement, GUC shall pay at least US\$1,500 thousand to the counterparty in the period from June 2022.

Under the agreement, GUC shall pay at least US\$1,500 thousand to the counterparty in the period from August 2023.

Under the agreement, GUC shall pay at least US\$2,100 thousand to the counterparty in the period from December 2023 to December 2026.

GUC has entered into a long-term material supply agreement with the counterparty. The contract period is from June 2021 to March 2028, and GUC should pay US\$4,060 thousand as security deposits to ensure the capacity supply in accordance with the contract. If the contract cannot be performed owing to fall short of the agreed purchase or supply quantities, the parties will pay compensation for the other side in accordance with the contract.

GUC has entered into a long-term advanced packaging capacity agreement with the counterparty. The contract service period is from July 2026 to December 2035. GUC should pay US\$37,500 thousand as security deposits to ensure the advanced packaging capacity supply in accordance with the contract, and GUC has paid US\$10,000 thousand as of December 31, 2023. The amount of the security deposits refund will be calculated based on the annual production capacity utilization rate with the contract. However, if the certain level of production capacity utilization rate will not be achieved, the security deposits will not be refunded.

30. EXCHANGE RATE INFORMATION OF FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES

The following information was aggregated by the foreign currencies other than functional currencies of the consolidated entities. The significant foreign-currency financial assets and liabilities were as follows:

(Unit: Foreign Currency in Thousands)

	Foreign Currency	Exchange Rate (Note)	Carrying Amount
<u>December 31, 2023</u>			
Monetary item - financial assets			
USD	\$ 89,254	30.705	\$ 2,739,765
Monetary item - financial liabilities			
USD	83,425	30.705	2,561,565
JPY	193,573	0.2172	42,044
RMB	3,779	4.3270	16,354
VND	2,563,828	0.00125	3,205
<u>December 31, 2022</u>			
Monetary item - financial assets			
USD	143,552	30.71	4,408,396
Monetary item - financial liabilities			
USD	124,448	30.71	3,821,812
JPY	82,781	0.2324	19,238
RMB	4,212	4.4080	18,569

Note: Exchange rate represents the amount of NT\$ that can be exchanged to one unit of foreign currency.

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

Foreign Currency	Exchange Rate	Years Ended December 31		Net Foreign Exchange Gain (Loss)	
		2023			
		Net Foreign Exchange Gain (Loss)	Exchange Rate		
VND	0.00129 (VND:NTD)	\$ 128	- (VND:NTD)	\$ -	
KRW	0.02407 (KRW:NTD)	12	0.02330 (KRW:NTD)	(6)	
EUR	33.6972 (EUR:NTD)	(196)	31.3596 (EUR:NTD)	(108)	
JPY	0.2221 (JPY:NTD)	(201)	0.2275 (JPY:NTD)	1,518	
RMB	4.3954 (RMB:NTD)	(1,009)	4.4219 (RMB:NTD)	(1,309)	
USD	31.1548 (USD:NTD)	(6,703)	29.8044 (USD:NTD)	132,548	
USD	1,293.0297 (USD:KRW)	(69)	1,277.3737 (USD:KRW)	(2)	
USD	7.0424 (USD:RMB)	5,243	6.6972 (USD:RMB)	(13,712)	
USD	23,858 (USD:VND)	(332)	- (USD:VND)	-	
		\$ (3,127)		\$ 118,929	

31. OPERATING SEGMENT INFORMATION

The Company operates in a single industry and viewed by the Company's chief operating decision maker as one segment when reviewing information in order to allocate resources and assess performance. The basis for the measurement of the operating segment profit (loss), assets and liabilities is the same as that for the preparation of financial statements. Refer to the consolidated financial statements for the related operating segment information and Note 16 for information about disaggregation of revenue.

a. Geographic information

	Non-current Assets	
	December 31	
	2023	2022
Taiwan	\$ 1,245,587	\$ 1,314,076
United States	54,343	67,751
Japan	27,350	39,602
China	20,895	15,830
Europe	20,453	20,679
Vietnam	13,317	-
Korea	<u>1,943</u>	<u>582</u>
	<u><u>\$ 1,383,888</u></u>	<u><u>\$ 1,458,520</u></u>

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

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

	Years Ended December 31			
	2023		2022	
	Amount	%	Amount	%
Customer A	\$ 5,676,864	22	\$ 2,960,064	12
Customer B	3,688,240	14	Note	-

Note: The customer did not exceed 10% of net revenue in the current year so that the disclosure is not required.

32. ADDITIONAL DISCLOSURES

a. Significant transactions and b. Related information of reinvestment

- 1) Financing provided: None;
- 2) Endorsements/guarantees provided: None;
- 3) Marketable securities held (excluding investments in subsidiaries, associates and jointly controlled entities): See Table 1 attached;
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: See Table 2 attached;

- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None;
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None;
- 7) Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: See Table 3 attached;
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None;
- 9) Information about the derivative instruments transaction: None;
- 10) Others: Intercompany relationships and significant intercompany transactions: See Table 4 attached;
- 11) Names, locations, and related information of investees over which the Company exercises significant influence (excluding information on investment in Mainland China): See Table 5 attached;

c. Information on investment in Mainland China

- 1) The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, net income (losses) of the investee, investment income (losses), ending balance, amount received as dividends from the investee, and the limitation on investee: See Table 6 attached.
- 2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: See Table 4 attached.

d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: See Table 7 attached.

TABLE 1**GLOBAL UNICHIP CORP. AND SUBSIDIARIES****MARKETABLE SECURITIES HELD****DECEMBER 31, 2023**

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

Holding Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2023				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
GUC	<u>Mutual funds</u>	-	Financial assets at fair value through profit or loss - current	47,854,731	\$ 730,000	-	\$ 730,000	Note
	Jih Sun Money Market Fund		Financial assets at fair value through profit or loss - current	38,013,269	530,000	-	530,000	
	Taishin 1699 Money Market Fund		Financial assets at fair value through profit or loss - current	18,662,918	320,000	-	320,000	
	UPAMC James Bond Money Market Fund		Financial assets at fair value through profit or loss - current	6,762,057	100,000	-	100,000	
	Fuh Haw Money Market Fund		Financial assets at fair value through profit or loss - current	12,301,106	200,000	-	200,000	
	Prudential Financial Money Market Fund		Financial assets at fair value through profit or loss - current	12,859,090	200,000	-	200,000	
	Yuanta Wan Tai Money Market Fund		Financial assets at fair value through profit or loss - current	1,515,151	-	34.88	-	
	<u>Class B common share (non-voting)</u>		Financial assets at fair value through profit or loss - non-current					
	eTopus Capital Partners (Cayman) Limited							

Note: As of December 31, 2023, 1,515,151 preferred shares of eTopus Technology (Cayman) Holding Limited originally held by GUC, representing an ownership percentage of 2.6%, were converted into 1,515,151 Class B common shares of eTopus Capital Partners (Cayman) Limited with an ownership percentage of 34.88% due to organizational restructuring. Since GUC holds Class B common shares with non-voting rights, GUC does not have significant influence or control over eTopus Capital Partners (Cayman) Limited. Therefore, this investment is still classified as a non-current financial asset measured at fair value through profit or loss.

GLOBAL UNICHIP CORP. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
 FOR THE YEAR ENDED DECEMBER 31, 2023
 (Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance		
					Units	Amount	Units	Amount	Units	Amount	Carrying Amount	Gains on Disposal	Units	Amount
GUC	Jih Sun Money Market Fund	Financial assets at fair value through profit or loss	-	-	48,438,039	\$ 730,000	47,854,731	\$ 730,000	48,438,039	\$ 738,898	\$ 730,000	\$ 8,898	47,854,731	\$ 730,000
	Taishin 1699 Money Market Fund	Financial assets at fair value through profit or loss	-	-	38,502,891	530,000	38,013,269	530,000	38,502,891	536,827	530,000	6,827	38,013,269	530,000
	UPAMC James Bond Money Market Fund	Financial assets at fair value through profit or loss	-	-	18,883,289	320,000	18,662,918	320,000	18,883,289	323,779	320,000	3,778	18,662,918	320,000
	Prudential Financial Money Market Fund	Financial assets at fair value through profit or loss	-	-	6,224,092	100,000	18,467,057	300,000	12,390,043	201,446	200,000	1,446	12,301,106	200,000
	Yuanta Wan Tai Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	25,750,340	400,000	12,891,250	200,500	200,000	500	12,859,090	200,000

TABLE 3**GLOBAL UNICHIP CORP. AND SUBSIDIARIES**

**TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2023
(Amounts in Thousands of New Taiwan Dollars)**

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchases/ Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
GUC	TSMC	TSMC is an investor that accounts for its investment by using equity method	Sales	\$ 309,393	1	30 days after monthly closing	Note 27	Note 27	\$ 22,040	1	
	TSMC-NA	TSMC-NA is a subsidiary of TSMC	Purchases	6,395,587	70	30 days after invoice date	Note 27	Note 27	(470,622)	(28)	
			Purchases	2,495,246	27	30 days after invoice date	Note 27	Note 27	(43,032)	(3)	

TABLE 4**GLOBAL UNICHIP CORP. AND SUBSIDIARIES****INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2023
(Amounts in Thousands of New Taiwan Dollars)**

No.	Company Name	Counterparty	Nature of Relationship (Note 1)	Intercompany Transactions			
				Financial Statement Account	Amount	Terms (Note 2)	Percentage to Consolidated Net Revenue or Total Assets
0	GUC	GUC-NA	1	Operating expenses	\$ 230,409	-	1%
		GUC-Japan		Accrued expenses and other current liabilities	14,697	-	-
		GUC-Europe		Operating expenses	289,996	-	1%
		GUC-Korea		Accrued expenses and other current liabilities	42,044	-	-
		GUC-Shanghai		Operating expenses	25,528	-	-
		GUC-Nanjing		Accrued expenses and other current liabilities	1,017	-	-
		GUC-Vietnam		Operating expenses	8,282	-	-
				Accrued expenses and other current liabilities	575	-	-
				Operating expenses	117,390	-	-
				Accrued expenses and other current liabilities	7,320	-	-
				Manufacturing overhead	332,449	-	1%
				Operating expenses	146,224	-	1%
				Payables to related parties	223,314	-	1%
				Accrued expenses and other current liabilities	9,034	-	-
				Operating expenses	21,445	-	-
				Accrued expenses and other current liabilities	3,205	-	-

Note 1: No. 1 represents the transactions from parent company to subsidiary.

Note 2: The intercompany transactions, prices and terms are determined in accordance with mutual agreements and no other similar transactions could be used for comparison.

TABLE 5**GLOBAL UNICHIP CORP. AND SUBSIDIARIES**

**NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE YEAR ENDED DECEMBER 31, 2023**
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2023			Net Income (Losses) of the Investee	Investment Income (Losses)	Note
				December 31, 2023 (Foreign Currencies in Thousands)	December 31, 2022 (Foreign Currencies in Thousands)	Shares	Percentage of Ownership (%)	Carrying Amount			
GUC	GUC-NA	U.S.A.	Products consulting, design and technical support service	\$ 40,268 (US\$ 1,264)	\$ 40,268 (US\$ 1,264)	800,000	100	\$ 170,925	\$ 10,980	\$ 10,980	Note 1
	GUC-Japan	Japan	Products consulting, design and technical support service	15,393 (YEN 55,000)	15,393 (YEN 55,000)	1,100	100	80,820	13,260	13,260	Note 2
	GUC-Europe	Netherlands	Products consulting, design and technical support service	8,109 (EUR 200)	8,109 (EUR 200)	-	100	16,401	1,475	1,475	Note 2
	GUC-Korea	Korea	Products consulting, design and technical support service	5,974 (KRW 222,545)	5,974 (KRW 222,545)	44,000	100	7,470	250	250	Note 2
	GUC-Vietnam	Vietnam	Products consulting, design and technical support service	30,602 (VND 23,670,000)	-	-	100	30,457	905	905	Notes 2 & 3

Note 1: Investment income (loss) was determined based on audited financial statements.

Note 2: Investment income (loss) was determined based on unaudited financial statements.

Note 3: Upon the approval of the Board of the Directors on October 27, 2022, GUC-Vietnam was established by GUC in February, 2023.

TABLE 6**GLOBAL UNICHIP CORP. AND SUBSIDIARIES****INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2023**
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (US\$ in Thousands)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2023 (US\$ in Thousands)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2023 (US\$ in Thousands)	Net Income (Losses) of the Investee	Percentage of Ownership	Investment Income (Losses)	Carrying Amount as of December 31, 2023	Accumulated Inward Remittance of Earnings as of December 31, 2023
					Outflow	Inflow						
GUC-Nanjing	Products consulting, design and technical support service	\$ 180,332 (US\$ 6,000)	(Note 1)	\$ 118,133 (US\$ 4,000)	\$ 62,199 (US\$ 2,000)	\$ -	\$ 180,332 (US\$ 6,000)	\$ 89,432	100%	\$ 89,432 (Note 2)	\$ 557,194	\$ 64,449
GUC-Shanghai	Products consulting, design and technical support service	31,165 (US\$ 1,000)	(Note 1)	31,165 (US\$ 1,000)	-	-	31,165 (US\$ 1,000)	6,210	100%	6,210 (Note 3)	59,392	-

Accumulated Investment in Mainland China as of December 31, 2023 (US\$ in Thousands)	Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousands)	Upper Limit on Investment
\$ 211,497 (US\$ 7,000)	\$ 211,497 (US\$ 7,000)	\$ 5,808,935 (Note 4)

Note 1: The Company invested the investee directly.

Note 2: Investment income (loss) was determined based on audited financial statements.

Note 3: Investment income (loss) was determined based on unaudited financial statements.

Note 4: Subject to 60% of net asset value of GUC according to the revised "Guidelines Governing the Approval of Investment or Technical Cooperation in Mainland China" issued by the Investment Commission.

GLOBAL UNICHIP CORP.**INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2023**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Taiwan Semiconductor Manufacturing Co., Ltd.	46,687,859	34.83

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.