



# 2021 ANNUAL REPORT

## I. Spokesperson and Acting Spokesperson Contact Information

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

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

## II. GUC Address and Telephone Number

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

## III. Common Share Transfer Agent and Registrar

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

## IV. Auditors

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

## V. Company Website

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

# Table of Content

Letter to Shareholders	3
Company Profile	9
Corporate Governance	17
Capital Overview	87
Operational Highlights	95
Financial Information	117
Operating Results and Status of Risk Management	129
Special Disclosure	139

# 1 CHAPTER

## Letter to Shareholders

## Letter to Shareholders

Dear Shareholders,

In 2021, not only the technology industry but also many other sectors were all affected by the COVID-19 pandemic, to varying degrees. Facing cross-industry surges in demand for semiconductor chips around the world in the pandemic era, all industries have been affected by the chip shortages, and the semiconductor supply has therefore become a focus of attention for the world's great powers. Despite some constraints in the supply chain, with the benefit from the accelerated trends in digital transformation and strong demand for chips in the market, Global Unichip Corp. (GUC) still set an eye-catching record in 2021. Net consolidated operating revenue in 2021 was NT\$15.108 billion, for another record high following 2020's record. Consolidated EPS was NT\$10.9, also a record high.

## 2021 Business Achievements

### 1. Business Plan Implementation Results

In 2021, demand for Application Specific Integrated Circuit (ASIC) chips continued to grow at a rapid pace. This was primarily attributed to the continuing increase in demand for ASICs from the world's major technology companies, and the thriving demand for chip independence in China. This, in turn, was because ASICs can strengthen technology companies' control over their products, and reinforce differentiation of end products and services. In addition, the pandemic has disrupted supply chains around the world and put many industrial sectors in difficult production situations. With the addition of chip shortages caused by decreased chip production capacity, the importance of the semiconductor industry has thus been highlighted. The worldwide chip shortage crisis has also prompted major technology companies, which have step by step invested in ASIC design in the past few years, to accelerate their R&D pace. Driven by strong market demand, GUC's revenue from design services and Turnkey revenue both increased in 2021. GUC's overall operational performance for 2021 saw record highs as a result.

In 2021, with respect to the business of design services (NRE), the growth trends in applications such as artificial intelligence (AI), 5G, networking, etc. brought great benefits; in addition to this, demand driven by major technology companies' accelerated investment in ASIC design meant that the annual growth rate in GUC's design service revenue was 2% for 2021, better than forecasts made at the beginning of the year. In regards to the Turnkey business, primarily due to demand growth from AI, BMC, Chromebooks, etc., revenue and NRE sales both hit record highs.

In terms of profit performance, the overall gross profit margin ratio in 2021 increased significantly over the previous year. This was primarily attributed to two favorable factors. One was the increased gross profit margin ratio in the NRE business; the other was the enhanced proportion of advanced packaging products in the Turnkey business. Coupled with effective overhead control, the growth rate of annual net profit was significantly higher than the revenue growth rate in 2021. Not only did 2021 see record high profits, but GUC also achieved the goal of profitable growth for two consecutive years.

GUC's excellent chip design/engineering services and leading IP position effectively shorten customers' time-to-market product timelines, thus helping customers get a head start. In 2021, GUC invested a great deal of R&D resources toward providing design service solutions for advanced processes, as well as advanced packaging technologies and related IP research and development. By doing this, we continued to win the trust of world-class customers. In terms of progress in advanced processes, 16nm and more advanced processes as a proportion of total revenue increased steadily compared over the previous year; the 7nm process, in particular, also increased significantly this year as a proportion of total revenue and increased to 14% of total Turnkey revenue.

The number of new NRE projects in 2021 and the number of projects being taped out this year were both greater than the forecasts made at the beginning of the year. These projects' applications primarily focused on AI, 5G, and networking. Moreover, in response to the market's demand for Advanced Packaging Technology (APT), the GUC R&D team has been actively committed to the development of related niche IPs with close collaboration with important partners. By creating comprehensive solutions that help customers get head starts in the 2.5D/3D advanced packaging field, the GUC R&D team assists them in maintaining market-leading positions.

### 2. Operating Revenue and Profitability Analysis

GUC's net consolidated operating revenue in 2021 was NT\$15.108 billion, showing an increase of 11% over the previous year's revenue of NT\$13.569 billion; net profit after tax was NT\$1.46 billion, demonstrating an increase of 72% over the previous year; and EPS was NT\$ 10.9, for an increase of 72% over the previous year's EPS of NT\$ 6.34 . This

was significantly higher than the annual revenue growth rate.

GUC's gross profit margin ratio in 2021 was 34.6%, demonstrating a significant increase compared to the ratio of 30.0% for the previous year. Such growth was primarily due to the increase of the gross profit margin ratios in the NRE business and the Turnkey business; the operating profit margin was 11.1%, while the margin for the previous year was 7.1%. The net profit margin in 2021 was 9.7%, indicating an increase of 3.4 percentage point compared to the margin of 6.3 % in the previous year.

### 3. Overview of Technology Development

With the aim of maintaining a leading technology position, and to ensure stable growth of long-term revenues and profits, GUC maintains our commitment to innovation and our investment in R&D. Advanced processes as a proportion of the company's revenue continues to increase. In 2021, 16/12nm and 7nm processes accounted for 46 % of total revenue, and for 74 % of the NRE business' annual revenue. Moreover, by the end of 2021, our patent portfolio consists of 422 patents, demonstrating the achievements GUC has gained from active investment in R&D, and effectively enhancing our core competitiveness.

Major technical breakthroughs and innovation achievements in 2021 are as follows:

- Combined with TSMC InFO/CoWoS packaging technology, GUC has proposed the next-generation chip interconnection IP "GLink 2.0" in 5nm. The silicon has been verified in 3Q21 and is ready to provide customers with complete multi-chip interconnect solutions. GUC GLink IP receives "The Promising Product" of EE-Awards Asia.
- Combined with TSMC InFO/CoWoS packaging technology, GUC has taped out the next-generation chip interconnection 5nm IP "GLink 2.3" in 4Q21, and silicon verification is expected to be completed in 3Q22.
- GUC completed the tape-out of 5nm and 6nm GLink-3D IP testchip for 3D SoIC in 2Q21.
- GUC has successfully enabled the mass production of HBM2/CoWoS for 4 different customers with their large SoC design. The configuration ranges from 2 to 4 HBM2 memory dies, and the main applications are AI and HPC.
- GUC provides world's 1st 5nm silicon-proven 3.6G HBM2E (PHY & Controller) IP total solution. GUC's HBM2E solution has been adopted by customer SoCs in 5nm and 7nm and expected to be taped out in 1Q22.
- In combination of TSMC latest CoWoS-S and CoWoS-R packaging technology, GUC taped out world's 1st 7nm HBM3 CoWoS platform in 2Q21, including HBM3 7.2G, GLink, and 112G SerDes IP. The solution is expected to be silicon proven in 1Q22.
- GUC successfully developed customer switch ASIC chip for hyper-scale datacenter in 7nm, which integrated more than 200 lanes of 112G-LR SerDes, and has been validated by customer in 4Q21.
- GUC successfully developed customer RFIC chip, which is embedded into RF antenna for 5G base station and small cell system, supporting 28GHz and 39GHz mmWave communication , and enabled customer into mass production.
- GUC has successfully enabled customers to adopt 6nm ASIC design platform and assisted customers with production plan.
- Adopting TSMC advanced process solution, GUC has succeeded to integrate multiple customers' AI/HPC SoCs with 2.5D packaging technology for hyper-scale data center applications, and had customers into mass production in 2021.
- GUC has collaborated with a 5G leading company on analog front-end (AFE) IP in 12nm, which supports both mmWave and sub-6GHz bands. The design has been silicon proven and adopted by a leading customer. The SoC has been silicon proven and ready for mass production.
- GUC completed 5nm TCAM tape-out in Oct'20, and silicon verification in 4Q21.
- GUC's industry-leading ultra-low-power design solution has been proven to significantly reduce AI SoC chip power consumption for edge computing, successfully enabling customers into mass production.
- Following a hyper-scale data center AI chip customer and a renowned consumer electronics chip customer mass productions in 2020, GUC's industry-leading spec-in service has successfully assisted networking customer to complete SoC design and system bring up. The SoC is expected to go into production in 2022.
- GUC early adopted TSMC 3nm technolgy in 2021, completed v0.9 design flow and verification in 4Q21. Plan to start N3E development, and provide service for customer's product tape-out in 2023.
- GUC's successfully enabled customer's LiDAR SoC tapeout and silicon birng up for autonomous driving in 2021. The SoC is expected to enter mass production in 2024.

## Overview of 2022 Business Plan

The development model in which the world's major technology companies accelerate development of exclusive ASIC chips to differentiate themselves from other competitors was very prominent in 2021. In order to effectively overcome the technical hurdles of advanced processes and system-in-a-package (SiP) modules, it is foreseeable that the world's major technology companies will continue to expand their chip design outsourcing. This trend will become a source of growth momentum for chip design service companies in the future. Take AI applications as an example. As AI and high-performance computing (HPC) have become indispensable computing functions in data centers, the GPU solutions that have previously dominated AI computing in data centers are no longer the only solution. The world's major companies have begun to adopt the ASIC design approach on advanced technology, and introduce it into data centers to optimize service performance and cost efficiency. In addition, the importance of SiP modules is also gradually coming to light. The combination of advanced processes and the development of advanced packaging has made 3D ICs and heterogeneous integration one of the most important development directions in the post-Moore's Law era. With the aim of grasping this market trend, and to improve our competitive advantages in chip design services, GUC will continue to invest R&D resources into advanced processes and IPs related to SiP modules. By doing this, we will in turn continue to increase our market share and maintain our leading advantages.

### 1. Sales Forecast

Looking ahead to 2022, with continually accelerating momentum toward digital transformation, chip design projects commissioned by major world companies will continue to roll in. Major brand customers also continue to have a strong demand for advanced process technologies. Thus, we expect that business opportunities in the global ASIC market will continue, and that GUC's business growth will also continue. Moreover, advanced processes will continue to expand as a proportion of our sales. Benefiting from division of professions, the position of Taiwan's semiconductor industry will be further enhanced within the global market, and all the supply chain will benefit. By grasping such opportunities for business growth, GUC will continue to invest in advanced technologies, provide customers with greater added value, keep working with customers in market deployment, and effectively create competitive advantages from differentiation.

### 2. Important Production and Marketing Policies

GUC will remain committed to reinforcing the strength of R&D in 2022. In addition to continuing improvements to provide customers with even more excellent design services, through our industry-leading chip design capabilities in advanced processes and our IP deployment in advanced packaging technologies, GUC will have even greater competitiveness in undertaking customer projects. By carefully selecting design service projects with potential for mass production, and focusing more on enhancement of the company's design value, we will keep improving long-term profitability.

Not only do ASICs related to AI and 5G/networking require advanced processes, but many of them also require advanced packaging technologies. In addition to assisting our major partners in continuously promoting advanced processes, GUC also actively invests in the IPs required for advanced processes. The development of such IPs precisely aligns with the needs of customers in the fields of AI and 5G/networking. While we develop new applications related to AI and 5G/networking, stable revenue/profits are still maintained through our existing customers and our long-term collaboration with them. We will keep strengthening existing core customers' stickiness and hold fast to the promise of not competing with customers; these efforts will serve as the cornerstone of the company's long-term business growth.

## The company's development strategies and the impacts of the external competitive environment, regulatory environment, and overall future economic environment

The spread of the COVID-19 pandemic has created serious impacts on the global economy and business activities. However, in addition to focusing on product technology development and seeking profitable growth, GUC remains committed to carrying out sound corporate governance, and we actively attach importance to the interests of all stakeholders. Through the operations of the Corporate Social Responsibility Committee, GUC fulfills our corporate social responsibilities and carries out corporate governance, in order to do our part in efforts for society and the environment. Moreover, GUC has voluntarily compiled our annual Corporate Social Responsibility Report since 2011. By specifically disclosing how the company responds to stakeholders' major concerns on topics such as the economy, environment, society, corporate governance, etc., we effectively enhance the company's information transparency. On the topic of corporate governance implementation, the company has been included in the top 5% of companies listed in the Corporate Governance Evaluation conducted by Taiwan Stock Exchange for seven consecutive years. With respect to substantive

measures in corporate social responsibility practice, GUC continues to invest a great deal of R&D resources to improve product energy efficiency; propose improvement plans for energy savings and carbon reductions; upgrade our requirements for the green supply chain; and to improve waste management. We expect to invest more resources in 2022 to improve substantive development in topics of concern, to encourage employees to actively participate and show their enthusiasm to assist the company in fulfilling our corporate social responsibilities, and to thus realize the philosophy of "What we take from society, we give back to society".

Looking ahead to 2022, GUC will keep working with our world-class customers and partners by continuously investing in advanced process technologies, and will focus on the development of key IPs in response to the market environment and competition. We are confident in our mid- and long-term operating goals. Our ongoing innovation and accumulated technological energy will effectively help us achieve the goals of attaining technology leadership and increased profits in key areas, while also grasping critical opportunities for next-stage growth.

Finally, we would like to express our thanks again to all customers, suppliers, shareholders, and the general public for your long-term support and trust in GUC, and to all employees for their commitment to the company's operations. We sincerely ask that you keep working with us to create extraordinary value for our customers, shareholders, employees, and society as a whole.

Finally, we wish you good health, and the best in all things!

Global Unichip Corporation

F. C. Tseng  
Sean Tai  
Chairman

Sean Tai  
President



# CHAPTER 2

## Company Profile

- GUC Company Profile
- Milestones



## Company Profile

### 1. Date of establishment: January 22, 1998

### 2. Corporate history

**(1) Have there been reports with respect to the most recent fiscal year as well as the current fiscal year up to the publication date of this annual report, concerning merger and acquisition activities involving financial institutions, investments in affiliated enterprises, or corporate reorganization: None**

**(2) Have there been reports with respect to the most recent fiscal year as well as the current fiscal year up to the publication date of this annual report, concerning that the shares of directors, supervisors, or shareholders whose shareholding exceeds 10% are being transferred in large quantities or changes hands: None**

**(3) Have there been reports with respect to the most recent fiscal year as well as the current fiscal year up to the publication date of this annual report, concerning any changes in managerial control, or any material changes in operating methods/type of business, or any other matter of material significance that could affect shareholders' equity and the Company: None**

**(4) Important milestones during previous and current fiscal years up to the publication date of this annual report:**

Jan. 1998	The Company founded under the company name Chuangyi Electronics Corporation with a paid-up capital of NT\$4.06 million.
Oct. 1998	Approved for construction inside the Hsinchu Science Park. The Company officially changed its name to Global Unichip Corporation (GUC).
Jul. 1999	The first DSP Core taped out.
Dec. 2000	Completed validation process down to 0.18-micron.
Jan. 2001	Passed ISO9001 certification.
Oct. 2001	Received the 8th "Taiwan Small and Medium Enterprise Creativity and Research Award" from the Ministry of Economic Affairs for its JPEG Codec Image Compression/Decompression Silicon IP.
Jan. 2003	The merger with Asian Technology Corporation became official, with Dr. F.C. Tseng elected as the company chairman.
May. 2004	Moved to the current custom-built location at: No. 10, Li-Hsin 6th Rd., Hsinchu Science Park.
Jun. 2004	Accomplished the first successful tape-out on a 0.13-micron process.
Dec. 2004	Accomplished the first successful tape-out on a 90nm process.
Mar. 2006	Accomplished the first successful tape-out of a 65nm test chip.
Jun. 2006	The high speed USB2.0 OTG solution UINF-0041 successfully passed the USB-IF certification tests. GUC became the first USB-IF non-member global provider to receive certification.
Sep. 2006	Received the "Industrial Technology Advancement Award - Excellent Enterprise Innovation Award" from the Department of Industrial Technology, Ministry of Economic Affairs.
Nov. 2006	The Company's common shares listed on the Taiwan Stock Exchange.
Jan. 2007	Successfully taped out Taiwan's first 65nm chip; the product was used in digital cameras.
May. 2007	Successfully taped out the company's first 45nm test chip.

Jul. 2007	Received the Deloitte Taiwan 2007 Technology Fast 50 Award.
Dec. 2007	Commenced mass production of the first 65nm IC used for portable TVs.
Apr. 2008	Launched the first industry-wide SiP production flow to help customers shorten time-to-market.
May. 2008	Ranked #3 in the "50 Best Operating Performance Companies in 2007" published by Common Wealth Magazine.
Jun. 2008	Harvard Business School published a case study featuring GUC.
Jul. 2008	Received the Deloitte Taiwan 2008 Technology Fast 50 Award.
Nov. 2008	1. Received the Deloitte Asia Pacific 2008 Technology Fast 500 Award. 2. Awarded the "2008 Amiable Workplace" prize by the Council of Labor Affairs, Executive Yuan. 3. Recognized as an "Excellent Healthy Workplace" by the Bureau of Health Promotion, Department of Health.
Dec. 2008	1. GUC and Andes Technology jointly launched the 90nm-based 660MHz N1213 hard core processor designed to provide a competitive option for customers. 2. Achieved Sony Green Partner certification.
Jan. 2009	Successfully taped out the 40nm PCIe GenII PHY test-chip.
Feb. 2009	Successfully completed the design and tape out of an ultra-large 15mmX15mm, 50 million logic-gate IC design and verified it on the first pilot run.
Mar. 2009	Successfully developed the dynamic voltage frequency scaling design flow and verified it on an ARM1176 dual-core test chip. The product was implemented for a customer's design and completed a successful pilot run.
Sep. 2009	1. TSMC 40nm high-speed interface 1G/10G/XAUI SerDes IP design was verified upon first tape out. 2. Awarded the "HRD InnoPrize" by the Council of Labor Affairs, Executive Yuan.
Oct. 2009	1. Received "The Best Environmental Protection Award" by Hsinchu Science Park Administration. 2. Developed the industry's first high-end DFT design processes. Successfully developed production tests operating frequencies over 1GHz. Developed and verified AC-JTAG1149.6 and IO-AC testing procedures for customers' design projects.
Nov. 2009	1. President Jim Lai awarded the "National Manager Excellence Award" by the Chinese Professional Management Association. 2. Received the Deloitte 2009 Asia Pacific Technology Fast 500 Award.
Feb. 2010	Successfully developed the DDR 40G 1.6Gbps physical layer.
Mar. 2010	GUC received the "Certificate of Corporation Governance System CG6005 General Assessment" from the Taiwan Corporate Governance Association.
May. 2010	1. Successfully completed the design and tape out of a 40nm IC design project and verified on the first pilot run. 2. Successfully developed and completed pilot run of a customized 40nm 10G EPON chipset.
Jun. 2010	Received an "A+" rating in the "7th Information Disclosure Assessment and Evaluation of Listed Companies."
Aug. 2010	1. Received the "10th Cultural Benefactor Bronze Award" from the Council for Cultural Affairs, Executive Yuan. 2. Successfully helped customers develop a 40nm 4G LTE mobile phone baseband chip using 3D SiP technology.
Nov. 2010	Received the "Benchmark of Taiwan TrainQuali System (TTQS)" award from the Bureau of Employment and Vocational Training, Council of Labor Affairs.
Dec. 2010	Successfully developed the USB3.0 device end controller.
Jun. 2011	Received an "A+" rating and a top 10 ranking in the "8th Information Disclosure Assessment and Evaluation of Listed Companies."
Aug. 2011	Received the "First Annual Innovation Award of Monte Jade in Taiwan" from Monte Jade Science and Technology Association of Taiwan.
Oct. 2011	GUC refined its business and technology model as "The Flexible ASIC ServicesTM", including SoC integration, implementation methodologies, and integrated manufacturing.

Nov. 2011	GUC's USB 3.0 Device Controller IP passed the USB-IF test for Super-Speed Products.
Dec. 2011	1. Named GSA 2011 Outstanding Asia-Pacific Semiconductor Company. 2. Achieved Gigahertz+ frequency on ARM Cortex-A9 Processor using a Synopsys IC compiler.
Jun. 2012	Received an "A++" rating and was ranked as one of the top 10 companies in the "9th Information Disclosure Assessment and Evaluation of Listed Companies."
Dec. 2012	1. Delivered 28nm DDR3-2133/LPDDR2 Combo IP. 2. PLDA and GUC announced industry's first successful PCIe Gen 3 Controller and PHY Combination on TSMC's 28nm HPM process technology. 3. Received the "2012 Most Outstanding Landscape Award" from the Hsinchu Science Park Administration.
Jan. 2013	1. Unveiled the first IPD ASIC service. 2. Successfully validated a 28nm GPU/CPU platform.
Mar. 2013	Unveiled New 28nm Data Converter IP family that covers DAC, ADC and thermal sensor macros.
Jul. 2013	1. Received an "A++" rating in the "10th Information Disclosure Assessment and Evaluation of Listed Companies." 2. Successful taped out a 20-nanometer SoC test chip.
Dec. 2013	1. GUC and M31 Technology bundled USB 3.0 Peripheral Device Controller and PHY IP. 2. Chairman Dr. F.C. Tseng awarded the "7th Pan-Wen Yuan Prize."
Apr. 2014	1. Licensed Arteris FlexNoC Fabric IP for 16nm System-on-Chip (SoC) IP verification platform. 2. GUC and Verisense announced strategic alliance to provide Israeli ASIC Customers access to best-in-class "spec-to-production" solutions.
May. 2014	Announced silicon-proven DDR4 IP on TSMC's 16nm process, making it one of GUC's first IP available on TSMC's 16nm FinFET process.
Aug. 2014	Received an "A++" rating in the "11th Information Disclosure Assessment and Evaluation of Listed Companies."
Oct. 2014	GUC completed its first production design on TSMC's 16FF+ process.
Nov. 2014	Opened new Japan Design Center.
Jan. 2015	GUC and Credo Semiconductor developed high-performance networking solutions manufactured on TSMC's 16-nm FinFET+ process technology.
Feb. 2015	Unveiled industry's most complete Data Converter IP product line.
Mar. 2015	1. Utilized Cadence analog IP to implement WiGig-enabled SoC on a 28nm process. Achieved first silicon success using the industry's first Tri-Band analog front-end IP. 2. Relocated North America office to 2851 Junction Ave.
Apr. 2015	1. PLDA and GUC delivered fully integrated PCI Express Gen 4 solution for TSMC's 16nm FinFET+ process. 2. Demonstrated TSMC 16nm Low Leakage USB 3.1 PHY IP.
Dec. 2015	Assisted bit-coin clients to accomplish first 16nm chip tape out.
Feb. 2016	Jointly developed USB3.1 PHY/Controller IP.
Mar. 2016	1. Announced LPDDR4 IP progress and reaffirms DIMM application of DDR3/4 commitment. 2. Delivered 28G Multi-Standard SerDes IP.
Aug. 2016	GUC President Jim Lai announced retirement. Dr. Ken Chen appointed as new President.
Oct. 2016	Design team and Marketing personnel certified for ISO26262 automotive personal qualification AFSP (Automotive Functional Safety Professional) by SGS-TUV Germany.
Dec. 2016	Opened new Netherlands Office.
Feb. 2017	Unveiled Solid State Drive ASIC Capabilities. The SSD solution covers application-specific front end design capabilities, advanced node design flow experience, robust manufacturing management, and a production-proven IP set targeting TSMC 28HPC+ process technologies.
Mar. 2017	PCIe 3 PHY IP & PLDA EP Controller Combo passed compliance test.

Apr. 2017	GUC appointed semiconductor industry veteran Igor Elkanovich as its System Chief Technical Officer (CTO). Mr. Elkanovich drives the company's effort to upgrade system capabilities.
Jun. 2017	GUC successfully taped out a 16nm, second-generation High Bandwidth Memory (HBM) PHY and controller with verified interposer design and CoWoS Package. The innovative ultra-high capacity memory ASIC solution will meet the demanding requirements of artificial intelligence (AI), deep learning (DL), and a variety of high-performance computing (HPC) applications.
Jul. 2017	Opened new Korea Office.
Aug. 2017	Achieved SGS-TUV ISO26262 Certification.
Oct. 2017	1. Achieved ISO 13485:2016 Certification for medical device components. 2. Announced the first customer ASIC tape out on 12nm process.
Nov. 2017	1. Successfully taped out 16nm TCAM Compiler. 2. Opened Tainan office. 3. Opened Nanjing, China Office. The office provides a broad range of ASIC services to the fast-growing China market.
Dec. 2017	Announced the first customer ASIC tape out on TSMC's 7nm process technology.
Jan. 2018	Celebrates 20th Anniversary.
Sep. 2018	Announced that the 7nm HBM2-2.4G PHY+Controller with TSMC CoWoS packaging has been silicon-proven.
Nov. 2018	Opened Shenzhen office.
Dec. 2018	1. President, Dr. Ken Chen received "Best General Manager in Hsinchu Award." 2. Announced that the 16nm HBM2-2.4G PHY+Controller with TSMC CoWoS packaging is silicon-proven and the first customer product has taped out.
Mar. 2019	Announced the first 5G customer chip has taped out and entered mass production.
May. 2019	Named to the top five percent of listed companies in the fifth "Corporate Governance Recognition" list for the fifth consecutive time.
Jun. 2019	Unveiled new "The Advanced ASIC Leader" tag line to highlight the company's business and technology models that provide advanced customized IC design services.
Dec. 2019	1. Successfully developed the 5nm process design flow, taped out the first text chip in the first quarter 2019 and achieved silicon-proven status by year's end. 2. Successfully developed the 6nm design flow. Targeting tape out for 2020.
Jan. 2020	GUC's industry-leading spec-in service capability has successfully assisted a hyperscale data center AI chip customer and a renowned consumer electronics chip customer to go mass productions in 2020.
Mar. 2020	1. GUC has successfully enabled the mass production of HBM2/CoWoS for four different customers with their large SoC design. The configuration ranges from 2 to 4 HBM2 memory dies, and the main applications are AI and HPC. 2. Adopting TSMC advanced process nodes, GUC has successfully integrated multiple customer AI/HPC SoCs for hyperscale data center with 2.5D packaging technology, and has also assisted customers to go into mass production in 2021.
May. 2020	1 Completed the 12nm 32G SerDes silicon verification in May'20 and ready for AI/HPC/Networking applications. 2. GUC's unique design capability offers customers with ultra-low-power solutions needed by AI SoC chips, and can satisfy the requirements of edge computing. GUC has also assisted customers to go into mass production with success.
Jun. 2020	In combination of TSMC CoWoS packaging technology, GUC provides world's first silicon-proven 3.6G HBM2E (PHY & Controller) IP total solution. The solution has been adopted by customer SoCs in 5nm and 7nm and is expected to be taped out in 2021.
Jul. 2020	Completed the 7nm 32G SerDes silicon verification in Jul'20 and ready for AI/HPC/Networking applications.
Oct. 2020	Completed the 5nm TCAM tape-out in Oct'20, and the silicon is expected to be verified in 2Q21.

Dec. 2020	<p>1. GUC has successfully taped out and verified the 6nm testchip in 1Q and 4Q20, respectively. GUC is ready to enable customers to adopt design platform and production in 6nm.</p> <p>2. Successfully developed the customer switch ASIC chip for hyper-scale datacenter in 7nm, which integrated more than 200 lanes of 112G-LR SerDes, and went into mass production in 4Q20.</p> <p>3. Combined with TSMC InFO/CoWoS packaging technology, GUC has proposed the chip interconnection IP "GLink:" in 6nm and 7nm. The silicon has been verified in 4Q20 and is ready to provide customers with complete multi-chip interconnect solutions.</p>
Mar. 2021	GUC has collaborated with a 5G leading company on analog front-end (AFE) IP in 12nm, which supports both mmWave and sub-6GHz bands. The design has been silicon proven and adopted by a leading customer. It is expected to be taped out in 1Q21.
Apr. 2021	GUC completed the tape-out of 5nm and 6nm GLink-3D IP testchip for 3D SoIC in 2Q21.
Jun. 2021	In combination of TSMC latest CoWoS-S and CoWoS-R packaging technology, GUC taped out world's 1st 7nm HBM3 CoWoS platform in 2Q21, including HBM3 7.2G, GLink, and 112G SerDes IP. The solution is expected to be silicon proven in 1Q22.
Oct. 2021	Combined with TSMC InFO/CoWoS packaging technology, GUC has taped out the next-generation chip interconnection 5nm IP "GLink 2.3" in Oct'21, and silicon verification is expected to be completed in 3Q22.
Nov. 2021	GUC GLink IP receives "The Promising Product" of EE-Awards Asia.
Dec. 2021	GUC early adopted TSMC 3nm technology in 2021, completed v0.9 design flow and verification in 4Q21. Plan to start N3E development, and provide service for customer's product tape-out in 2023.
Jan. 2022	GUC President Ken Chen announced to be employed as a full-time consultant of GUC. Dr. Sean Tai appointed as new President.

# CHAPTER 3

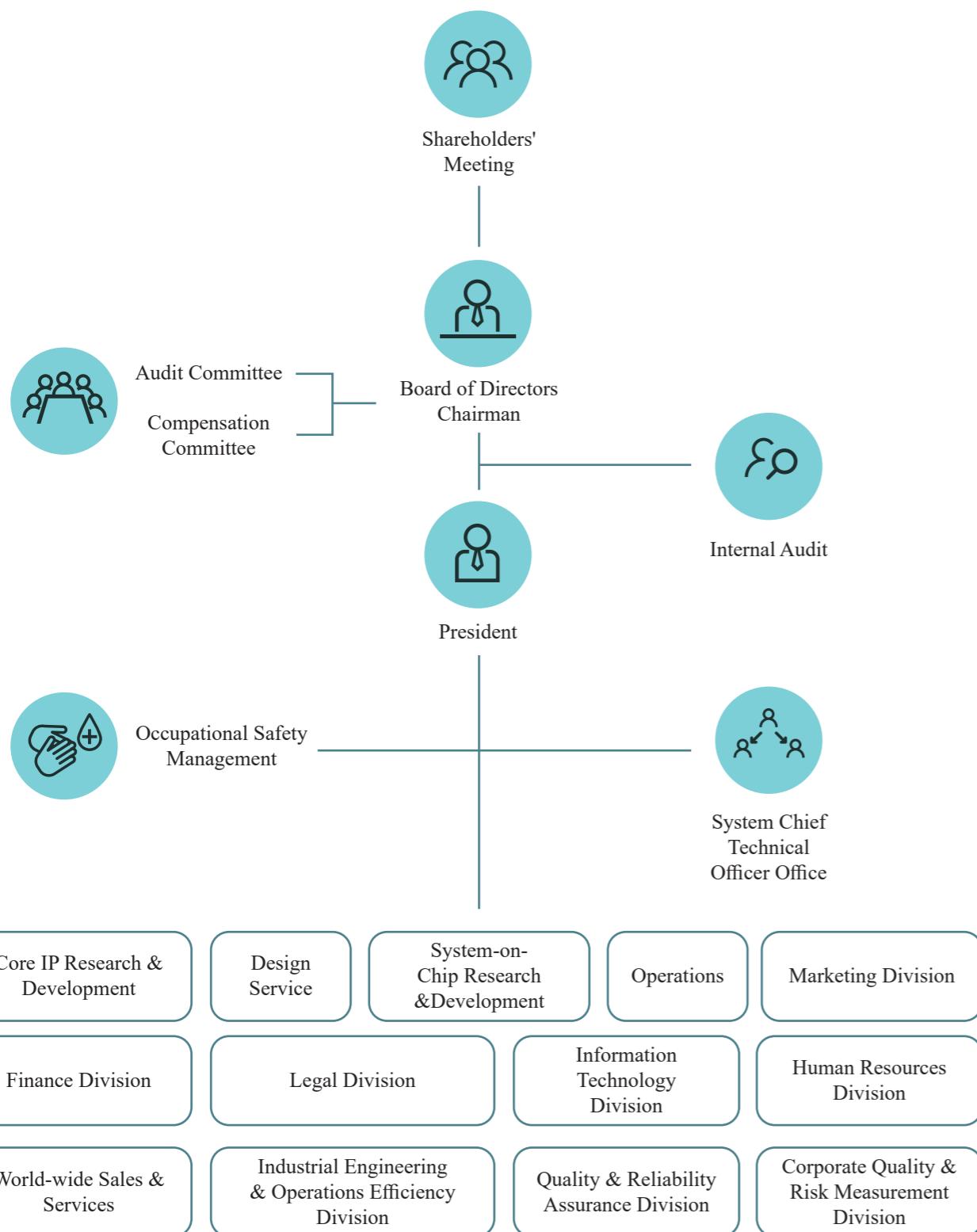
## Corporate Governance

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

## Corporate Governance

### 1. Organization

#### (1) Organization Chart



### (2) Major Corporate Functions

Department	Functions
Internal Audit	Check and evaluate the effectiveness of internal control systems and risk management procedures; increase the enterprise's added value and improve the organization's operations by means of an independent and objective confirmation and consultation activity, thereby enhancing the effect of corporate supervision; and assist the board of directors and managerial officer in achieving the organization's established goals.
Occupational Safety Management	<ol style="list-style-type: none"> <li>1. Formulate, plan, supervise and promote occupational safety and health management systems (ISO 45001); effectively manage/control and reduce the risks of occupational accidents; and provide staff with a safe zero-accident work environment.</li> <li>2. Supervise and implement fire safety and emergency evacuation management, and protect the safety of the Company's employees and properties.</li> <li>3. Environmental protection: Establish GHG inventory management systems (ISO 14064) to effectively reduce carbon emissions, and promote various energy-saving, water-saving and waste-reduction programs.</li> </ol>
System Chief Technical Officer Office	Provide technical guidance on global silicon IP and chip integration services.
Core IP Research & Development	<ol style="list-style-type: none"> <li>1. Develop IPs in relation to mixed-signal design, analog design, physical layer design of high-speed transmission, basic component design, digital controller design, circuit layout, etc.</li> <li>2. IP-related customer consultation, technical support, motherboard verification, and other application engineering tasks</li> <li>3. 2.5D, 3D IP level CoWoS/InFO/SoIC layout as well as PI/SI simulation and verification</li> <li>4. Analog CAD and Analog Design Flow Implementation.</li> </ol>
Design Service	<ol style="list-style-type: none"> <li>1. Execution of chip design services and integrated management of turnkey projects</li> <li>2. Chip design flow and technology development</li> <li>3. Provide silicon IP management and solutions for third parties.</li> </ol>
System-on-Chip (SoC) Research & Development	Be responsible for SoC hardware IC design, software development, verification, simulation, debugging and system prototyping, design verification, and electrical-thermal simulation.
Operations	<ol style="list-style-type: none"> <li>1. Outsourcing management and production capacity deployment</li> <li>2. Be responsible for products, testing, packaging and production planning services, cost control, and customer satisfaction improvement.</li> </ol>
Quality & Reliability Assurance Division	Improve quality and service efficiency; check and enhance engineering reliability.
World-wide sales & Services	<ol style="list-style-type: none"> <li>1. Facilitate the achievement of the Company's annual business goals, and implement corresponding plans.</li> <li>2. Product business and new technology application market development, customer relations reinforcement, sales/operation management, etc.</li> </ol>
Marketing Division	<ol style="list-style-type: none"> <li>1. Marketing strategy formulation, brand promotion, corporate image marketing &amp; public relations</li> <li>2. Set Company's mid-/long-term &amp; annual business goals and implementation plans</li> <li>3. Research of new technologies/new fields and their applications and market demand; development and introduction planning for new technologies</li> <li>4. Searching technical and marketing partners, and facilitate the collaboration</li> <li>5. Provide customers with complete solutions, including silicon IP pricing and marketing, advanced packaging technologies, etc.</li> <li>6. Key-field market research and competitiveness analysis</li> </ol>

Department	Functions
Finance Division	<ol style="list-style-type: none"> <li>1. Corporate finance, accounting, investor relations and investment plan management</li> <li>2. The organization's top executive concurrently serves as the Company's spokesperson, board secretary, corporate governance officer, and executive secretary of the Corporate Sustainability Committee.</li> </ol>
Information Technology Division	<ol style="list-style-type: none"> <li>1. Establish and maintain the enterprise's information system platform.</li> <li>2. Develop application systems and facilitate workflow automation.</li> <li>3. Ensure information security and network quality.</li> </ol>
Industrial Engineering & Operations Efficiency Division	Reinforce interdepartmental process integration and production management systems to improve operational efficiency.
Human Resources Division	<ol style="list-style-type: none"> <li>1. HR strategies and management, including the planning and implementation of recruitment/appointment, training/development, performance management, compensation and benefits, employee relations, organization's development, global human resource business, etc.</li> <li>2. Provide services for employees and facilities, including management of general affair administration, factory facilities, building safety, etc.; create a good work environment to protect the Company's important confidential information and the safety of employees and stakeholders.</li> </ol>
Legal Division	<ol style="list-style-type: none"> <li>1. Contract/agreement review, drafting and management</li> <li>2. Assessment of the Company's legal compliance and legality of decisions being made</li> <li>3. Intellectual property management, litigation, and non-litigation management</li> </ol>
Corporate Quality & Risk Management Division	<ol style="list-style-type: none"> <li>1. Promote quality upgrading (standardization, centralization and documentation) and strengthen risk management of the whole company through assessment in response to increasingly complex engineering and business operations.</li> <li>2. Achieve the organization's goals through the work of Risk Dashboard, Quality Measurement, IPQA, and Central Doc. Management.</li> </ol>

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

### (1) Information on directors

March 21, 2022

Title	Nationality or place of registration	Name	Gender/Age	Date on which current position was assumed	Term	Commencement date of the first term	Shares held at the time of election		Number of shares currently held		Number of shares currently held by their spouses, children of minor age		Shares held through nominees		Principal work experience and academic qualifications	Position(s) held concurrently in the company and/or in any other company	Heads, directors or supervisors with a spouse or relatives within the second degree of kinship			
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation	
Chairman	R.O.C.	Representative: F.C. Tseng	Male/77	2020.05.14	3 years	2003.01.23	46,687,859	34.84%	46,687,859	34.84%	0	0.00%	0	0.00%	None	None	None	None	None	
							0	0.00%	0	0.00%	0	0.00%	0	0.00%	Bachelor in Electrical Engineering, National Cheng Kung University, Master in Electrical Engineering, National Chiao Tung University, Ph.D. in Electrical Engineering, National Cheng Kung University, Honorary Doctorate of National Chiao Tung University, President of Vanguard International Semiconductor Corporation, Vice Chairman of TSMC, President of TSMC, Deputy Chief Executive Officer of TSMC, President of TSMC Education and Culture Foundation, Director of National Culture and Arts Foundation	(Note 3)	None	None	None	None
Director	R.O.C.	TSMC	Male/61	2020.05.14	3 years	2003.01.23	46,687,859	34.84%	46,687,859	34.84%	0	0.00%	0	0.00%	None	None	None	None	None	
		Representative: Ken Chen (Note 2)					0	0.00%	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	Ph.D. in Materials Science & Engineering of Stanford University, Senior Director for Business Development, TSMC, Vice President of TSMC Japan	(Note 3)	None	None	None	None
Director	R.O.C.	TSMC	Male/57	2020.05.14	3 years	2003.01.23	46,687,859	34.84%	46,687,859	34.84%	0	0.00%	0	0.00%	None	None	None	None	None	
		Representative: Sean Tai (Note 2)					0	0.00%	0	0.00%	0	0.00%	0	0.00%	Ph.D. in Electrical Engineering, Yale University, President of Nuvoton Technology Corporation, Chief Operating Officer of Realtek Semiconductor Corp., Assistant vice president of Winbond	(Note 3)	None	None	None	None
Director	R.O.C.	TSMC	Male/60	2020.05.14	3 years	2003.01.23	46,687,859	34.84%	46,687,859	34.84%	0	0.00%	0	0.00%	None	None	None	None	None	
		Representative: Wendell Huang					0	0.00%	0	0%	0	0.00%	0	0.00%	MBA degree of Cornell University, U.S.A., Vice President & CFO, Spokesperson of TSMC	(Note 3)	None	None	None	None
Director	R.O.C.	TSMC	Male/60	2020.05.14	3 years	2006.06.30	46,687,859	34.84%	46,687,859	34.84%	0	0.00%	0	0.00%	None	None	None	None	None	
		Representative: Cliff Hou					0	0.00%	0	0.00%	0	0.00%	0	0.00%	Ph.D. degree in Electrical and Computer Engineering of Syracuse University, Senior Vice President, Europe & Asia Sales, TSMC, Vice President, Design and Technology Platform of TSMC	(Note 3)	None	None	None	None
Independent Director	R.O.C.	Benson W. C. Liu	Male/72	2020.05.14	3 years	2005.05.31	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Accounting Department of Soochow University, Master degree in International Business Administration of Northrop University, USA, Independent Directors and Corporate Governance System Evaluation Services, Chairman and General Manager of Bristol-Myers Squibb Taiwan (BMST), Taiwan Corporate Governance Association	(Note 3)	None	None	None	None

Title	Nationality or place of registration	Name	Gender/Age	Date on which current position was assumed	Term	Commencement date of the first term	Shares held at the time of election		Number of shares currently held		Number of shares currently held by their spouses, children of minor age		Shares held through nominees		Principal work experience and academic qualifications	Position(s) held concurrently in the company and/or in any other company	Heads, directors or supervisors with a spouse or relatives within the second degree of kinship		
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation
Independent Director	R.O.C.	Chein-Wei Jen	Male/73	2020.05.14	3 years	2007.05.24	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Ph. D. of Electronics Engineering, National Chiao Tung University, Professor of National Chiao Tung University, Director of SoC Technology Center of ITRI	None	None	None	None
Independent Director	R.O.C.	Wen-Yeu Wang	Male/66	2020.05.14	3 years	2008.06.11	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Ph. D., Stanford Law School, USA, Commissioner at the Fair Trade Commission, Executive Yuan, Director of Taiwan Cooperative Bank, Supervisor of Taiwan Futures Exchange, Supervisor of Taiwan Law Society, Professor of College of Law at National Taiwan University, Lawyer of Sullivan & Cromwell LLP, New York, USA	(Note 3)	None	None	None
Independent Director	R.O.C.	Peter Wu	Male/71	2020.05.14	3 years	2011.06.02	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Ph. D. of Electronics Engineering, National Chiao Tung University, President of National Chiao Tung University, Dean of College of Electric Engineering and Computer Science of National Chiao Tung University, Dean for Research and Development of National Chiao Tung University, Director of Institute of Electronics of National Chiao Tung University, Director of Department of Electronics Engineering of National Chiao Tung University, President of Global Talentrepreneur Innovation & Collaboration Association, Chief Moderator of National System-on-Chip Program, Director of Department of Engineering and Applied Sciences, National Science Council	(Note 3)	None	None	None
Independent Director	R.O.C.	Kenneth Kin	Male/75	2020.05.14	3 years	2017.05.18	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Ph.D. degree in Nuclear Engineering and Applied Physics from Columbia University, USA, Senior Vice President of TSMC, Vice President Of Global Business And Services of IBM Microelectronics, Vice Chairman of Asia Pacific Regional Operation Center, Motorola Computer group, Honorary Chair Professor, College of Technology Management, National Tsing Hua University	(Note 3)	None	None	None

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

Note 2: From January 28, 2022 onwards, the representative of TSMC has been changed from Mr. Ken Chen to Mr. Sean Tai with a term of office the same as that of other directors until May 13, 2023.

Note 3: Positions concurrently taken by directors at other companies

Title	Name	Position(s) held concurrently in other company
Chairman	Representative of TSMC: F.C. Tseng	Director of TSMC, Chairman of TSMC (China), Vice Chairman of Vanguard International Semiconductor Corporation
Director	Representative of TSMC: Sean Tai	President of the Company
Director	Representative of TSMC: Wendell Huang	Vice President & CFO, Spokesperson of TSMC, Director/Supervisor/President of subsidiaries of TSMC
Director	Representative of TSMC: Cliff Hou	Senior Vice President, Europe & Asia Sales, TSMC, Director/President of subsidiaries of TSMC
Independent Director	Benson W. C. Liu	Managing Director and Chairman of Evaluation Committee of Taiwan Corporate Governance Association, Independent Director, Convenor of Audit Committee and Member of Remuneration Committee of Advantech Co., Ltd., Independent Director, Convenor of Audit Committee and Member of Remuneration Committee of Vanguard International Semiconductor Corporation, Juristic-person Director Representative of Maywufa Co, Ltd.
Independent Director	Wen-Yeu Wang	Professor of College of Law and Director of Center for Public Policy and Law, NTU, Convenor of the Taiwan Branch, IACL, Independent Director and Member of Remuneration Committee of KGI Securities, Independent Director and Member of Remuneration Committee of Xintec Inc.
Independent Director	Peter Wu	Professor Emeritus (Chair) of National Chiao Tung University, Founder of Biomedical Translation Research Center, National Chiao Tung University, Independent Director and Member of Remuneration Committee of MediaTek Inc., Independent Director and Member of Remuneration Committee of Leadtrend Tech. Corp., Independent Director and Member of Remuneration Committee of Powerchip Semiconductor Manufacturing Corp., Chairman and Chief Technology Officer of A-NEURON ELECTRONIC CORP., The legal representative of the director of Amazing Microelectronic Corp.
Independent Director	Kenneth Kin	Consultant and Honorary Chair Professor, College of Technology Management, National Tsing Hua University, Adjunct Professor, Department of Economics, National Tsing Hua University, Independent Director and Member of Remuneration Committee of eMemory Technology Inc., Independent Director and Member of Remuneration Committee of Vanguard International Semiconductor Corporation, Director of MediaTek Inc.

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

Name of juristic-person shareholder	Major shareholder of juristic-person shareholder
TSMC	TSMC depository receipts account in custody of CITI (20.52%), National Development Fund , Executive Yuan(6.38%), Singapore government investment account in custody of CITIBANK (Taiwan)(2.42%), Norges Bank investment account in custody of CITIBANK (Taiwan)(1.48%), Hsien-Jin Star Fund Series – Advanced International ETF Investment Account in custody of Chase Bank(1.17%), New Labor Retirement Fund(1.03%), Vanguard Emerging Markets Stock Index Fund Investment Account - JP Morgan Chase Bank Taipei Branch(0.95%), Fubon Life Insurance Co., Ltd.(0.84%), iShares Emerging Markets fund in custody of Standard Chartered ETF(0.81%), Euro pacific growth fund investment account in custody of JP Morgan Chase Bank Taipei Branch(0.79%)

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

March 21, 2022

Name	Independent Directors	Member of Audit Committee	Professional qualification and experience	Status of independence	Number of public companies where the person holds the title as independent director
F.C. Tseng	--	--	Principal academic qualification: Ph.D. in Electrical Engineering, National Cheng Kung University, Honorary Doctorate of National Chiao Tung University Principal work experience: President of Vanguard International Semiconductor Corporation, Vice Chairman of TSMC, President of TSMC, Deputy Chief Executive Officer of TSMC	Not applicable	0
Ken Chen (Note)	--	--	Principal academic qualification: Ph.D. in Materials Science & Engineering of Stanford University Principal work experience: Senior Director for Business Development, TSMC, Vice President of TSMC Japan, President of GUC		0
Sean Tai (Note)	--	--	Principal academic qualification: Ph.D. in Electrical Engineering, Yale University Principal work experience: President of Nuvoton Technology Corporation, Chief Operating Officer of Realtek Semiconductor Corp., Assistant vice president of Winbond, President of GUC		0
Wendell Huang	--	--	Principal academic qualification: MBA degree of Cornell University, U.S.A. Principal work experience: Vice President & CFO, Spokesperson of TSMC		0
Cliff Hou	--	--	Principal academic qualification: Ph.D. degree in Electrical and Computer Engineering of Syracuse University Principal work experience: Vice President, Design and Technology Platform of TSMC, Senior Vice President, Europe & Asia Sales, TSMC		0
Benson W. C. Liu	V	V (Convener)	Principal academic qualification: Master degree in International Business Administration of Northrop University, USA, Accounting Department of Soochow University Principal work experience: Chairman and General Manager of Bristol-Myers Squibb Taiwan (BMST), Taiwan Corporate Governance Association Not a person to whom any conditions defined in Article 30 of the Company Act apply.	The independent directors of the Company are all in compliance with the provisions of article 3, paragraph 1, subparagraphs 1 to 8 of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies".  The remuneration obtained by the Company's independent directors for providing business, legal, financial, accounting and other services to the Company or the Company's affiliates in 2020 and 2021 is as follows: Attendance fee for participation in patent examination meeting	2
Chein-Wei Jen	V	V	Principal academic qualification: Ph. D. of Electronics Engineering, National Chiao Tung University Principal work experience: Professor of National Chiao Tung University, Director of SoC Technology Center of ITRI Not a person to whom any conditions defined in Article 30 of the Company Act apply.		0
Wen-Yeu Wang	V	V	Principal academic qualification: Ph. D., Stanford Law School, USA Principal work experience: Professor of College of Law at National Taiwan University, Lawyer of Sullivan & Cromwell LLP, New York, USA, Director of Center for Public Policy and Law, NTU Not a person to whom any conditions defined in Article 30 of the Company Act apply.		2
Peter Wu	V	V	Principal academic qualification: Ph. D. of Electronics Engineering, National Chiao Tung University Principal work experience: President of National Chiao Tung University, Dean of College of Electric Engineering and Computer Science of National Chiao Tung University, Dean for Research and Development of National Chiao Tung University, Director of Institute of Electronics of National Chiao Tung University, Director of Department of Electronics Engineering of National Chiao Tung University, President of Global Talentrepreneur Innovation & Collaboration Association, Chief Moderator of National System-on-Chip Program, Director of Department of Engineering and Applied Sciences, National Science Council Not a person to whom any conditions defined in Article 30 of the Company Act apply.		3
Kenneth Kin	V	V	Principal academic qualification: Ph.D. degree in Nuclear Engineering and Applied Physics from Columbia University, USA Principal work experience: Senior Vice President of TSMC, Vice President Of Global Business And Services of Ibm Microelectronics, Vice Chairman of Asia Pacific Regional Operation Center, Motorola Computer group, Honorary Chair Professor, College of Technology Management, National Tsing Hua University Not a person to whom any conditions defined in Article 30 of the Company Act apply.		2

Note: The representative of TSMC was changed from Ken Chen to Sean Tai from January 28, 2022.

### (3) Board Diversity Policy and Implementation Status

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

The Company's current board of directors consists of nine directors. Five of them, accounting for more than 50%, are the Company's independent directors, and the relationship of spouses or relatives by blood within the second degree of relationship do not exist among the directors. Moreover, only one director is taking the Company's managerial officer position, i.e. Mr. Sean Tai, one of the juristic-person directors' representatives, concurrently serving as the Company's president. These facts indicate that the Board Independence requirement is met in the Company's board of directors. Additionally, the Company's board members possess cross-industry and cross-field capabilities, demonstrating Board diversity and complementary support among board members. Directors also have their own skills and experiences in various professions such as legal, financial/accounting, industry, marketing/R&D, technology, business management, etc. Please refer to page 24~26 of this Annual Report for details of directors' educational and business experiences. The Company's current implementation of Board Diversity Policy is indicated by individual directors' portfolios listed in the table below:

Core goals for diversification Name of director	Nationality	Gender	Term of contract	Status of employee	Age	Operational management and business judgment	Finance and accounting	Crisis handling	Industry knowledge	Global market perspectives	Leadership and Decision-making abilities
F.C. Tseng	R.O.C.	Male	7	No	77	V	V	V	V	V	V
Ken Chen (Note)	R.O.C.	Male	3	Yes	61	V	V	V	V	V	V
Sean Tai (Note)	R.O.C.	Male	1	Yes	57	V	V	V	V	V	V
Cliff Hou	R.O.C.	Male	5	No	60	V	V	V	V	V	V
Wendell Huang	R.O.C.	Male	2	No	60	V	V	V	V	V	V
Benson W. C. Liu	R.O.C.	Male	6	No	72	V	V	V		V	V
Chein-Wei Jen	R.O.C.	Male	6	No	73	V		V	V	V	V
Wen-Yeu Wang	R.O.C.	Male	5	No	66	V		V		V	V
Peter Wu	R.O.C.	Male	4	No	71	V		V	V	V	V
Kenneth Kin	R.O.C.	Male	2	No	75	V		V	V	V	V

Note: The representative of TSMC was changed from Ken Chen to Sean Tai from January 28, 2022.

The age distribution of the Company's 9th-term board members shows that there are 4 directors aged 60-69 and 5 directors aged 70-79. Independent directors' term of office is generally longer. No female members are included in the board of this term. The Company is planning to gradually improve the board composition and structure to improve the Company's overall performance through the implementation of Board Diversity Policy, and to respond to the initiative advocated in "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" that the appointment of an independent director is advisably not to exceed three consecutive terms. Two independent directors, Mr. Benson W. C. Liu and Mr. Chein-Wei Jen who had been appointed for more than three consecutive terms, submitted their resignation letters on January 14, 2022, and will resign the Company's independent-directorship on May 19, 2022. The Company will elect two new independent directors at the 2022 Shareholders' Meeting. After the election, there will be three (more than 50%) of the Company's independent directors having served their independent-directorship for not more than three consecutive terms. The Company also pays attention to gender equality in the board composition. The 10th-term board member re-election is expected to be held in 2023, in which at least one female director seat will be reserved, and the age criteria will be planned to achieve a balanced structure.

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

March 21, 2022

Title	Nationality	Name	Gender	Date on Appointment	Shares held		Number of shares currently held by their spouses, children of minor age		Shares held through nominees		Principal work experience and academic qualifications	Position(s) held concurrently in other company	Managerial officer with a spouse or relatives within the second degree of kinship		
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation
President	R.O.C.	Sean Tai	Male	2021.12.02	0	0.00%	0	0.00%	0	0.00%	Ph.D. in Electrical Engineering, Yale University, President of Nuvoton Technology Corporation, President of China/ Japan Subsidiaries, Realtek Semiconductor Corp., President of Silicon Touch Technology Inc., Assistant vice president of Winbond, Technical Manager of TSMC	None	None	None	None
Senior Vice President & CFO and Corporate Governance Officer	R.O.C.	Daniel Chien	Male	2006.04.03	1,825	0.00%	0	0.00%	0	0.00%	The University of Texas at Arlington MBA, CFO of Ali Corporation	(Note)	None	None	None
Senior Vice President	R.O.C.	Louis Lin	Male	1998.07.01	2,343	0.00%	0	0.00%	0	0.00%	Ph.D., Institute of Electronic Engineering, National Chiao Tung University, Senior Director for Design Service, GUC	(Note)	None	None	None
Vice President	R.O.C.	Simon Yen	Male	2007.03.05	0	0.00%	0	0.00%	0	0.00%	PhD in Mining and Metallurgical Engineering of The University of Utah, Deputy Director of UMC, Senior Director of GUC	(Note)	None	None	None
Vice President	R.O.C.	Justin Hsieh	Male	2006.10.30	4,490	0.00%	0	0.00%	0	0.00%	Master, Institute of Materials Science and Engineering, National Chiao Tung University, Senior Manager of UMC, Senior Director of GUC	None	None	None	None
Vice President	R.O.C.	Jen-Tai Hsu	Male	2021.03.22	553	0.00%	0	0.00%	0	0.00%	PhD in Electrical Engineering of The University of California, Los Angeles , Vice President of Yangtze Memory Technology Corp, Senior Director of GUC, Senior Manager of Intel Corporation	None	None	None	None
Accounting Controller	R.O.C.	Blith Chiang	Male	2009.07.27	776	0.00%	0	0.00%	0	0.00%	Department of Accounting, Chung Yuan Christian University, Vice Manager of Coretronic Culture and Arts Foundation, Manager of Electronic Department, GUC	None	None	None	None

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

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

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

#### (1) Remuneration to directors (including independent directors)

March 21, 2022

Unit: NT\$ thousand; thousand share

Title	Name	Remuneration to Directors						The sum of A, B, C and D in proportion to net profit after tax (Note 7)	Compensation to the capacity as employees						The sum of A, B, C, D, E, F and G in proportion to net profit after tax (Note 6)	Remuneration received from an invested company other than the company's subsidiary or parent company (Note 8)		
		Base compensation (A) (Note 1)		Pension (B)		Remuneration to directors (C) (Note 2)			Allowance (D) (Note 3)		Salaries, bonus and special disbursement (E) (Note 4)		Pension (F)		Employees' compensation (G) (Note 5)			
		The Company	All companies mentioned in the financial statements (Note 6)	The Company	All companies mentioned in the financial statements (Note 6)	The Company	All companies mentioned in the financial statements (Note 6)		The Company	All companies mentioned in the financial statements (Note 6)	The Company	All companies mentioned in the financial statements (Note 6)	The Company	All companies mentioned in the financial statements (Note 6)	The Company	All companies mentioned in the financial statements (Note 6)		
Chairman	F.C. Tseng	3,348	3,348	0	0	3,080	3,080	0	0	6,428 0.44%	6,428 0.44%	0	0	0	0	6,428 0.44%	6,428 0.44%	
Director	Ken Chen (Note 10)	0	0	0	0	3,080	3,080	0	0	3,080 0.21%	3,080 0.21%	7,420	7,957	0	0	16,730 1.16%	17,267 1.19%	
Director	Cliff Hou	0	0	0	0	3,080	3,080	0	0	3,080 0.21%	3,080 0.21%	0	0	0	0	3,080 0.21%	3,080 0.21%	
Director	Wendell Huang	0	0	0	0	3,080	3,080	0	0	3,080 0.21%	3,080 0.21%	0	0	0	0	3,080 0.21%	3,080 0.21%	
Independent Director	Benson W. C. Liu	600	600	0	0	3,080	3,080	0	0	3,680 0.25%	3,680 0.25%	0	0	0	0	3,680 0.25%	3,680 0.25%	
Independent Director	Chein-Wei Jen	600	600	0	0	3,080	3,080	0	0	3,680 0.25%	3,680 0.25%	0	0	0	0	3,680 0.25%	3,680 0.25%	
Independent Director	Wen-Yeu Wang	600	600	0	0	3,080	3,080	0	0	3,680 0.25%	3,680 0.25%	0	0	0	0	3,680 0.25%	3,680 0.25%	
Independent Director	Peter Wu	600	600	0	0	3,080	3,080	0	6	3,686 0.25%	3,686 0.25%	0	0	0	0	3,686 0.25%	3,686 0.25%	
Independent Director	Kenneth Kin	600	600	0	0	3,080	3,080	0	0	3,680 0.25%	3,680 0.25%	0	0	0	0	3,680 0.25%	3,680 0.25%	

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

Note 2: Referring to the proposed distribution for directors' 2021 remuneration approved by the Board on January 26, 2022 before the 2022 Shareholders' Meeting. The total was NT\$27,722,000. The directors' remuneration was disclosed in NT\$1,000 amounts, and the next digit was rounded down unconditionally. Since F.C. Tseng, Ken Chen/Sean Tai, Wendell Huang and Cliff Hou are representatives of TSMC, the directors' remuneration they are entitled to was received by the juristic-person shareholders they represent.

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

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

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

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

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

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

Note 9: The remuneration policy, system, standards and structure for independent directors, and description of correlation with the remuneration amount being paid based on factors such as duties, risks, time commitment, etc.: Directors' remuneration structure includes monthly fixed compensation and the stipulated directors' remuneration in accordance with the Company's Articles of Incorporation. The monthly fixed compensation is determined by Compensation Committee based on standards applied in the industry every year. Proposals for changes will be submitted to the board of directors for resolution. For independent directors and directors who do not concurrently serve as managerial officers, in principle, their total remuneration shall not exceed 2% of a given year's profit in accordance with the Company's Articles of Incorporation. The remuneration payment standards are subject to adjustment based on the Company's business performance, and the payment is distributed in proportion to the number of days a director serves.

Note 10: From January 28, 2022 onwards, the representative of TSMC has been changed from Mr. Ken Chen to Mr. Sean Tai with a term of office the same as that of other directors until May 13, 2023.

## (2) Remuneration to President and Vice President

Unit: NT\$ thousand; thousand shares

Title	Name	Salary (A)(Note 2)		Pension (B)		Bonus and special disbursement, etc. (C)(Note 3)		Compensation to the employees (D)(Note 4)				The sum of A, B, C and D in proportion to net profit after tax (%) (Note 8)		Remuneration received from an invested company other than the company's subsidiary or parent company (Note 9)	
		The Company	All companies mentioned in the financial statements (Note 5)	The Company	All companies mentioned in the financial statements (Note 5)	The Company	All companies mentioned in the financial statements (Note 5)	The Company		All companies mentioned in the financial statements (Note 5)		The Company	All companies mentioned in the financial statements (Note 5)		
President	Sean Tai (Note)	37,781	38,318	0	0	14,574	14,574	77,676		0		130,031	8.91%	130,568	8.94%
Consultant	Ken Chen (Note)														
Senior Vice President & CFO	Daniel Chien														
Senior Vice President	Louis Lin														
Senior Vice President	Chiang Fu (Note)														
Vice President	Simon Yen														
Vice President	Justin Hsieh														
Vice President	Vincent W. Li (Note)														
Vice President	Jen-Tai Hsu (Note)														

Note: President Ken Chen started serving as the Company's Consultant on January 28, 2022.

President Sean Tai started serving as a co-president on December 2, 2021, and serving as the president on January 28, 2022.

Senior Vice President Chiang Fu resigned on October 12, 2021.

Vice President Vincent W. Li resigned on October 29, 2021.

Vice President Jen-Tai Hsu assumed on April 29, 2021.

### Classification of remuneration

Classification of remuneration paid to president and vice presidents	The Company (Note 6)		All companies mentioned in the financial statements (Note 7)
	The Company (Note 6)	All companies mentioned in the financial statements (Note 7)	
Less than NT\$1,000,000	-	-	-
NT\$ 1,000,000 (inclusive) NT\$ 2,000,000 (exclusive)	-	-	-
NT\$ 2,000,000 (inclusive) NT\$ 3,500,000 (exclusive)	-	-	-
NT\$ 3,500,000 (inclusive) NT\$ 5,000,000 (exclusive)	Vincent W. Li	Vincent W. Li	
NT\$ 5,000,000 (inclusive) NT\$ 10,000,000 (exclusive)	Chiang Fu	Chiang Fu	
NT\$ 10,000,000 (inclusive) NT\$ 15,000,000 (exclusive)	Ken Chen, Jen-Tai Hsu ,Justin Hsieh, Simon Yen	Ken Chen, Jen-Tai Hsu ,Justin Hsieh, Simon Yen	
NT\$ 15,000,000 (inclusive) NT\$ 30,000,000 (exclusive)	Louis Lin, Sean Tai, Daniel Chien	Louis Lin, Sean Tai, Daniel Chien	
NT\$ 30,000,000 (inclusive) NT\$ 50,000,000 (exclusive)	-	-	
NT\$ 50,000,000 (inclusive) NT\$ 100,000,000 (exclusive)	-	-	
Over NT\$ 100,000,000	-	-	
Total	9	9	

Note 1: Names of the president and vice presidents are listed separately, while the payment amounts are disclosed in an aggregated manner.

Note 2: Referring to the salaries, duties allowance, and resignation payment listed for the president and vice presidents in 2021.

Note 3: Referring to the in-kind provision and other remuneration amounts such as bonuses, incentives, travel expenses, special disbursement, various allowances, dormitories, company cars, etc. listed for the president and vice presidents in 2021. For houses, cars and other means of transportation being provided, or exclusive personal expenses, the nature and cost, actual or fair-market rent, fuel expenses and other payments of the assets being provided should be disclosed.

Note 4: Referring to the proposed 2021 employees' remuneration (including stocks and cash) approved by the Board on January 26, 2022 before the 2022 Shareholders' Meeting.

Note 5: Disclosure of the total amount of remuneration paid to the Company's president and vice presidents by all companies (including the Company) included in consolidated reports

Note 6: For the total remuneration amount paid by the Company to the president and each vice president, the names of the president and vice presidents were disclosed in the respective payment levels that the president and vice presidents belong to.

Note 7: For disclosure of the total amount of remuneration paid to the Company's president and vice presidents by all companies (including the Company) included in consolidated statements, the names of the president and vice presidents were disclosed in the respective payment levels that the president and vice presidents belong to.

Note 8: Net profit after tax refers to the most recent year's net profit after tax indicated in individual financial reports.

Note 9: Disclosure of relevant compensation received by the Company's president and vice presidents from reinvestment businesses other than subsidiaries or parent companies. The compensation refers to the return, remuneration (including remuneration for employees, directors and supervisors) and compensation for business performance expenses received by the Company's president and vice presidents when serving as directors, supervisors or managerial officers in reinvestment businesses other than subsidiaries or parent companies.

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

Unit: NT\$ Thousand

	Title	Name	Stock (Note 1)	Cash (Note 1)	Total	Proportion of total to net profit after tax of parent company only (%)
Managerial Officers	President	Ken Chen (Note 2)	0	79,580	79,580	5.45%
	Co-president	Sean Tai (Note 2)				
	Senior Vice President & CFO	Daniel Chien				
	Senior Vice President	Louis Lin				
	Senior Vice President	Chiang Fu (Note 2)				
	Vice President	Simon Yen				
	Vice President	Justin Hsieh				
	Vice President	Vincent W. Li (Note 2)				
	Vice President	Jen-Tai Hsu (Note 2)				
	Accounting Controller	Blith Chiang				

Note 1: Referring to the proposed 2021 employees' remuneration approved by the Board on January 26, 2022. The proposed remuneration for this year is an estimated value.

Note 2: President Ken Chen started serving as the Company's advisor on January 28, 2022.

President Sean Tai started serving as a co-president on December 2, 2021, and serving as the president on January 28, 2022.

Senior Vice President Chiang Fu resigned on October 12, 2021.

Vice President Vincent W. Li resigned on October 29, 2021.

Vice President Jen-Tai Hsu assumed on April 29, 2021.

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

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

Title	Total remuneration as a proportion of net profit after tax in the parent company only financial reports			
	2021		2020	
	The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements
Director	3.27%	3.30%	3.54%	3.54%
President and Vice President	8.91%	8.94%	6.69%	6.69%

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

(1) The remuneration for the Company's directors are paid in accordance with the Company's "Directions for Directors' Remuneration, Compensation and Travel Expenses Payment", and shall be paid based on the general levels. If the Company has surplus earnings, funds will be separately allocated in accordance with the provisions of Article 26 of the Company's "Articles of Incorporation" for directors' remuneration, which shall be submitted to Shareholders' Meeting for approval after being reviewed by Compensation Committee and approved by the Board. For directors concurrently serving as employees, the following (2)~(4) rules shall apply for the remuneration payment.

(2) The appointment, dismissal and remuneration of the Company's president and vice presidents shall be handled in accordance with the Company's regulations. The remuneration standards are formulated by the Company's human resources unit based on the Company's HR performance appraisal regulations. Besides, the president's or vice

president's individual performance and contribution to the Company's overall operations are also considered. Moreover, average levels applied in peer companies are also reviewed for the formulation of remuneration payment principles. The said standards/principles are implemented after being reviewed by Compensation Committee and approved by the Board of Directors.

(3) The Company's remuneration policy is formulated based on the individual's capabilities, contribution to the Company and performance achievement, with a positive correlation with the Company's business performance. In addition, with proper control over future risks, the Company's remuneration policy is also well correlated with future risks. The overall compensation/remuneration portfolio primarily includes three parts: basic salary, bonus/employee profit-sharing, benefits, etc. In regards to the remuneration payment standards, the basic salary is determined based on the Company's policy and the market competition status of the employee's position; bonus and profit-sharing contribution are given on a basis connected with the employee's/department's goal achievement or the Company's business performance. Regarding benefits program design, the prerequisite is to fulfill regulatory requirements, and to meet employees' needs with measures that provide benefits for employees.

(4) The remuneration distribution proportion for the Company's directors is determined in accordance with the provisions of Article 20 of the Company's Articles of Incorporation, stating that a quota limited within 2% of the year's profit can be allocated as directors' remuneration for the year. Moreover, in principle, a quota limited within 4% of the year's profit can be allocated as remuneration for managerial officers. The remuneration for directors and managerial officers is determined based on their participation degree in the Company's operations and their personal contribution /performance. In addition, the directors' and managerial officers' goal achievement rate, profit ratio, operational effectiveness, contribution degree, etc. are comprehensively considered when calculating remuneration distribution proportion for fair compensation. The director and managerial officer remuneration system is always reviewed in a timely manner based on actual operating conditions and changes of relevant laws and regulations.

## 4. Corporate Governance Report

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

Five (A) regular board meetings were convened in 2021. The status of attendance by directors was as following:

Title	Name	Age	Attendance in person (B)	By proxy	Attendance rate (%)B/A	Consecutive terms	Remark
Chairman	Representative of TSMC: F. C. Tseng	77	2	3	40%	7	Re-appointed as the Company's 9th-term board director at the Regular Shareholders' Meeting held on May 14, 2020.
Director	Representative of TSMC: Wendell Huang	60	5	0	100%	2	
Director	Representative of TSMC: Cliff Hou	60	5	0	100%	5	
Director	Representative of TSMC: Ken Chen	61	5	0	100%	3	Re-appointed as the Company's 9th-term board director at the Regular Shareholders' Meeting held on May 14, 2020. From January 28, 2022 onwards, the representative of TSMC has been changed from Mr. Ken Chen to Mr. Sean Tai.
Independent Director	Benson W. C. Liu	72	5	0	100%	6	
Independent Director	Chein-Wei Jen	73	5	0	100%	6	Re-appointed as the Company's 9th-term board director at the Regular Shareholders' Meeting held on May 14, 2020.
Independent Director	Wen-Yeu Wang	66	5	0	100%	5	
Independent Director	Peter Wu	71	5	0	100%	4	
Independent Director	Kenneth Kin	75	5	0	100%	2	

Other matters to be recorded:

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

Board Meeting Date/Term	Content of Proposal and Subsequent Handling		
	Matters listed in Article 14-3 of the Securities and Exchange Act	Independent Director's Dissenting or Qualified Opinion	
The 4 <sup>th</sup> Session of the 9 <sup>th</sup> Board Meeting on 2021.01.28	1. Approval of the proposal regarding the Company's president's performance and remuneration	Yes	No
	2. Approval of the Company's 2021 President Long-term Incentive Program	Yes	No
	3. Approval of attesting CPAs' independence, suitability (including performance) and contractual engagement	Yes	No
	Independent directors' opinion: None		
	The Company's handling of independent directors' opinions: Not applicable		
	Resolution result: The review of the first two proposals mentioned above had been completed by the Company's Compensation Committee. Except for Director Ken Chen who voluntarily avoided the discussion and voting as he concurrently served as the president and the proposal involved his personal interest, the proposals suggested by the Compensation Committee were unanimously approved by other directors who were present.		
	3. Resolution result: In line with the internal rotation practiced in the accounting firm, the independence, suitability and contractual engagement of the new attesting CPAs Gordon Chen and "Su-li Fang" were reviewed at this board meeting. This proposal had been reviewed and approved by the Audit Committee, and was accordingly approved without any objection by all directors who were present.	Yes	No
	1. Approval of the Company's president's compensation adjustment	Yes	No
	2. Approval of the Company's chairman's compensation adjustment	Yes	No
	Independent directors' opinion: None		
The 5 <sup>th</sup> Session of the 9 <sup>th</sup> Board Meeting on 2021.04.29	The Company's handling of independent directors' opinions: Not applicable		
	1. Resolution result: The chairperson stated that the review of the proposal had been completed by the Company's Compensation Committee. Except for Director Ken Chen who voluntarily avoided the discussion and voting as he concurrently served as the president and the proposal involved his personal interest, the proposal suggested by the Compensation Committee was unanimously approved by other directors who were present.		
	2. Resolution result: As the chairman suggested that his annual compensation would not be adjusted, no adjustment had been made for proposal 2.		
	Approval of the proposal regarding the president's 2020 remuneration and the cash bonus for the first half of 2021	Yes	No
	Independent directors' opinion: None		
	The Company's handling of independent directors' opinions: Not applicable		
	Resolution result: The chairperson stated that the review of the proposal had been completed by the Company's Compensation Committee. Except for Director Ken Chen who voluntarily avoided the discussion and voting as he concurrently served as the president and the proposal involved his personal interest, the proposal suggested by the Compensation Committee was unanimously approved by other directors who were present.		
The 6 <sup>th</sup> Session of the 9 <sup>th</sup> Board Meeting on 2021.07.29	Approval of the proposal regarding the president's 2020 remuneration and the cash bonus for the first half of 2021	Yes	No
	Independent directors' opinion: None		
	The Company's handling of independent directors' opinions: Not applicable		
	Resolution result: The chairperson stated that the review of the proposal had been completed by the Company's Compensation Committee. Except for Director Ken Chen who voluntarily avoided the discussion and voting as he concurrently served as the president and the proposal involved his personal interest, the proposal suggested by the Compensation Committee was unanimously approved by other directors who were present.		

Board Meeting Date/Term	Content of Proposal and Subsequent Handling	Matters listed in Article 14-3 of the Securities and Exchange Act	Independent Director's Dissenting or Qualified Opinion
The 7 <sup>th</sup> Session of the 9 <sup>th</sup> Board Meeting on 2021.10.28	1. Approval of the independence, suitability (including performance) and contractual engagement of attesting CPAs, and the remuneration for 2022 2. Approval of the proposal regarding managerial officers' annual performance indicators Independent directors' opinion: None The Company's handling of independent directors' opinions: None 1. Resolution result: The review of the independence, suitability (including performance), and contractual engagement of the Company's attesting CPAs as well as the 2022 remuneration details had been completed by the Audit Committee. The proposal was unanimously approved by all directors who were present 2. Resolution result: The review of the proposal had been completed by the Company's Compensation Committee. Except for Director Ken Chen who voluntarily avoided the discussion and voting as he concurrently served as the president and the proposal involved his personal interest, the proposal suggested by the Compensation Committee was unanimously approved by other directors who were present.		Yes Yes No No
The 9 <sup>th</sup> Session of the 9 <sup>th</sup> Board Meeting on 2022.01.26	1. Approval of the proposal regarding the remuneration and special bonus for the Company's president Ken Chen 2. Approval of the proposal regarding the remuneration structure adjustment for the Company's president and managerial officers Independent directors' opinion: None The Company's handling of independent directors' opinions: None Resolution result: The review of the above two proposals had been completed by the Company's Compensation Committee. Except for Director Ken Chen who voluntarily avoided the discussion and voting as he concurrently served as the president and the proposal involved his personal interest, the proposals suggested by the Compensation Committee were unanimously approved by other directors who were present.		Yes Yes No No

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

## 3. Information about the board of directors' self-evaluation frequency &amp; period, scope, method, content, etc.

Frequency	Period	Scope	Method	Content of Evaluation
Conducted annually	2021.01.01~2021.12.31	Including performance evaluation of the Board, individual board members and functional committees	Board internal self-evaluation, board members' self-evaluation, and evaluation conducted by commissioned external professional agencies (conducted every three years)	<p>The following five aspects are included in the internal evaluation of overall Board performance/ self-evaluation:</p> <p>A. Participation degree in the Company's operations, B. Improvement of the Board's decision-making quality, C. The Board's composition and structure, D. Selection/ appointment of directors and their continuing training, and E. Internal control and risk management; The evaluation of the Company's Board of Directors attained the result of "Excellent" in 2021, and the self-evaluation results were slightly improved compared with that in 2020. The result of Improvement of the Board's decision-making quality continued demonstrating "Good", while the result of self-evaluation for Participation degree in the Company's operations indicated a larger decline.</p> <p>Directors' self-evaluation covers the following six aspects: A. Grasp of the Company's goals and tasks, B. Awareness of a director's role and responsibilities, C. Participation degree in the Company's operations, D. Internal relationship management and communication, E. Director's professionalism and continuing training, and F. Internal control. The Company's directors' self-evaluation attained the result of "Excellent" in 2021, but the self-evaluation results were declining compared with 2020, especially in Internal relationship management and communication , Director's professionalism and continuing training , and Internal control .</p> <p>Functional committee performance evaluation covers the following five aspects: A. Participation degree in the Company's operations, B. Awareness of functional committee responsibilities, C. The functional committee's decision-making quality, D. The functional committee's composition and the selection/appointment of its members, and E. Internal control</p>

## 4. Evaluation of the goals for strengthening the Board's duties and functions (e.g., setting up an audit committee, enhancing information transparency, etc.) and the implementation status during the given and the most recent year:

The Company's board of directors is composed of professionals with diverse backgrounds, sufficient professional knowledge & experiences, excellent insight, and high ethical standards. In addition, the Company's chairman does not concurrently hold a managerial position of the Company. The number of independent directors was increased to five seats (more than 50% of the total number of directors) at the 2017 Shareholders' Meeting, and independent directors' independence was also judged and assessed in accordance with applicable laws and regulations. The Company has also formulated its "Regulations for Board of Directors Meetings" in accordance with the "Regulations Governing Procedures for Board of Directors Meetings of Public Companies" for relevant operations to comply with. The directors' attendance at the board meetings is entered in the Market Observation Post System, and the Board's major resolutions are also disclosed on the Company's website.

The Company has regularly implemented the Board's performance evaluation since 2010, and has officially formulated the Measures for the Board of Directors Performance Evaluation in November 2016. Evaluation questionnaires are created every year for directors' self-evaluation and peer evaluation, and the results are then summarized and reviewed for improvement. The self-evaluation measures have also been included in functional committees' performance

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

The Company's Audit Committee has been set up since 2008, and the latest-term committee was formed in 2020 by five new independent directors. The Audit Committee holds at least one meeting per quarter, taking the responsibility for carrying out the fair representation of the Company's financial statements, appointment or dismissal of attesting CPAs and evaluation of CPAs' independence and performance, effective implementation of the Company's internal control, the Company's compliance with relevant laws and regulations, control and management of existing or latent risks, etc. Since self-evaluation measures were included in Audit Committees' performance evaluation in October 2019, Audit Committee examined its overall effectiveness in 2021 based on the self-evaluation questionnaire. That is, each director conducted an independent and objective evaluation of the effectiveness of the overall Audit Committee in relation to the following five aspects: participation degree in the Company's operations, awareness of committee responsibilities, decision-making quality, committee's composition and the selection/appointment of its members, internal control, etc. The 2021 internal performance evaluation result of the Company's Audit Committee was "Excellent", but the self-evaluation results were declining compared with 2020 in Enhancement of Audit Committee's decision-making quality and Audit Committee's composition and the selection/appointment of its members .

The Company's Compensation Committee has been set up since 2010, and the latest-term committee was formed in 2020 by five independent directors. The committee takes the responsibility for the formulation and regular evaluation of the Company's overall compensation policy, formulation and regular review (at least once a year) of the policy, system, standards and structure in relation to directors' and managerial officers' performance evaluation and compensation, regular evaluation and determination of the compensation for directors and managerial officers, employee stock option plan and employee bonus plan or other employee incentive plans. Comprehensive consideration is also given to directors' and managerial officers' goal achievement rate, profit ratio, operating performance, contribution degree, etc. for the determination of fair compensation. The self-evaluation measures have also been included in Compensation Committee's performance evaluation since October 2019. The 2021 internal performance evaluation result of the Company's Compensation Committee remained to be "Excellent", but the self-evaluation results of all aspects were declining compared with 2020, among which Participation degree in the Company's operations indicated the biggest decline.

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

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

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

The Audit Committee evaluates the effectiveness of the Company's internal control system, including approval authority, completeness, risk management, etc. (the scope includes but not limited to finance, operations, research and development, information security, legal compliance, and operations in relation to all stakeholders), and reviews the results of internal audits and attesting CPAs' work. In addition to regular reports made by managerial officer, for matters of high operational risks, relevant controllers/officers are also requested to make reports on the improvement status. The above content is stipulated based on the Internal Control -- Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013. The Audit Committee deemed that the Company's risk management and internal control systems were effective, and the Company had adopted necessary control mechanisms to supervise and correct noncompliance or weaknesses with opportunities for improvement.

3. Formulate or revise the handling procedures for the acquisition or disposal of assets, engagement in derivative transactions, loaning of funds to others, provisions of endorsement or guarantee to others, and other significant financial or business actions in accordance with the provisions in Article 36-1 of the Securities and Exchange Act.

4. Matters involving the personal interest of directors.

5. Transactions on material assets or derivative commodities.

6. Material monetary loan, endorsement, or provision of guarantee.

7. The offer, issuance or private placement of securities of equity nature.

8. The appointment, discharge or remuneration of certified public accountants.

9. The appointment and discharge of the head of finance, accounting, or internal audit.

10. The annual financial statements signed or stamped by the chairman, managerial officers and accounting controller and the quarterly financial statements signed or stamped by the chairman, managerial officers and accounting controller, and reviewed by CPAs.

11. Business report, proposal for profit distribution or loss make-up.

12. Other significant matters stipulated by the Company or competent authorities.

Four regular Audit Committee meetings were convened in 2021. The status of attendance by independent directors was as following:

Title	Name	Attendance in person	By proxy	Attendance rate (%)	Note
Independent Director	Benson W. C. Liu	3	1	75%	Re-appointed as director at the Regular Shareholders' Meeting held on May 14, 2020.
Independent Director	Chein-Wei Jen	4	0	100%	Ditto
Independent Director	Wen-Yeu Wang	4	0	100%	Ditto
Independent Director	Peter Wu	4	0	100%	Ditto
Independent Director	Kenneth Kin	4	0	100%	Ditto

Other matters to be recorded:

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

Board Meeting Date/Term	Audit Committee Date/Term	Content of Proposal and Subsequent Handling	Matters listed in Article 14-5 of the Securities and Exchange Act	Resolutions that are not approved by the Audit Committee but approved by more than two-thirds of all directors
The 4 <sup>th</sup> Session of 9th Board Meeting on January 28, 2021.	The 3 <sup>rd</sup> Session of 5th Board Meeting on January 28, 2021.	1. Approval of the Company's 2021 financial statements and business reports 2. Approval of the Company's 2021 earnings distribution 3. Approval of the Company's 2021 "Statement of Internal Control System" 4. Approval of attesting CPAs' independence, suitability (including performance), and contractual engagement	Yes	No
		Audit Committee's resolution result: Unanimously approved by all Audit Committee members		
		The Company's handling of Audit Committee's resolutions: Unanimously approved by all directors who were present		
The 5 <sup>th</sup> Session of 9th Board Meeting on Apr 29, 2021.	The 4 <sup>th</sup> Session of 5th Board Meeting on Apr 29, 2021.	Approval of "Regulations on Reporting and Whistleblowing/Complaints."	Yes	No
		Audit Committee's resolution result: Unanimously approved by all Audit Committee members		
		The Company's handling of Audit Committee's resolutions: Unanimously approved by all directors who were present		
The 6 <sup>th</sup> Session of 9th Board Meeting on July 29, 2021.	The 5 <sup>th</sup> Session of 5th Board Meeting on July 29, 2021.	1. Approval of the Company's 2021 Quarter-2 financial statements	Yes	No
		Audit Committee's resolution result: Unanimously approved by all Audit Committee members		
		The Company's handling of Audit Committee's resolutions: Unanimously approved by all directors who were present		

Board Meeting Date/Term	Audit Committee Date/Term	Content of Proposal and Subsequent Handling	Matters listed in Article 14-5 of the Securities and Exchange Act	Resolutions that are not approved by the Audit Committee but approved by more than two-thirds of all directors		
The 7 <sup>th</sup> Session of 9th Board Meeting on October 28, 2021.	The 6 <sup>th</sup> Session of 5th Board Meeting on October 28, 2021.	1. Approval of attesting CPAs' independence, suitability (including performance), contractual engagement and annual compensation 2. Amendment to the approval authority for contract types subject to the Board's approval	Yes	No		
		Audit Committee's resolution result: Unanimously approved by all Audit Committee members				
		The Company's handling of Audit Committee's resolutions: Unanimously approved by all directors who were present				
The 9 <sup>th</sup> Session of 9th Board Meeting on January 26, 2022.	The 7 <sup>th</sup> Session of 5th Board Meeting on January 26, 2022.	1. Approval of the Company's 2021 financial statements and business reports 2. Approval of the Company's 2021 earnings distribution 3. Approval of the Company's 2021 "Statement of Internal Control System"	Audit Committee's resolution result: Unanimously approved by all Audit Committee members			
		The Company's handling of Audit Committee's resolutions: Unanimously approved by all directors who were present				
		2. For recusals executed by independent directors for interest-related proposals, the independent director's name, content of the proposal, the reason for recusal, and the participation/voting status should be stated: None. 3. Communication among independent directors, internal audit controller and CPAs (the major events, methods and results of the communication on the Company's financial and business status should be included): The internal audit controller regularly reports to Audit Committee at the quarterly meetings on the implementation status of internal audit plans, important findings, and the implementation status of previously suggested improvement items, and interacts face-to-face with independent directors. The internal audit controller also reports to and communicates with independent directors on essential issues every month through a written monthly report. The important content of the communication and interaction between independent directors and internal audit controller in Audit Committee is recorded in Audit Committee meeting minutes. In addition, emails are used for the communication on audits and other matters in relation to Audit Committee's duties among independent directors and between the internal audit controller and Audit Committee members. The Audit Committee's convener has maintained good communication with independent directors and the internal audit controller.				

The communication between independent directors and the internal audit controller in 2021 is listed in the table below:

Date	Type of communication	Communication items, independent directors' opinions and subsequent handling
2021.01.28	The 3rd Session of 5 <sup>th</sup> Audit Committee Meeting	1. The audit controller made a report on 2020 Quarter-4 audit items, results, and follow-up improvements. This quarter's audit focused on R&D and contract management; independent directors agreed on the report content. 2. The audit controller made a report on the content of 2020 Statement of Internal Control System, and explained the risks and the results of internal control self-evaluation, to which no independent directors had objection, and thus the statement was submitted to the Board for resolution.
2021.04.29	The 4 <sup>th</sup> Session of 5 <sup>th</sup> Audit Committee Meeting	The audit controller made a report on 2021 Quarter-1 audit items, results, and follow-up improvements. This quarter's audit focused on information security inspection; independent directors agreed on the report content.
2021.07.29	The 5 <sup>th</sup> Session of 5 <sup>th</sup> Audit Committee Meeting	The audit controller made a report on 2021 Quarter-2 audit items, results, and follow-up improvements. This quarter's audit focused on confidential information protection; independent directors agreed on the report content, and suggested that the audit findings should be carefully reviewed, and relevant employee educational training should be strengthened.

Date	Type of communication	Communication items, independent directors' opinions and subsequent handling
2021.10.14	Telephone conference	The audit controller made a report on the recent important audit findings, and held discussions about the next year's audit plans.
2021.10.28	The 6 <sup>th</sup> Session of 5 <sup>th</sup> Audit Committee Meeting	1. The audit controller made a report on 2021 Quarter-3 audit items, results, and follow-up improvements. This quarter's audit focused on procurement cycle and subsidiary audits; independent directors agreed on the report content. 2. The audit controller made a report on the completeness evaluation of the Company's internal control system; independent directors agreed on the report content. 3. The audit controller proposed the 2022 audit plans developed based on risk assessment results, on which all independent directors agreed, and thus the plan was submitted to the Board for approval.

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

The communication between independent directors and CPAs in 2021 is listed in the table below:

Date	Type of communication	Communication items, independent directors' opinions and subsequent handling
2021.01.28	The 3rd Session of 5 <sup>th</sup> Audit Committee Meeting	1. Inquiry about results of consolidated and individual financial statements audits 2. Inquiry about whether there were other audit findings in the key audit items of the financial statements 3. Inquiry about CPAs' assessment of and advice for other discussion items
2021.04.29	The 4 <sup>th</sup> Session of 5 <sup>th</sup> Audit Committee Meeting	1. Providing consolidated financial statements review results 2. Inquiry about CPAs' assessment of and advice for other discussion items. 3. Inquiry and discussion about issues and practice related to legal updates
2021.07.29	The 5 <sup>th</sup> Session of 5 <sup>th</sup> Audit Committee Meeting	1. Inquiry about consolidated financial statements review results 2. Discussion about issues shared in the industry trends
2021.10.28	The 6 <sup>th</sup> Session of 5 <sup>th</sup> Audit Committee Meeting	1. Inquiry about consolidated financial statements review results 2. Inquiry about this year's scheduled key audit items and evaluations 3. Inquiry and discussion about issues shared in the industry trends, and the influence on GUC

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

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

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

1. Information on the members of the Compensation Committee

By identity	Conditions Name	Professional qualification and experience	Status of independence	Number of other public companies in which the individual is concurrently serving as Compensation Committee
Independent Director	Wen-Yeu Wang (Convener)	Please refer to Disclosure of Professional Qualifications of Directors and Independence of Independent Directors on page 31 for annual report		2
Independent Director	Benson W. C. Liu			2
Independent Director	Chein-Wei Jen			0
Independent Director	Peter Wu			3
Independent Director	Kenneth Kin			2

2. Information on the function of Compensation Committee

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

(2) The term of office of the current committee members: May 14, 2020 to May 13, 2023. The Compensation Committee held 5 meetings (A) in the most recent year. The eligibility and attendance of the members are listed in the table below:

Title	Name	Attendance in person (B)	By proxy	Attendance rate (%) (B/A)	Note
Convener	Wen-Yeu Wang	5	0	100%	Re-appointed as director at the Regular Shareholders' Meeting held on May 14, 2020.
Committee	Benson W. C. Liu	4	1	80%	Ditto
Committee	Chein-Wei Jen	5	0	100%	Ditto
Committee	Peter Wu	5	0	100%	Ditto
Committee	Kenneth Kin	5	0	100%	Ditto

Other matters to be recorded:

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

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

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

4. Compensation Committee's discussion and resolution result, and the Company's handling of members' opinions:

Compensation Committee Meeting Date	Content of Proposal and Subsequent Handling
2021/01/28 (The 3rd Session of the 5 <sup>th</sup> Meeting)	<p>(1) Proposal regarding 2020 2H Bonus and 2021 Salary Adjustment  (2) Proposal regarding 2020 Employee Cash Bonus and Remuneration  (3) Proposal regarding 2020 managerial officers' performance &amp; remuneration and 2020 2H Bonus  (4) Proposal regarding 2020 Directors' Compensation and Remuneration  (5) Managerial officers' 2021 Long-term Incentive Program (the 6th phase)  (6) Proposal regarding the president's and audit controller's 2020 performance &amp; remuneration, and 2020 2H Bonus  (7) The president's 2021 Long-term Incentive Program (the 6th phase)  (8) Proposal regarding the amendments to "Operating Procedures for Ethical Management &amp; Business Code of Ethics"</p> <p>Compensation Committee's resolution result: Unanimously approved by all committee members</p> <p>The Company's handling of Compensation Committee's resolutions: Except for proposals (6) and (7) for which Director Ken Chen voluntarily avoided the discussion and voting as he concurrently served as the president and the proposals involved his personal interest, all proposals suggested by the Compensation Committee were unanimously approved by other directors who were present.</p>
2021/04/29 (The 4 <sup>th</sup> Session of the 5 <sup>th</sup> Meeting)	<p>(1) Review of directors' and managerial officers' "compensation policy, system, structure and standards"  (2) Proposal regarding managerial officers' 2021 compensation adjustment  (3) Proposal regarding the president's 2021 compensation adjustment  (4) Proposal regarding the audit controller's 2021 compensation adjustment  (5) Proposal regarding the chairman's 2021 compensation adjustment  (6) Proposal regarding Vice President Jen-Tai Hsu's appointment  (7) Proposal regarding Accounting Controller Blith Chiang's promotion</p> <p>Compensation Committee's resolution result: Unanimously approved by all committee members</p> <p>The Company's handling of Compensation Committee's resolutions:</p> <p>Except for proposals (3) and (5) for which Director Ken Chen and Director F. C. Tseng voluntarily avoided the discussion and voting as the proposals involved their personal interest, all proposals suggested by the Compensation Committee were unanimously approved by other directors who were present.</p>
2021/07/29 (The 5 <sup>th</sup> Session of the 5 <sup>th</sup> Meeting)	<p>(1) Proposal regarding managerial officers' 2020 remuneration and 2021 cash bonus  (2) Proposal regarding the president's 2020 remuneration and 2021 cash bonus  (3) Proposal regarding the audit controller's 2020 remuneration and 2021 cash bonus</p> <p>Compensation Committee's resolution result: Unanimously approved by all committee members</p> <p>The Company's handling of Compensation Committee's resolutions: Except for proposal (2) for which Director Ken Chen voluntarily avoided the discussion and voting as he concurrently served as the president and the proposals involved his personal interest, all proposals suggested by the Compensation Committee were unanimously approved by other directors who were present.</p>
2021/10/28 (The 6 <sup>th</sup> Session of the 5 <sup>th</sup> Meeting)	<p>(1) Revision of 2021 business plan: Proposal regarding changes to bonus/remuneration expenses for Employee Retention Project  (2) Proposal regarding the adjustment of 2022 Managerial officers' Long-term Incentive Program  (3) Review of managerial officers' 2022 performance objectives</p> <p>Compensation Committee's resolution result: Unanimously approved by all committee members</p> <p>The Company's handling of Compensation Committee's resolutions:</p> <p>All proposals suggested by the Compensation Committee were unanimously approved by other directors who were present.</p>
2021/12/02 (The 7 <sup>th</sup> Session of the 5 <sup>th</sup> Meeting)	<p>(1) Adjustment of managerial officers' "compensation policy, system, structure and standards"  (2) Remuneration proposal regarding the appointment of Mr. Sean Tai as the president</p> <p>Compensation Committee's resolution result: Unanimously approved by all committee members</p> <p>The Company's handling of Compensation Committee's resolutions:</p> <p>All proposals suggested by the Compensation Committee were unanimously approved by other directors who were present.</p>

Compensation Committee Meeting Date	Content of Proposal and Subsequent Handling			Items for evaluation	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for the TWSE/TPEX Listed Companies and reasons
			Yes	No	Summary			
2022/01/26 (The 8 <sup>th</sup> Session of the 5 <sup>th</sup> Meeting)	(1) Proposal regarding 2021 2H Bonus & 2022 salary adjustment (2) Proposal regarding 2021 employees' cash bonus and remuneration (3) Proposal regarding 2021 managerial officers' performance & remuneration and 2021 2H Bonus (4) Proposal regarding 2021 directors' compensation and remuneration (5) Managerial officers' 2022 Long-term Incentive Program (the 7th phase) (6) Proposal regarding the audit controller's 2021 performance & remuneration and 2021 2H Bonus (7) Proposal regarding President Ken Chen's remuneration and special bonus (8) Proposal regarding President Sean Tai's performance & remuneration and 2022 long-term incentive program (9) Proposal regarding adjustment of remuneration structure for the president and other managerial officers (10) Proposal regarding adjustment of allocation methods for employees' and directors' remuneration							
Compensation Committee's resolution result: Proposal (1) to (9): Unanimously approved by all committee members Proposal (10): After finishing discussion, the committee requested the human resources unit to further develop corresponding plans, which will be discussed at the next Compensation Committee meeting.								
The Company's handling of Compensation Committee's resolutions: All proposals suggested by the Compensation Committee were unanimously approved by other directors who were present.								
(4) Status of Corporate Governance as required for company, and any nonconformity to the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof								
Items for evaluation		Implementation Status		Deviation from the Corporate Governance Best-Practice Principles for the TWSE/TPEX Listed Companies and reasons				
		Yes	No		Summary	Yes	No	
1. Has the Company established and disclosed its corporate governance practices based on the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	V	The Company has formulated its "Corporate Governance Best Practice Principles" in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies". The relevant content has been disclosed on the Company's website and in the Market Observation Post System after being approved by the board of directors.		No major difference				No material differences except for the following matters: 1. Except for Compensation Committee and Audit Committee, no other functional committees have been set up voluntarily
2. Equity structure and shareholders' equity (1) Has the Company instituted an internal procedure for handling suggestions, questions, disputes of the shareholders and legal actions, and comply with the procedure properly?	V	The Company has formulated Rules of Procedure for Shareholders' Meetings, and has set up a spokesperson and deputy spokesperson system in accordance with relevant regulations. Dedicated personnel are also assigned to deal with issues related to investor relations and shareholders' suggestions, doubts, disputes, litigation, etc. The contact and E-mail information about investor relations processing is also available on the Company's website.		No major difference				2. The Board performance evaluation results have not been used as a reference for individual director's remuneration and re-appointment nomination

Items for evaluation	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for the TWSE/TPEX Listed Companies and reasons	Items for evaluation	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for the TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary			Yes	No	Summary	
			<p>In order to implement the Company's guidelines for Board diversity, the directors being appointed all have their own backgrounds in professions such as legal, accounting, industry, finance, marketing/R&amp;D, technology, business management, professional skills, industrial experiences, etc. (Please refer to page 24~26 of this Annual Report for directors' information.)</p> <p>The diversity goals for the future include but are not limited to the following two aspects standards:</p> <p>1. Basic conditions and values: Gender, age, nationality, culture, etc. The Company's current 9th-term board members are all male. The 10th-term board member re-election is expected to be held in 2023, in which at least one female director seat will be reserved, and the age criteria will be planned to achieve a balanced structure.</p> <p>2. Professional knowledge and skills: Professional backgrounds (such as legal, accounting, industry, finance, marketing or technology), professional skills, industrial experiences, etc.</p> <p>For the Company's Corporate Governance Best Practice Principles, please visit the Company's website.</p>	<p>3. In consideration of the difficulty in finding candidates for female directors, the Company revised a relevant provision in its "Corporate Governance Best-Practice Principles", stating that "It is advisable to reserve one seat for female directors".</p>	(3) Has the Company established a methodology for evaluating the performance of its Board of Directors, performed evaluations on an annual basis, submitted the results of the performance evaluation to the Board, and used such as a reference for individual director remuneration and renomination?		V	<p>The Company has established a Board's performance evaluation system. The Board of Directors approved the "Measures for Directors' Performance Evaluation" in November 2016, and approved the "Performance Evaluation System for New Functional Committees" in October 2019 to encourage the Board and functional committee members' self-invigoration, thereby enhancing the operational effectiveness of the Board and functional committees. The Board's self-evaluation and the directors' self-evaluation of 2021 were conducted in the fourth quarter of 2021, and the evaluation results were submitted to the Board in the first quarter of 2022. Suggestions for improvement have been made for aspects that can be strengthened. The evaluation of the Company's Board of Directors attained the result of "Excellent" in 2021, and the self-evaluation results were slightly improved compared with that in 2020. The result of Improvement of the Board's decision-making quality continued demonstrating "Good", while the result of self-evaluation for Participation degree in the Company's operations indicated a larger decline. The 2021 internal performance evaluation result of the Company's Compensation Committee was "Excellent" as well. For detailed information, please refer to the section of Corporate Governance on the Company's website.</p>	
(2) Further to the establishment of the Compensation Committee and the Auditing Committee, has the Company voluntarily established other functional committees?	V		The Company has set up its Compensation Committee by law, and has voluntarily set up the Audit Committee before regulatory requirements are released. Other functional committees are to be set up in the future.						

Items for evaluation	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for the TWSE/TPEX Listed Companies and reasons	Items for evaluation	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for the TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary			Yes	No	Summary	
			The external Board's performance evaluation is conducted at least once every three years by an external professional independent institution or an external team of experts and scholars, and the annual performance evaluation of the year is conducted at the end of the year. At the end of 2019, the Company entrusted the external agency "Taiwan Corporate Governance Association" to conduct the Board's operational effectiveness evaluation for the period from October 1, 2018 to September 30, 2019. The evaluation report completed by the association was presented on December 30, 2019. For the overall review comments and recommendations given by the association, please refer to the section of Corporate Governance on the Company's website. A report of the evaluation results and improvement plans was made by the Company at the Board meeting on February 6, 2020. For detailed information, please refer to the section of Corporate Governance on the Company's website.		4. Does the TWSE/TPEX Listed Company have an appropriate and appropriate number of corporate governance personnel, and has the Company designated a Corporate Governance Senior Officer to deal with corporate governance related affairs (including, but not limited to, providing directors and supervisors with information required for the execution of their duties; assisting directors and supervisors in complying with the laws and regulations; conducting board meeting and shareholders' meeting related matters; and preparing the minutes for board meetings and shareholders' meeting in accordance with the law, etc.)?	V		The Company's board of directors appointed Mr. Daniel Chien, Senior Vice President & Chief Financial Officer, as the Corporate Governance Officer on July 30, 2020, taking the responsibility for corporate governance-related affairs and handling relevant reporting and filing operations. This information has been reported to the Market Observation Post System as required. For the overview of the Officer's business implementation and continuing training, please refer to the section of Corporate Governance on the Company's website. Moreover, seven personnel from the Finance Division, Legal Division, Internal Audit and Human Resources Division has formed a "Corporate Governance Working Group", taking the responsibilities for the corporate governance related affairs, including providing the information required for directors to carry out business activities, assisting directors in complying with laws and regulations, handling matters related to board meetings and shareholders' meetings in accordance with the law, etc.)?	No major difference
(4) Has the Company evaluated the independence of the commissioned certified public accountants regularly?	V		The Company has required attesting CPAs to provide a "Declaration of Independence" on a yearly basis since 2014. At the same time, the Company's Accounting Department also assesses attesting CPAs' compliance with the Company's independence standards (please refer to Note 1) to ensure their eligibility for serving as the Company's attesting CPAs. When the Board discusses attesting CPAs' independence and appointment, the CPAs' personal résumés (detailing the CPAs' past and current clients) and each CPA's "Declaration of Independence" (not in violation of Bulletin No.10 of Norm of Professional Ethics for Certified Public Accountant of the Republic of China) are also provided for the Board to discuss and evaluate their independence. The most recent evaluation was approved by the Audit Committee at the meeting on October 28, 2021, which was then submitted to the Board and was approved at the board meeting held on the same day.	No major difference					

Items for evaluation	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for the TWSE/TPEX Listed Companies and reasons	Items for evaluation	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for the TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary			Yes	No	Summary	
5. Has the Company established a communications channel and established a designated zone on its website for stakeholders (including, but not limited to, shareholders, employees, customers, and suppliers), and has the Company properly responded to all CSR issues such stakeholders are concerned with?	V		With the aim of respecting stakeholders' rights and interests, the Company identifies its stakeholders and understands the stakeholders' reasonable expectations and needs, and thus the Company can appropriately respond to stakeholders' major corporate-social-responsibility concerns. Departments of the Company are responsible for the communication with stakeholders, and report to the board of directors on an irregular basis. The Company's stakeholders include employees, shareholders, customers, suppliers, social and government agencies. For their respective issues of concern and the Company's communication channels and response methods, please refer to the Company's 2020 Corporate Social Responsibility Report. Moreover, the Company has created Stakeholders and Corporate Social Responsibility sections on the Company's website to help the Company understand stakeholders' issues-of-concern and respond in an appropriate way. The Company can also receive feedback from different aspects for it to carry out continuous improvement. The Company publishes its Corporate Social Responsibility Report (renamed as Sustainability Report from 2020 onwards) every year, which is an important task for the Company to further disclose information about its corporate social responsibility.	No major difference	(2) Has the Company adopted other means of disclosures (e.g., the installation of a website in English language, appointment of designated persons for the gathering and disclosure of information, the proper implementation of the spokesman system, and the minutes of the investor conference on record posted on the website)?	V		The Company's Finance Division is responsible for the Company's information collection and disclosure. The Spokesperson and Deputy Spokesperson are also set for information disclosure. In addition, the Company's information about finance/business is disclosed in the "Market Observation Post System" on a regular or an irregular basis in accordance with corresponding regulations. Moreover, there is an Investor Relations section on the Company's website (in both Chinese and English), which fully discloses information related to the Company's finance/business, investor briefings (including information and video recordings of investor briefings) and corporate governance, providing shareholders and the general public with access to the Company's information. The Company's efforts in information disclosure have been recognized by the Securities and Futures Institute with the highest ranking of A++ given in the 12th Listed & OTC Company Information Disclosure Evaluation. The Company was also ranked within top 5% of the listed companies for its information disclosure performance from the 1st to the 7th Corporate Governance Evaluation.	No major difference
6. Has the Company appointed a professional shareholder services agent to deal with shareholder affairs?	V		The Company has commissioned a professional stock agency "CTBC Bank - Agency Department" to handle the shareholders' meeting affairs.	No major difference	(3) Does the Company announce and report the annual financial report within two months after the end of the fiscal year? Does the Company announce and report the first, second, and third quarter financial reports and the monthly operating conditions well in advance of the required deadlines?	V		The Company's annual financial statements, the Q1, Q2 and Q3 financial statements as well as the monthly operation reports are all announced prior to the specified deadlines.	
7. Disclosures									
(1) Has the Company established a website for the disclosure of Company's financial and business, and corporate governance?	V		The Company has set up "Investors Section" and "Corporate Social Responsibility Section" in both Chinese and English on its website, which cover the status of the Company's financial/business, corporate governance, and implementation of corporate social responsibility.	No major difference					

Items for evaluation	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for the TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
8. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (including, but not limited to, employee rights and benefits, employee care, investor relations, supplier relations, stakeholder rights, status of directors' continuing education, implementation of risk management policies and risk assessment criteria, implementation of customer related policies, and purchase of liability insurance for directors and supervisors by the Company)?	V		Please refer to note 2 for the explanation.	No major difference
9. State of corrective action taken for responding to the results of the corporate governance assessment announced by Taiwan Stock Exchange Corporation in the Corporate Governance Center the most recent fiscal year, and the priority for improvement on issues pending further corrective action and related measures.				

The Company's prioritized improvement measures for items that did not score in 2021 Corporate Governance Preliminary Evaluation:

Content of evaluation indicators	Improvement objects and measures
Does the company's board of directors include at least one female director? If the number of directors of each gender in the company is more than one-third of the total board seats, one additional point will be added to the total score.	In order to respond to the initiative advocated in "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" that the appointment of an independent director is advisable not to exceed three consecutive terms, two of the Company's independent directors, Mr. Benson W. C. Liu and Mr. Chein-Wei Jen who had been appointed for more than three consecutive terms, submitted their resignation letters on January 14, 2022, and will resign the independent-directorship on May 19, 2022. The Company will elect two new independent directors at the 2022 Shareholders' Meeting. After the election, there will be more than 50% of the Company's independent directors having served their independent-directorship for not more than three consecutive terms.
Does the company have at least two independent directors having served their independent-directorship for not more than three consecutive terms?	The Company approved the nomination of Mr. Yu-kang Ding and Ms. Cui-hui Huang at the board meeting held on January 26, 2022, which will be submitted to the 2022 Shareholders' Meeting. The 10th-term board member re-election is expected to be held in 2023, in which at least one female director seat will be reserved, and the age criteria will be planned to achieve a balanced structure.

Note 1: CPAs' independence evaluation criteria

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

Note 2:

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

- Employees' rights and interests, employee care, investor relations, supplier relationship, and stakeholders' rights
 

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

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

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

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

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

## 2. Continuing studying status for directors and independent directors

Continuing studying status for directors and independent directors of this Company in 2021 is as follow:

Title	Name	Date of Advanced study	Organized by	Course Name	Number of Hours
Chairman	F.C. Tseng	2021/11/23	Accounting Research and Development Foundation	New policies for sustainable development: Aspects of climate governance and low-carbon management	6
Director	Cliff Hou	2021/10/22	Securities & Futures Institute	Discussion on the Practice of AML & CFT	3
		2021/11/26	Taiwan Corporate Governance Association	Net Zero Emissions by 2030/2050 - Sustainability Challenges and Opportunities for Businesses in the World	3
Director	Ken Chen	2021/07/29	Securities & Futures Institute	Information Security Governance Practices for the Board of Directors	3
		2021/12/10	Taiwan Corporate Governance Association	How Can Businesses Develop Differentiation Strategies under ESG Trends	3
Director	Wendell Huang	2021/09/01	Accounting Research and Development Foundation	New policies for business sustainable development and aspects of climate governance	3
		2021/12/29	Accounting Research and Development Foundation	The key to implementing the Sustainable Development Goals (SDGs)	3
Independent Director	Chein-Wei Jen	2021/07/29	Securities & Futures Institute	Information Security Governance Practices for the Board of Directors	3
		2021/12/15	Accounting Research and Development Foundation	How to Use Intellectual Property Management System to Improve Corporate Governance	3
Independent Director	Wen-Yeu Wang	2021/07/29	Securities & Futures Institute	Information Security Governance Practices for the Board of Directors	3
		2021/11/29	Taiwan Securities Association	Domestic and International AML & CFT Laws & Risk Trends and Status	3
Independent Director	Benson W. C. Liu	2021/02/25	Taiwan Corporate Governance Association	Strategy Turning Point for Century-old International Enterprises-Learning about Sustainable Development from Century-old Enterprises	1
		2021/07/29	Securities & Futures Institute	Information Security Governance Practices for the Board of Directors	3
		2021/09/01	Securities & Futures Institute	The 13th Taipei Corporate Governance Forum (morning session)	3
		2021/09/28	Taiwan Corporate Governance Association	Advanced Practice Sharing - Moving towards Audit Committee 3.0	3
		2021/12/10		Global ESG Trends and Corporate Practices Case-sharing	3
		2021/12/22		Summit on Implementing ESG for Governance and Sustainable Development Forum	6

Title	Name	Date of Advanced study	Organized by	Course Name	Number of Hours
Independent Director	Peter Wu	2021/07/02	Securities & Futures Institute	Corporate Governance and Securities Laws/Regulations	3
		2021/07/29		Information Security Governance Practices for the Board of Directors	3
		2021/08/03	Taiwan Corporate Governance Association	Corporate Sustainability Governance based on the Perspective on Risk - From Corporate Governance to ESG	3
		2021/10/26		AI and Big Data for Corporate Internal Fraud Prevention and Investigation (Part 1)	3
		2021/10/26		AI and Big Data for Corporate Internal Fraud Prevention and Investigation (Part 2)	3
		2021/11/02	Securities & Futures Institute	Corporate M&A Practice Sharing-Focusing on Hostile Takeovers	3
Independent Director	Kenneth Kin	2021/11/09	Taiwan Corporate Governance Association	Corporate M&A and Directors'/Supervisors' Responsibilities	3
		2021/10/26	Taiwan Corporate Governance Association	AI and Big Data for Corporate Internal Fraud Prevention and Investigation (Part 1)	3
		2021/10/26		AI and Big Data for Corporate Internal Fraud Prevention and Investigation (Part 2)	3

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

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

4. Risk management policy, implementation of risk assessment criteria, and implementation of consumer/customer protection policy: The Risk Management Policy was approved by the Company's Board of Directors in 2010, serving as the highest guidelines for the Company's risk management. All management units regularly conduct evaluation and review of risk items, and report the evaluation results to Operation Management Risk Committee. The president will then summarize major risk items and report them to the board of directors on a regular basis. For risk management scope and the 2021 operation status, please refer to the section of Corporate Governance on the Company's website.

5. The Company's purchases of liability insurance for directors: The Company purchases liability insurance for directors every year. The insured amount in 2021 was NT\$450,000,000, and the insured period was April 28, 2021 to April 28, 2022. Relevant information is also available in the Market Observation Post System.

(5) Implementation of Sustainable Development Promotion:

Items for evaluation	Implementation Status			Any difference from the Corporate Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the reason for such difference	Items for evaluation	Implementation Status			Any difference from the Corporate Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the reason for such difference
	Yes	No	Summary			Yes	No	Summary	
1. Has the company established a governance structure to promote sustainable development, and set up a dedicated (or non-dedicated) unit to promote sustainable development, relevant affairs of which are handled by senior managerial officer under the Board's authorization and supervision?	V		<p>The Company has set up a non-dedicated committee composed of interdepartmental personnel to promote corporate sustainable development, in which several senior managerial officers specializing in different professions jointly examine the Company's core operational capabilities for the formulation of mid- /long-term sustainability plans. The committee's chairperson is appointed by the Board of Directors, being in charge of the committee affairs and reports to the Board of Directors every year on the results of promotion and the Company's strategies. In addition to reviewing the progress of strategy implementation, the Board will also urge the management team to make adjustments when needed.</p>	No major difference				<p>The Operation Management Committee holds two meetings every month. Units included in the Committee give presentations about the implementation of operation plans, and report on the risk control status of relevant duties as well as evaluate latent risks and provide countermeasures. Major risks that will affect operation plans will be summarized, and then be reported to the board of directors by Operation Management Committee's chairperson.</p> <p>In 2021, the Company's division-level units had reported to Operation Management Committee on the risk control status of relevant duties based on the annual plan. The Company's president also reported on the Company's mid-long-term plans and critical latent risks as well as countermeasures against them at the board meeting on Oct. 28, 2021. Moreover, the Company's management team also reported on the Company's risk management strategies in relation to information security risk management, contract risk management policy, intellectual property management plan, etc. at the board meeting on 2021/10/28.</p>	
2. Did the company conduct risk assessment of environmental, social and corporate governance issues for its operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?	V		<p>The Risk Management Policy was approved by the Company's Board of Directors in 2010, serving as the highest guidelines for the Company's risk management. All management units regularly conduct evaluation and review of risk items, and report the evaluation results to Operation Management Risk Committee. The president will then summarize major risk items and report them to the board of directors on a regular basis.</p> <p>In the process of business operations/management, the Company adopts prevention and control measures for possible risks, and creates relevant alert mechanisms.</p> <p>In addition, the Company also conducts assessments of risks in relation to the Company's operations in accordance with the materiality principle as a reference basis for the Company's risk management and operational strategies. With effective risk identification, assessment and control, the Company's risks arising from business activities can be controlled within an acceptable range.</p> <p>The Company's risk management scope includes "Intellectual Property Management Plan", "Information Security Risk", "Contract Risk", "Product Quality and Competitiveness Risk", "Climate Change and Emergency Response for Environmental Risk Management", "Operational Risk", etc.</p>	No major difference					

Items for evaluation	Implementation Status			Any difference from the Corporate Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for such difference	Items for evaluation	Implementation Status			Any difference from the Corporate Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for such difference
	Yes	No	Summary			Yes	No	Summary	
3. Environmental Issues				No major difference	4. Social issues				No major difference
(1) Has the Company established an appropriate environmental management system in accordance with its industrial characteristics?	V		The Company has established appropriate environmental management systems in accordance with "RBA (Responsible Business Alliance) Code of Conduct" based on its industrial characteristics.		(1) Has the Company established related management policy and procedure in accordance with applicable legal rules and international conventions on human rights?	V		GUC completely agrees on the universal value of human rights, so we believe that employees should be treated with fairness and respect. The Company is committed to protecting and respecting the human rights recognized by the world, including the United Nations Universal Declaration of Human Rights and International Labor Organization (ILO) Fundamental Conventions , and communicates its corporate ethics and perspectives on social values with customers, suppliers, investors, employees and communities.	
(2) Has the Company made effort to enhance the resources efficient use and used regenerated materials to mitigate the impact on the environment?	V		Through RBA Committee's operations, we are committed to bringing down the impact on natural resources and reducing environmental pollution. With the quantitative statistical disclosure of environmental information, we can record our usage status of purchased electricity, renewable energy, water resource and various raw materials. Long-term information recording and disclosure helps us review, in a year-by-year manner, whether our eco-friendly measures are gradually achieving the goals we set. In addition, we are also actively responding to climate change by taking actions to reduce consumption of natural resources, including combining the Company's main business with product energy efficiency improvement, green supply chain management, raw material & waste management, product packaging reduction & recycling/reuse, cloud office, CO2 concentration reduction in headquarters, and energy efficiency enhancement.					In terms of human rights issues, we take the United Nations Universal Declaration of Human Rights as our guidelines in hope that GUC can become a global corporate citizen in defending human rights. Although the Company has not set up a labor union, it still follows government labor laws and regulations to hold regular labor-management meetings for two-way communication and negotiation. In addition, four labor-management meetings are held per year (on a quarterly basis) in accordance with Article 83 of Labor Standards Act , and ad hoc meetings are also held when necessary to discuss issues related to the promotion of labor-management cooperation, labor-management relations coordination, improvement of labor conditions, and planning of workers' benefits. Moreover, we also require suppliers to abide by the same human rights policy as ours, and to be committed to carrying out human rights best practices in the semiconductor industry chain.	
(3) Has the Company assessed the potential current and future risks and opportunities from climate change for the Company, and has the Company taken measures to address climate-related issues?	V								
(4) Has the Company compiled statistics on greenhouse gas emissions, water consumption, and total volume of waste materials for the past two years, and has the Company formulated policies for greenhouse gas reduction, water use reduction, and other waste management?	V		Moreover, we have developed plans to carry out principles of sustainable management and eco-friendliness through management systems. In addition to internalizing RBA (Responsible Business Alliance) Code of Conduct as the Company's internal code of conduct, the Company has also established a RBA Committee, which is directly under the Operation Management Committee, to assess, review and implement RBA Code of Conduct through regular meetings.						
			In assessing issues related to climate change, the Company has included such assessment in the scope of its risk management, and has taken specific countermeasures against the issues, for which please refer to the Company's 2020 Sustainability Report.						
			As for details on the implementation of energy efficiency & carbon reduction and greenhouse gas reduction as well as the past four to five years' greenhouse gas emissions, water consumption, total waste weight and management policies, please refer to the Company's 2020 Sustainability Report.						

Items for evaluation	Implementation Status			Any difference from the Corporate Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for such difference	Items for evaluation	Implementation Status			Any difference from the Corporate Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for such difference
	Yes	No	Summary			Yes	No	Summary	
			As part of the global electronics industry supply chain, the Company requires itself to be a global citizen. The Company has developed plans to improve corporate culture and management systems since 2012, and has established the RBA Committee, which is directly under the Operation Management Committee, to work on the planning and implementation of RBA Code of Conduct compliance, and to treat all employees with dignity and respect. Meanwhile, for suppliers who have direct business relationship with the Company, we urge and require them to follow the RBA Code of Conduct in the hope of promoting the social responsibility of the industry and the awareness of world citizens through the joint strength of the entire supply chain.					The Company's efforts in work environment safety and employee safety protection have been recognized by Ministry of Labor, making the Company one of the "Friendly Workplace Award" winners. Additionally, the Company also received the "Health Promotion - Health Management Award" granted by Health Promotion Administration of the Ministry of Health and Welfare under Executive Yuan as a recognition for its excellent performance in creating a healthy workplace.	
(2) Has the Company established and implemented reasonable employee benefit measures (including compensation, leave, and other benefits), and are operational performance and results appropriately reflected in employee compensation?	V		The Company had been included as a constituent in TWSE's 2014 to 2021 "Taiwan HC 100 Index". We uphold the philosophy of sharing profit with employees to attract, retain, cultivate, and motivate outstanding personnel from various parts of the industry. For details of employees' remuneration and benefits, please refer to the Company's 2020 Sustainability Report.	No major difference	(4) Has the Company established the training program for the effective planning of career development for the employees?	V		The Company attaches great importance to employees' career development, and has established effective career competency development training programs for employees. Please refer to the Company's 2020 Sustainability Report for detailed information.	No major difference
(3) Has the Company provided a safe and health work environment for the employees, and provided education on labor safety and health regularly?	V		Protecting employees' safety has been the first consideration since the Company designed the hard & soft services facilities of its office environment, ensuring that employees can receive the best protection at work. The Company conducts regular safety and health educational training for employees (please refer to the Company's 2020 Sustainability Report for detailed information). In addition, the Company has also set up "Safety, Health and Environment Committee" (please refer to the Company's 2020 Sustainability Report for detailed information). Employee health checks and fire-safety drills are carried out on an annual basis to help employees have a correct understanding of their health status, and respond in the right manner when encountering emergencies. The Company has also taken out Public Liability Insurance to provide more protection for employees in the workplace.		(5) Does the Company comply with laws, regulations, and international standards when managing customer health and safety, customer privacy, and marketing and labeling of products and services and relevant issues? Has the Company established a policy and complaint procedure to protect consumer rights?	V		The Company's product & service marketing and labeling practices all comply with applicable laws/regulations and international standards. Moreover, the Company has formulated Service Management Procedures, Regulations on Customer Returns/Complaints Management, Confidential Information Protection Policy, Operational Measures for Customer Satisfaction Survey, and other policies for the protection of customers' interests and privacy as well as procedures for customers' complaints to ensure that consumers' rights and interests can be protected through the Company's research & development, procurement, production, operation, service procedures, etc. In practice, consumers/customers can have B2B communication with the Company through the Company's website "GUC Online".	

Items for evaluation	Implementation Status			Any difference from the Corporate Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for such difference	Items for evaluation	Implementation Status			Any difference from the Corporate Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for such difference
	Yes	No	Summary			Yes	No	Summary	
(6) Has the Company established a supplier management policy that requires suppliers to comply with regulations on environmental protection, occupational safety and health, and labor rights issues? Has the Company established an implementation method for such?	V	The Company promotes the green/ environmental protection policies and concepts to the entire supply chain. When taking on new suppliers, only those meeting GUC's requirements can be listed as eligible. The Company also requires suppliers to use recycled materials and reduce the use of consumables both in production and transport processes. The Company conducts regular supplier audits. Suppliers found to be involved in any violation of environmental laws/ regulations will receive a warning from the Company, and will be required to improve within a specified time limit. For cases of serious violation, the supplier partnership shall be terminated. In terms of human rights issues, the Company also requires suppliers to abide by the same human rights policy as the Company's, and to be committed to carrying out human rights best practices in the semiconductor industry chain. Please refer to the Company's 2020 Sustainability Report for detailed information about the Company's supplier management policies and the implementation status.	No major difference	6. If the company has its own sustainable development best practice principles formulated in accordance with the "Corporate Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies", please describe the differences between its operations and the said principles: The Company's board of directors approved the "Corporate Social Responsibility Best Practice Principles" in February 2015 as a guiding principle for long-term CSR promotion, and will amend the Company's "Corporate Social Responsibility Best Practice Principles" into "Sustainable Development Best Practice Principles" based on the revised "Corporate Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" at the Board meeting in April 2022. There is no difference between the actual operations and the said principles. Please refer to the Company's 2020 Sustainability Report for detailed information about the operation status.	7. Other important information for the understanding of the Company's promotion/implementation of sustainable development:  For more information about the Company's sustainable development operation status, please refer to the section of Sustainable Development on the Company's website.				
5. Does the Company refer to internationally standards/guidelines in the preparation of its reports, such as Sustainability Report, that disclose non-financial information? Has the Company obtained a third-party verification or assurance opinion on previously-disclosed reports?	V	The Company compiled its Corporate Social Responsibility Report of the past years and the 2020 Sustainability Report in accordance with the Global Reporting Initiative's Sustainability Reporting Standards (GRI Standards). The reports are presented in accordance with core option GRI Standards, in which facts and information in relation to sustainability issues of the given year are disclosed by following the rules of General Standards Disclosures and Specific Standards Disclosures. A complete GRI Standards Index Comparison Table is available in every report, giving viewers an overview of each chapter's content.  Assurance statements have been issued for the Company's 2020 Sustainability Report based on BSI GRI Standard & AA1000 Assurance Standard.	No major difference						

(6) The Company's Implementation of Ethical Corporate Management and the measures taken

Items for evaluation	Implementation Status			Deviations from "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and reasons	Items for evaluation	Implementation Status			Deviations from "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and reasons	
	Yes	No	Summary			Yes	No	Summary		
1. Establishment of ethical corporate management policies and programs (1) Has the Company established an ethical corporate management policy that has been approved by the Board of Directors, and clearly stated the ethical corporate management policy and practices, as well as the commitment of the Board of Directors and the top management to actively implementing the management in the Articles of Incorporation and external documents?	V		The Company's board of directors has formulated the "Operating Procedures for Ethical Management & Business Code of Ethics", clearly stipulating that the Company's business activities are carried out based on the principles of fairness, honesty, trustworthiness and transparency. In order to implement the ethical management policy and actively prevent dishonest or unethical conduct, all personnel of the Company (including subsidiaries) are required to pay attention to matters specified in the said procedures and code when engaging in business activities, and abide by the following principles: one should perform one's duties with honesty, conscientiousness and respect; one should be loyal to one's job without being involved in any illegal or inappropriate activities; one should avoid any conflicts of interest between the individual and the Company; one must not conduct oneself in a way that may disgrace the Company; and the scope of such compliance is not limited to legal/regulatory compliance only; the more important is self-discipline and self-judgment without going against common rationality. The top management of the Company upholds the principle of integrity, and operates business based on the principle of creating maximum benefits for shareholders and employees. In terms of legal compliance, the Company complies with the Company Act, Securities and Exchange Act, Commercial Accounting Law, Political Donations Act, Anti-corruption Act, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest, regulations governing TWSE/TPEX Listed Companies, or other laws governing business conduct to carry out ethical management. With respect to the active practices that the Board and managerial officer have committed to, The Company's directors all demonstrate a high degree of self-discipline by avoiding participation in discussion and voting for board meeting proposals which involve interests of their own or the juristic persons they represent and there is a concern about harming the Company's interests.	No major difference				They only address their opinions and answer inquiries without joining discussions and voting. In addition, the directors are required to avoid being present while the discussions and voting are in progress, and are not allowed to exercise the voting right on behalf of other directors. Self-discipline also prevails among directors; there is no inappropriate support among directors.		
					(2) Has the Company established a mechanism to assess unethical conduct risks? Does that Company regularly analyze and evaluate the business activities within its scope of business that have a higher risk of unethical conduct? Has the Company accordingly formulated a plan to prevent unethical conduct, covering at a minimum the preventive measures for the acts mentioned in Article 7-2 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies?	V			The Company has specified matters of caution when performing business activities in "Operating Procedures for Ethical Management & Business Code of Ethics". For business activities that involve higher risks of dishonest or unethical conduct, measures are taken to forbid the providing or receiving of improper benefits, the facilitation payment/handling fee, or the providing of political contributions. (Please refer to the Company's "Operating Procedures for Ethical Management & Business Code of Ethics" for details of the measures.) Therefore, before a business relationship is established, the Company will first evaluate the legality and ethical management policies of the agents, suppliers, customers or other business partners, and check whether there has been any record of dishonest or unethical conduct to ensure that their businesses are operated in a fair and transparent way. And we will never ask, offer or accept bribes. The Company's personnel are required to explain the Company's ethical management policy and relevant regulations to transaction counterparties when engaging in business activities, and expressly refuse to directly or indirectly provide, promise, request or accept any form of improper benefits for any reason, including kickbacks, commissions, facilitation payments, or offering/receiving improper benefits through other means. Relevant educational training and promotional programs are conducted on a yearly basis to help all personnel of the Company comply with these regulations. Specific complaint & whistleblowing regulations are also formulated by the Company's HR Department. Externally, a "Mailbox for Business Ethics Violation Reporting" has been set; internally, a Mailbox for Employees' Major Complaints has been set to prevent the Company's personnel from violating regulations. Please refer to the Corporate Social Responsibility section on the Company's website.	No major difference

Items for evaluation	Implementation Status			Deviations from "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and reasons	Items for evaluation	Implementation Status			Deviations from "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary			Yes	No	Summary	
			In order to completely put the above principles into practice, not only the Company's employees but also suppliers are required to abide by the Company's ethical standards and culture. Suppliers should sign "GUC's Collaborative Company's Business Ethics (Business Conduct) Commitment" as a declaration and guarantee.		2. The Materialization of Ethical Management (1) Has the Company evaluated the record on ethical practices of its counterparties, and has specified the clause of business ethic in the agreements binding the Company and its counterparties?	V		The Company's personnel should avoid engaging in business transactions with dishonest/unethical agents, suppliers, customers or other business partners. If a business or collaboration partner is found to be involved in dishonest/unethical conduct, its related business dealings should be immediately stopped, and the partner should be listed as an object of transaction rejection to carry out the Company's ethical management policy. In addition, in order to avoid engaging in transactions with those who have a record of dishonest/unethical conduct, the Company has clearly stipulated honest/ethical conduct terms in its business activity contracts.	No major difference
(3) Whether the Company has stipulated the operating procedures, conduct guidelines, disciplinary actions against violations as well as grievance system in the plan to prevent unethical conducts, implemented the execution thereof, and regularly reviewed and revised the aforementioned plan?	V	The Company promises to comply with government laws and business ethics, and is committed to following the highest standards of openness, integrity and responsibility in its active realization of corporate citizenship/corporate social responsibility to maintain corporate ethics and integrity while expanding its business. Therefore, the Company has separately formulated "Operating Procedures for Ethical Management & Business Code of Ethics" and "Regulations on Reporting and Whistleblowing/Complaints", and has proactively set up confidential channels for customers, shareholders, government agencies, society, academic research institutions, suppliers, employees of the Company, and other stakeholders (such as business partners, suppliers, general public, etc.) to report or file complaints against legal violations (e.g. fraud), dishonest/unethical conduct (e.g. corruption or bribery), or actual/potential violations of laws and/or the Company's policies. The Investigation Committee collaborates with Legal and HR units to accept complaints (whistleblowing disclosures) and deal with matters related to investigation, compilation, reporting and resolution implementation. There are dedicated personnel responsible for replying to complainants (or whistleblowers) about case review/handling progress, which will be regularly followed up and controlled/managed at senior management meetings and by Audit committee.  For the Company's dishonest/unethical conduct prevention operations, please refer to the section of Corporate Governance on the Company's website.	No major difference	(2) Has the Company established a dedicated (concurrently) unit under the Board of Directors to promote ethical corporate management, and to report to the Board of Directors on a regular basis (at least once a year) regarding ethical corporate management policies and plans, in order to prevent unethical conduct and to monitor their implementation?	V	The Company's HR Department is the dedicated unit in charge of the amendment, implementation, explanation, consultation services, reporting content data-entry & file creation, etc. as well as the supervision in relation to "Operating Procedures for Ethical Management & Business Code of Ethics". Other units also carry out the ethical management policy based on their own job duties and responsibilities to jointly ensure the actual implementation of the Best Practice Principles. The top managerial officer of HR Department is required to report to the board of directors on the previous year's implementation in the first quarter of each year.			

Items for evaluation	Implementation Status			Deviations from "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and reasons	Items for evaluation	Implementation Status			Deviations from "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary			Yes	No	Summary	
(3) Has the Company mapped out the policy for the avoidance of the conflict of interest and has provided suitable channels for such purpose, and properly pursued the policy?	V		Policies related to recusals due to conflicts of interest are also clearly stipulated in the Company's "Operating Procedures for Ethical Management & Business Code of Ethics". When engaging in business activities, if the Company's personnel identify that such activities involve interests of their own or the juristic persons they represent, or may enable themselves, their spouses, parents, children, or their interested parties to obtain improper benefits, they are required to sign "Conflict of Interest Report" and proactively provide explanations, and meanwhile report to their direct supervisors and the Company's dedicated unit (i.e. HR Department) on relevant facts, for which the direct supervisors should provide proper instructions and advice. The Company's personnel should not use the Company's resources in any commercial activities outside the Company's scope, nor should their work performance be affected due to the participation in the commercial activities outside the Company's scope.	No major difference	3. The reporting system of the Company in action	V			No major difference
(4) Has the Company established an effective accounting system and internal control system for the implementation of ethical corporate management? Has the internal auditing unit prepared an audit plan based on the assessment results for unethical conduct risks, and checked compliance with the unethical conduct prevention plan accordingly, or appointed a CPA to conduct the audit?	V		In order to realize ethical management through effective accounting and internal control systems, the Company has established effective accounting systems and internal control systems for business activities that involve higher risks of dishonest or unethical conduct. Such activities are also included in risk assessments for regular review, through which no external-purpose financial statements or reserved/secret accounts shall be allowed. The review is conducted on a rolling basis to ensure the continuing effectiveness of the systems' design and implementation. Internal auditors also regularly check the compliance status of the said systems.		(1) Has the Company established a reporting and reward system and the channels for facilitating the report on unethical practices, and has appointed designated personnel to handle the subject of reporting?	V		The Company promises to comply with government laws and business ethics, and is committed to following the highest standards of openness, integrity and responsibility in its active realization of corporate citizenship/corporate social responsibility to maintain corporate ethics and integrity while expanding its business! Therefore, the Company has separately formulated "Operating Procedures for Ethical Management & Business Code of Ethics" and "Regulations on Reporting and Whistleblowing/Complaints", and actively sets up confidential channels for customers, shareholders, government agencies, society, academic research institutions, suppliers, employees of the Company, and other stakeholders (such as business partners, suppliers, general public, etc.) to report or file complaints against legal violations (e.g. fraud), dishonest/unethical conduct (e.g. corruption or bribery), or actual/potential violations of laws and/or the Company's policies. The establishment of complaint policy/regulations is to effectively manage the internal/external reporting/whistleblowing (complaint) channels to ensure the implementation of the Company's ethical management commitments, and to protect the legitimate rights and interests of whistleblowers (or complainants). With smooth reporting/whistleblowing channels, the Company occasionally receives cases of reporting/whistleblowing. Please refer to Appendix 1 for information about cases of reporting/whistleblowing received during the period of 2019-2021, and the investigations being conducted.	
(5) Has the Company organized internal and external training on ethical management?	V		The Company's HR Department is responsible for the promotion of ethical management training and awareness-raising education for all employees. The educational training is conducted through e-learning to help employees be aware of matters of caution when engaging in business activities. Moreover, online Business Code of Ethics courses were also offered for all the Company's directors in 2021, in which regulations related to insider trading were included.						

Items for evaluation	Implementation Status			Deviations from "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary	
(2) Has the Company created a standard procedure for the investigation of reported matters, follow-up measures to be taken after the completion of the investigation, and relevant confidentiality mechanisms?	V	The Investigation Committee collaborates with Legal and HR units to accept complaints (whistleblowing disclosures) and deal with matters related to investigation, compilation, reporting and resolution implementation. There are dedicated personnel responsible for replying to complainants (or whistleblowers) about case review/handling progress, which will be regularly followed up and controlled/managed at Operation Management Committee meetings and by Audit committee. The investigation standard operating procedures for accepting whistleblowing cases and subsequent measures after investigation is completed are clearly stipulated in Regulations on Reporting and Whistleblowing/Complaints. Unless otherwise stipulated by law, the whistleblower's personal information will be kept confidential, and appropriate protection measures will be taken in accordance with relevant laws to protect personal information and privacy.	No major difference	
(3) Has the Company taken protection measures to protect the informant from improper treatment after reporting on unethical practices?	V	As stated above that a company should takes appropriate confidentiality measures in accordance with relevant laws, the Company deals with complaints or whistleblowing cases in a confidential manner, and handles them based on a prompt, fair and objective stance. If the complainant or whistleblower is an employee, the Company guarantees that the employee will not be treated inappropriately due to the complaint or whistleblowing.		
4. Enhancing Information Disclosure Has the Company disclosed the content of Ethical Corporate Management Best Practice Principles and the result at its official website and MOPS?	V	The Company has uploaded the Board-approved "Operating Procedures for Ethical Management & Business Code of Ethics" to the Company's website and the Market Observation Post System as a disclosure of ethical management information. Currently, the Company's Reporting System for Business Ethics Violation on the website is presented in both Chinese and English. Dedicated HR personnel are designated for the collection and disclosure of the Company's relevant information. HR Department regularly provides learning materials and test questions for internal training, awareness-raising promotion and testing through e-learning in the fourth quarter of each year. For ethical management educational training programs conducted in 2021, and various complaints and corresponding handling progress, please refer to the section of Corporate Governance on the Company's website.	No major difference	

Items for evaluation	Implementation Status			Deviations from "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary	
5. If the Company has established performance of good-faith management best practice principles based on "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies", please describe any discrepancy between the principles and their implementation: None				
6. Other important information for the understanding of the Company's ethical management status: For information about the Company's "Operating Procedures for Ethical Management & Business Code of Ethics", please refer to the Market Observation Post System or the Company's website.				

Attachment 1:

Complaint Channel specified in Operating Procedures for Ethical Management & Business Code of Ethics		2021	2020	2019
Independent Director's Mailbox (Audit Committee)		0	One case	One case
Reporting System for Business Ethics Violation	Employees' Major Complaints/ Whistleblowing Cases (non-categorized)	Two cases (Note 1)	Two cases	0
	Sexual Harassment	0	0	One case
	Wrongful Harm Complaint	0	0	0
	Procedures for Confidential Information Protection/Control	0	0	0
Cases confirmed after investigation		Two cases (Note 2)	Two cases	One case

Note 1: There were two cases not being lodged through formal complaint channels that filed complaints against the same employee for the same conduct/incident. These two cases were not counted as they were not categorized as major violations of ethical management or business code of ethics.

Note 2: Two Employees' Major Complaints were received: One was about an employee who lent the employee ID to others for meal payment. A verbal warning had been issued to the employee, and internal awareness-raising promotion about employee ID usage and principles had been conducted. The other case involved violation of Control Procedures for Confidential Information, workplace wrongful harm, and performance appraisal disputes. The results of investigations completed by the Company's Ombudsman managerial officer and implementation unit indicated that it did not constitute a violation of Control Procedures for Confidential Information and the workplace wrongful harm. As for the performance appraisal issue, appropriate adjustments had been made based on Audit Committee's discussion and the Board's resolution.

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

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

## (9) Implementation Status of Internal Control System

### 1. Internal Control System Statement



Date: January 26, 2022

With regard to the 2021 internal control system, the Company declares the following based on the self-evaluation findings:

1. The Company is fully aware that establishing, implementing, and maintaining an internal control system are the responsibility of its Board of Directors and managerial officers. The Company has established such a system to provide reasonable assurance for attaining the aims of the effectiveness and efficiency of business operations (including profits, performance, safeguarding of asset security, etc.); reliability, timeliness, transparency of reporting; and compliance with the governing laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system provides assurance to the aforementioned aims only to a reasonable extent. Moreover, due to changes of environments and circumstances, the effectiveness of an internal control system may change accordingly. Nevertheless, the internal control system of the Company is equipped with a self-monitoring mechanism, and the Company takes corrective actions as soon as any fault is identified.
3. The Company determines the design and operating effectiveness of its internal control system in accordance with the determining factors provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations"). The internal control system determining factors specified in the Regulations divide an internal control system into five elements based on its management: 1. Control Environment, 2. Risk Assessment, 3. Control Operations, 4. Information and Communications, and 5. Monitoring. Each element further contains several items. Refer to the Regulations for the aforementioned items.
4. The Company has adopted the aforementioned internal control system determining factors to examine the design and operating effectiveness of its internal control system.
5. Based on the findings of the evaluation mentioned in the preceding paragraph, the Company deems that the internal control system as of December 31, 2021 (including supervision and management of subsidiaries), which encompass internal controls for knowledge of the accomplishment degree of operating effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with the governing laws and regulations, are effectively designed and implemented, and reasonably assure accomplishment of the abovementioned aims.
6. This Statement constitutes the main content of the Company's annual report and prospectus, and will be made public. Any wrongful act pertaining to falsification or concealment involving the above public declaration will be subjected to legal liabilities under Articles 20, 32, 171, and 174 of, and other regulations relating to, the Securities and Exchange Act.
7. This Statement was approved by the Board Meeting of the Company held on January 26, 2022, where none of the nine attending directors expressed dissenting opinions, and all consented to the content of this Statement.

Global Unichip Corp.

Chairman: F.C. Tseng

President: Ken Chen



(with seal)

(with seal)

2. If a CPA is appointed to review the internal control system, the review report shall be disclosed: N/A.

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

## (11) Major resolutions of the Shareholders' Meeting and the Board in the most recent year to the date this report was printed

2021's Shareholders' Meeting:

Important Resolution	Description of Implementation
Acknowledgement of the proposal regarding the Company's 2020 earnings distribution	The distribution had been completed based on the resolution, in which June 9, 2021 was set as the base date for distribution, and the cash dividend distribution date was June 30, 2021. (Cash dividend: NT\$ 5/per share).

The important resolutions of the Board of Directors in 2021 and to the date of this report was printed

Session/Term	Important Resolution
The 4 <sup>th</sup> Session of the 9 <sup>th</sup> Term	<ol style="list-style-type: none"> <li>1. Approval of the proposal regarding employees' and directors' 2020 remuneration distribution</li> <li>2. Approval of 2020 financial statements and business reports</li> <li>3. Approval of the proposal regarding 2020 earnings distribution</li> <li>4. Approval of the proposal regarding amendments to some provisions of the Company's "Operating Procedures for Ethical Management &amp; Business Code of Ethics"</li> <li>5. Approval of the date, venue and reason for the 2021 Regular Shareholders' Meeting</li> <li>6. Approval of the period and place for accepting shareholders' proposals for the 2021 Regular Shareholders' Meeting</li> <li>7. Approval of 2020 "Statement of Internal Control System"</li> <li>8. Approval of attesting CPAs' independence, suitability (including performance), and contractual engagement</li> </ol>
The 5 <sup>th</sup> Session of the 9 <sup>th</sup> Term	<ol style="list-style-type: none"> <li>1. Review of the Company's directors and managerial officers compensation policy, system, structure and standards</li> <li>2. Approval of the proposal regarding amendments to the Company's "Corporate Governance Best Practice Principles"</li> <li>3. Approval of the proposal regarding the amendments to the Company's internal regulations "Standard Operating Procedures for Handling Directors' Requests"</li> <li>4. Approval of the proposal regarding the addition/amendments to the Company's internal regulations "Procedures for Employees Complaints and Whistleblowing"</li> <li>5. Approval of the appointment of Mr. Jen-Tai Hsu as R&amp;D Vice President</li> <li>6. Submitting the 2021 first quarter financial statements to the Board of Directors</li> </ol>
The 6 <sup>th</sup> Session of the 9 <sup>th</sup> Term	<ol style="list-style-type: none"> <li>1. Approval of the proposal regarding managerial officers' 2020 remuneration, and individual cash bonus amount for the first half of 2021</li> <li>2. Approval of the proposal regarding the president's 2020 remuneration and the cash bonus for the first half of 2021</li> <li>3. Approval of the proposal regarding the audit controller's 2020 remuneration, and individual cash bonus amount for the first half of 2021</li> <li>4. Submitting the 2021 second quarter financial statements to the Board of Directors</li> </ol>

Session/Term	Important Resolution
The 7 <sup>th</sup> Session of the 9 <sup>th</sup> Term	1. Approval of the revision of the Company's 2021 operation plans
	2. Approval of the revision of the Company's 2021 capital expenditure plans
	3. Approval of the Company's 2022 audit plans
	4. Approval of attesting CPAs' independence, suitability (including performance), contractual engagement, and 2022 remuneration
	5. Approval of the Company's 2022 operation plans
	6. Approval of the Company's 2022 capital expenditure plans
	7. Approval of managerial officers' 2022 performance indicators
	8. Approval of the change of approval authority for agreement types requiring the Board's approval
	9. Submitting the 2021 third quarter financial statements to the Board of Directors
The 8 <sup>th</sup> Session of the 9 <sup>th</sup> Term	Approval of the adjustments for managerial officers' compensation policy, system, structure and standards
	Approval of the appointment of Mr. Sean Tai as the president
	Strategy report on operation units' profit growth target
The 9 <sup>th</sup> Session of the 9 <sup>th</sup> Term	Approval of the proposal regarding employees' and directors' 2021 remuneration distribution
	Approval of 2021 financial statements and business reports
	Approval of the proposal regarding 2021 earnings distribution
	Approval of the proposal regarding the Company's independent director by-election
	Approval of the Board's nomination of the Company's two independent director candidates, and the resolution of candidacy
	Approval of the date, venue and reason for the 2022 Regular Shareholders' Meeting
	Approval of the period and place for accepting shareholders' proposals for the 2022 Regular Shareholders' Meeting
	Approval of the period and place for accepting shareholders' nomination of two independent directors for the 2022 Regular Shareholders' Meeting
	Approval of 2021 "Statement of Internal Control System"

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

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

Title	Name	Date of Appointment	Date of Discharge	Reason for Resignation or Discharge
President	Ken Chen	2016.09.01	(Note)	Personal career plan (Note)

Note: The Company's board of directors approved the appointment of Dr. Sean Tai as the "Co-President" on December 2, 2021 to jointly lead the Company with the predecessor president Ken Chen until January 27, 2022. From January 28, 2022 onwards, Dr. Sean Tai officially assumed the position of president, and the predecessor president Ken Chen served as a full-time advisor until May 19, 2022.

## 5. Information Regarding the Company's Independent Auditors

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

Unit: NT\$ Thousand

Accounting Firm	Names of CPAs		Duration of Audit	Auditing fee	Non-Auditing fee	Total	Note
Deloitte & Touche	Ming-Hui Chen	Su-Li Fang	2021	3,570	300 (Note)	3,870	N/A

Note: Deloitte & Touche is the CPA firm entrusted by the Company for the service of "Independent Evaluation and Audit for Supplier Security and Privacy".

**(2) If there is a change in the accounting firm, and the audit fees paid for the fiscal year in which the change took place are lower than those paid for the fiscal year immediately preceding the change, the amount and percentage of and reason for the reduction in audit fees shall be disclosed: N/A.**

**(3) When the audit fees paid for the current fiscal year are lower than those paid for the immediately preceding fiscal year by 10% or more, the amount and percentage of and reason for the reduction in audit fees shall be disclosed: N/A.**

## 6. Information about CPA Replacement:

### (1) Information on Predecessor CPA

Date of Replacement	From the first quarter of 2021 onwards		
Reason and Description for Replacement	CPA firm's internal adjustments		
Please indicate whether the client or the CPA terminated/refused the contractual engagement.	Subject	CPA	Client
Circumstance			
Engagement termination not under demand	N/A	N/A	
Dismissal from (continuing) engagement	N/A	N/A	
Audit Report being given opinions other than "unqualified opinion" had been issued in the last two years, and the reason(s) for the opinion(s)	N/A		
Having different opinions with the issuer or not	Yes	-	Accounting principles or practices
		-	Disclosures of financial reports
		-	Audit scope or steps
		-	Others
No	V		
Description			
Other disclosures (Facts to be disclosed as stipulated in Article 10, Subparagraph 6, Items 1-4 to 1-7 of these Guidelines)	No		

**(2) Information on Successor CPA**

Name of CPA Firm	Deloitte & Touche
CPA's Name	CPAs Ming-Hui Chen and Su-li Fang
Date of Engagement	From the first quarter of 2021 onwards
Consultation prior to contractual engagement regarding accounting treatment approaches or accounting principles for specific transactions, and opinions that may be issued for financial reports, and the consultation results	N/A
Successor CPA's written disagreement on Predecessor CPA's opinions	N/A

**(3) Reply from predecessor CPAs on the matters listed in Article 10, Subparagraph 6, Items 1 and 2-3 of these Guidelines: Not applicable.****7. The chairman, president, chief financial or accounting manager of the Company who holds position in the business under the commissioned CPA firm or its affiliates in 1 year: None****8. In the most recent year to the date this report was printed, directors, managerial officers and the shareholders holding more than 10% of the shares in the transfer of shares and pledge of shares under lien, and any change thereof.**

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

Title	Name	2021		As of March 21, 2022	
		Increase (Decrease) in Number of shares	Increase (Decrease) in Number of Pledged Shares	Increase (Decrease) in Number of shares	Increase (Decrease) in Number of Pledged Shares
Director	Representative: F.C. Tseng Sean Tai Wendell Huang Cliff Hou	0	0	0	0
Independent Director	Benson W. C. Liu	0	0	0	0
Independent Director	Chein-Wei Jen	0	0	0	0
Independent Director	Wen-Yeu Wang	0	0	0	0
Independent Director	Peter Wu	0	0	0	0
Independent Director	Kenneth Kin	0	0	0	0
President	Sean Tai (assumed on Dec 2, 2021)	0	0	0	0
Senior Vice President & CFO and Corporate Governance Officer	Daniel Chien	11,317 (26,000)	0	1,313	0
Senior Vice President	Louis Lin	41,878 (68,000)	0	0	0
Vice President	Simon Yen	8,377 (8,377)	0	0	0
Vice President	Justin Hsieh	5,544 (11,000)	0	3,977	0
Vice President	Jen-Tai Hsu (assumed on April 29, 2021)	0	0	553	0
Accounting Controller	Blith Chiang	2,025 (2,000)	0	624	0
President	Ken Chen (started serving as the Company's advisor on Jan 28, 2022)	31,307 (50,000)	0	0	0
Senior Vice President	Chiang Fu (resigned on Oct 12, 2021)	8,003 (19,100)	0	0	0
Vice President	Vincent W. Li (resigned on Oct 29, 2021)	0	0	0	0

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

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

Name	Own shareholdings		Shares Held by Spouse & minor children		Shareholdings under the title of a third party		If there are related parties, spouses, kindred within the 2nd degree of kinship among the top 10 shareholders, give the names and affiliations of such shareholders stated in No. 6, SFAS	Note	March 21, 2022		
	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Title (or Name)	Relation	Number of Shares
	Number of Shares		Shareholding ratio		Number of Shares		Shareholding ratio		Number of Shares		Shareholding ratio
TSMC	46,687,859	34.84%	-	-	-	-	-	-	-	-	-
Investment account of SMALLCAP World Fund managed by Standard Chartered Bank Business Department	10,720,000	8.00%	-	-	-	-	-	-	-	-	-
Investment account of J.P. Morgan Funds managed by Chase Bank	4,826,000	3.60%	-	-	-	-	-	-	-	-	-
Chunghwa Post Co., Ltd.	3,008,000	2.24%	-	-	-	-	-	-	-	-	-
Nan Shan Life Insurance Company, Ltd.	2,371,000	1.77%	-	-	-	-	-	-	-	-	-
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. — Equity Trading Division	2,329,000	1.74%	-	-	-	-	-	-	-	-	-
Fidelity Funds managed by Standard Chartered Bank	1,510,000	1.13%	-	-	-	-	-	-	-	-	-
Investment account of Japan Securities Finance Co., Ltd. managed by Chase Bank	1,462,000	1.09%	-	-	-	-	-	-	-	-	-

Name	Own shareholdings		Shares Held by Spouse & minor children		Shareholdings under the title of a third party		If there are related parties, spouses, kindred within the 2nd degree of kinship among the top 10 shareholders, give the names and affiliations of such shareholders stated in No. 6, SFAS	Note	
	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Title (or Name)	Relation	
Investment account of Vanguard Emerging Markets Stock Index Fund managed by JPMorgan Chase Bank, N.A., Taipei Branch	1,183,960	0.88%	-	-	-	-	-	-	-
Ting, Chen	1,179,000	0.88%	685,000	0.51%	-	-	None	None	None

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

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

Note 1: It is the Company's investee which is using the equity method.

# 4

## CHAPTER

# Capital Overview

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

## Capital Overview

### 1. Capital and shares

#### (1) Sources of Capital Stock

Unit: Thousand share; NT\$ Thousand

Period	Price at issuance (NT\$)	Authorized shares capital		Paid in capital		Note		
		Number of Shares	Amount	Number of Shares	Amount	Sources of Capital Stock	Property other than cash is paid by subscribers	Date and File No. of Approval
January 1998	10	500	5,000	406	4,060	Establishment: 4,060	N/A	Omit
May 1998	10	3,000	30,000	3,000	30,000	Capital increased by cash: 25,940	N/A	Omit
November 1998	10	12,000	120,000	12,000	120,000	Capital increased by cash: 90,000	3,000,000 shares of know-how	Omit
October 1999	10	30,000	300,000	19,990	199,900	Capital increased by cash: 79,900	1,997,500 shares of know-how	Omit
December 1999	50	30,000	300,000	30,000	300,000	Capital increased by cash: 100,100	500,500 shares of know-how	Omit
January 2003	10.5	70,000	700,000	62,500	625,000	Capital increased by acquisition: 325,000	N/A	Omit
February 2003	10.5	95,000	950,000	82,500	825,000	Capital increased by cash: 200,000	N/A	Omit
June 2005	10.5	95,000	950,000	83,204	832,040	Transfer from employee stock options: 7,040	N/A	Note 1
August 2005	10, 10.5	97,613	976,131	87,197	871,971	Capital increased by earnings recapitalization: 27,381 Transfer from employee stock options: 12,550	N/A	Note 1, Note3
December 2005	10	97,613	976,131	87,747	877,471	Transfer from employee stock options: 5,500	N/A	Note 1
March 2006	10	150,000	1,500,000	87,879	878,791	Transfer from employee stock options: 1,320	N/A	Note 1
June 2006	10	150,000	1,500,000	88,469	884,691	Transfer from employee stock options: 5,900	N/A	Note 1
September 2006	10, 10.5	150,000	1,500,000	94,397	943,966	Capital increased by earnings recapitalization: 58,885 Transfer from employee stock options: 390	N/A	Note 1, Note 5
December 2006	38, 10.5	150,000	1,500,000	108,724	1,087,236	Capital increased by cash: 122,880 Transfer from employee stock options: 20,390	N/A	Note 1, Note 6
March 2007	10, 10.5	150,000	1,500,000	108,918	1,089,176	Transfer from employee stock options: 1,940	N/A	Note 1, Note 2
June 2007	10, 10.5	150,000	1,500,000	109,614	1,096,136	Transfer from employee stock options: 6,960	N/A	Note 1, Note 2

Period	Price at issuance (NT\$)	Authorized shares capital		Paid in capital		Note		
		Number of Shares	Amount	Number of Shares	Amount	Sources of Capital Stock	Property other than cash is paid by subscribers	Date and File No. of Approval
August 2007	10	150,000	1,500,000	114,069	1,140,690	Capital increased by earnings recapitalization: 44,554	N/A	Note 7
September 2007	10.5, 9.6	150,000	1,500,000	114,308	1,143,080	Transfer from employee stock options: 2,390	N/A	Note 1, Note 2
December 2007	10.5, 9.6	150,000	1,500,000	114,803	1,148,030	Transfer from employee stock options: 4,950	N/A	Note 1, Note 2
March 2008	10.5, 9.6	150,000	1,500,000	114,936	1,149,360	Transfer from employee stock options: 1,330	N/A	Note 1, Note 2
June 2008	10.5, 9.6	150,000	1,500,000	115,238	1,152,380	Transfer from employee stock options: 3,020	N/A	Note 1, Note 2
August 2008	10, 10.5, 9.6	150,000	1,500,000	123,045	1,230,455	Capital increased by earnings recapitalization: 76,475 Transfer from employee stock options: 1,600	N/A	Note 1, Note 2, Note 8
December 2008	10, 10.5, 8.9, 16.4	150,000	1,500,000	124,264	1,242,645	Transfer from employee stock options: 12,190	N/A	Note 1, Note 2, Note 4
March 2009	10, 10.5, 8.9, 16.4	150,000	1,500,000	124,698	1,246,985	Transfer from employee stock options: 4,340	N/A	Note 1, Note 2, Note 4
May 2009	10, 10.5, 8.9, 16.4	150,000	1,500,000	125,328	1,253,285	Transfer from employee stock options: 6,300	N/A	Note 1, Note 2, Note 4
July 2009	10	150,000	1,500,000	131,129	1,311,299	Capital increased by earnings recapitalization: 58,014	N/A	Note 9
September 2009	8.9, 16.4	150,000	1,500,000	131,345	1,313,459	Transfer from employee stock options: 2,160	N/A	Note 2, Note 4
December 2009	8.4, 15.5	150,000	1,500,000	131,503	1,315,039	Transfer from employee stock options: 1,580	N/A	Note 2, Note 4
March 2010	10, 10.5, 8.4, 15.5	150,000	1,500,000	131,974	1,319,749	Transfer from employee stock options: 4,710	N/A	Note 1, Note 2, Note 4
May 2010	8.4, 15.5	150,000	1,500,000	132,144	1,321,449	Transfer from employee stock options: 1,700	N/A	Note 2, Note 4
August 2010	8.3, 15.3	150,000	1,500,000	132,229	1,322,299	Transfer from employee stock options: 850	N/A	Note 2, Note 4
November 2010	8.3, 15.3	150,000	1,500,000	133,225	1,332,259	Transfer from employee stock options: 9,960	N/A	Note 2, Note 4
March 2011	8.3, 15.3	150,000	1,500,000	133,566	1,335,669	Transfer from employee stock options: 3,410	N/A	Note 2, Note 4
May 2011	15.3	150,000	1,500,000	133,954	1,339,549	Transfer from employee stock options: 3,880	N/A	Note 4
August 2011	15.3	150,000	1,500,000	134,009	1,340,099	Transfer from employee stock options: 550	N/A	Note 4
November 2011	15.0	150,000	1,500,000	134,011	1,340,119	Transfer from employee stock options: 20	N/A	Note 4
January 2022	-	180,000	1,800,000	134,011	1,340,119	-	-	Note 10

Note 1: Approved on August 5, 2004 with No. Chin-kuan-cheng-yi-tzu-ti-0930134052.

Note 2: Approved on August 16, 2004 with No. Chin-kuan-cheng-yi-tzu-ti-0930136492.

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

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

Shelf registration system information: Not applicable.

## (2) Composition of Shareholders

Quantity	Composition of Shareholders					
	Government Apparatus	Financial Institution	Other Juridical person	Foreign Institution and Foreigner	Individual	Total
Number of persons	0	19	156	333	11,876	12,384
Number of shares	0	6,403,087	56,146,241	49,660,961	21,801,622	134,011,911
Shareholding ratio	0.00%	4.78%	41.89%	37.06%	16.27%	100.00%

## (3) Equity Distribution

Holding share classification	No. of Shareholders	Number of shares	Shareholding ratio %
1-999	5,482	760,121	0.57%
1,000-5,000	6,005	10,145,429	7.57%
5,001-10,000	379	2,835,919	2.12%
10,001-15,000	128	1,630,058	1.22%
15,001-20,000	71	1,282,126	0.96%
20,001-30,000	76	1,957,213	1.46%
30,001-40,000	38	1,333,250	0.99%
40,001-50,000	29	1,326,487	0.99%
50,001-100,000	61	4,393,987	3.28%
100,001-200,000	49	7,401,061	5.52%
200,001-400,000	33	9,359,831	6.98%
400,001-600,000	9	4,323,191	3.23%
600,001-800,000	7	4,855,495	3.62%
800,001-1,000,000	3	2,678,888	2.00%
>1,000,001	14	79,728,855	59.49%
Total	12,384	134,011,911	100.00%

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

Place	Name of major shareholder	Shares	Number of shares	Shareholding ratio
1	TSMC	46,687,859	34.84%	
2	Investment account of SMALLCAP World Fund managed by Standard Chartered Bank Business Department	10,720,000	8.00%	
3	Investment account of J.P. Morgan Funds managed by Chase Bank	4,826,000	3.60%	
4	Chunghwa Post Co., Ltd.	3,008,000	2.24%	
5	Nan Shan Life Insurance Company, Ltd.	2,371,000	1.77%	
6	Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. — Equity Trading Division	2,329,000	1.74%	
7	Fidelity Funds managed by Standard Chartered Bank	1,510,000	1.13%	
8	Investment account of Japan Securities Finance Co., Ltd. managed by Chase Bank	1,462,000	1.09%	
9	Investment account of Vanguard Emerging Markets Stock Index Fund managed by JPMorgan Chase Bank, N.A., Taipei Branch	1,183,960	0.88%	
10	Ting, Chen	1,179,000	0.88%	

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

Item	Year	2020	2021	As of March 21, 2022
		The Highest	661	598
Market Price Per Share	The Lowest	155	301	426
	Average	261.44	451.57	481.49
Net Value Per Share	Before distribution	33.48	39.28	(Note 6)
	After distribution	28.48	32.28 (Note 1)	(Note 6)
Earnings per share	Weighted average shares	134,011	134,011	(Note 6)
	Earnings per share	6.34	10.90	(Note 6)
Dividend Per Share	Cash dividends	5	7 (Note 1)	(Note 6)
	Capital reserve	0	0	(Note 6)
	Free-Gratis Dividends	0	0	(Note 6)
	Retained Shares Distribution	0	0	(Note 6)
	Capital reserve shares distribution	0	0	(Note 6)
	Unpaid-for dividends (Note 2)	0	0	(Note 6)
Return on Investment Analysis	Price-to-Earnings Ratio (Note 3)	41.24	41.43	(Note 6)
	Price-to-Dividend Ratio (Note 4)	52.29	64.51 (Note 1)	(Note 6)
	Cash Dividend Yield Rate (Note 5)	1.91%	1.55% (Note 1)	(Note 6)

Note 1: The distribution is subject to the resolution of the 2022 Shareholders' Meeting.

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

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

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

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

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

## (6) Dividend policy and implementation status

1. The Company's dividend policy is formulated by the board of directors based on the Company's operating conditions, capital needs, capital expenditure budget, changes in the overall internal/external environment, and the consideration of shareholders' interests. Unless other special circumstances are considered, in principle, 50% to 90% of the current year's after-tax earnings shall be distributed.

2. Dividend policy stipulated in the Company's Articles of Incorporation

(1) The Company must not pay dividends or bonuses if no surplus earnings are provided.

When distributing the surplus earnings of each fiscal year, the Company shall first offset the losses accumulated over the years, and distribute the remaining earnings in the following order of priority:

- 10% shall be appropriated as legal reserve; however, this limit shall not apply if the legal reserve accumulation has reached the Company's total amount of capital stock.

- Special reserve can be appropriated in accordance with relevant laws or competent authorities' regulations based on shareholders' meeting resolutions.

- The remaining amount can be used as shareholders' dividends, and be distributed based on the proportion of the total number of shares in accordance with shareholders' meeting resolutions.

All or part of the reserve can be appropriated in accordance with relevant laws or competent authorities' regulations if there are no surplus earnings for distribution, or the surplus earnings available are much lower than the Company's distributed earnings in the previous year, or when factors in relation to the Company's finance, business, operation status are considered.

(2) The Company's dividend distribution shall be determined based on future expansion plans and capital needs for investment. For a year when there are surplus earnings for distribution, the proportion of cash dividend shall not be less than 60% of the total dividend amount.

3. Proposed distribution of dividend at this year's Shareholders' Meeting

The Company proposed that NT\$938,083,377 (NT\$7.0 per share) shall be appropriated from 2021 distributable surplus earnings for shareholders' dividends this time, and all dividends shall be paid in cash.

## (7) The effect of bonus share distribution proposed at this shareholders' meeting on the Company's 2021 operating performance and earnings per share: Not applicable as no bonus shares were distributed this year.

## (8) Remuneration for employees and directors

1. The percentage or scope of remuneration for employees and directors as stated in the Company's Articles of Incorporation:

Article 26 of the Articles of Incorporation:

The Company should allocate no less than 2% of a given year's earnings as employees' compensation, and allocate no more than 2% of the given year's earnings as directors' compensation. However, the said directors' compensation is not applicable to the directors concurrently serving as managers, and the Company's accumulated losses, if any, should be offset first.

Employees' compensation can be given in stock or cash, and those eligible for the stocks or cash can include employees of subordinate companies if they meet certain criteria.

The earnings of the given year mentioned in the first paragraph refer to the given year's pretax profit before distribution of employees' and directors' compensation.

The distribution of employees' and directors' compensation should be determined by the Board of Directors through a majority vote at a meeting attended by over two-thirds of the directors, and the resolution should be reported to Shareholders' Meeting.

2. The current year's estimation basis for employees' and directors' compensation, the calculation basis for number of shares distributed as employees' compensation, and the accounting treatment adopted when the actual distribution amount is different from the estimated amount:

The compensation amount payable to employees and directors is estimated based on the likely amount obtained on the Company's past experiences. 23% of the pretax profit before distribution of employees' cash bonuses & compensation and directors' compensation was estimated as the total amount for 2021 employees' bonuses and compensation, and 1.3% of the pretax profit before distribution of employees' compensation and directors' compensation was estimated as the total amount of directors' compensation and remuneration. If the actual distribution amount is different from the estimated amount, the difference shall be treated as "changes in accounting estimates", and shall be credited to corresponding accounts in the distribution year as an adjustment.

3. Remuneration distribution approved by the board of directors:

(1) The allocated cash compensation for employees was NT\$271,773,187, and NT\$27,722,185 for directors, which was not different from the amount estimated when the expenses were recognized.

(2) The stock compensation amount for employees, the percentage such compensation accounts for the net income as specified in the parent company only financial reports of the current year, and the percentage such compensation accounts for total employee compensation: Since all the compensation for employees approved by the Company's board of directors was given in cash, the stock compensation amount for employees, the percentage such compensation accounts for the net income as specified in the parent company only financial reports of the current year, and the percentage such compensation accounts for total employee compensation were all zero.

4. Previous year's actual compensation distributed for employees and directors (including number of shares and amount being distributed and the stock price); if there is a difference between the actual compensation and the originally recognized employees' and directors' compensation, the discrepancy, reason(s) and status of treatment should be clearly stated:

In 2020, the cash compensation for employees was NT\$133,640,338, and that for directors was NT\$11,993,795. There was no difference between the actual distribution and the proposed distribution originally approved by the board of directors.

## (9) Repurchase of Company shares: None

### 2. Status of Corporate Bond: None

### 3. Status of Preferred Stocks: None

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

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

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

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

### 8. Financial Plans and Implementation: None



# 5

## CHAPTER

# Operational Highlights

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

## Operational Highlights

### 1. Business Activities

#### (1) Main Business Activities of GUC:

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

#### 2. Revenue Breakdown by Category

Sales breakdown	2020		2021	
	Amount	%	Amount	%
ASIC& Wafers	8,524,887	62.82%	10,086,532	66.76%
NRE	4,614,332	34.01%	4,708,703	31.17%
Others	430,222	3.17%	312,680	2.07%
Total	13,569,441	100.00%	15,107,915	100.00%

#### 3. Main Products and Services:

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

#### 4. New Product Development Plan

GUC is not only continuing the development of advanced IPs including the chip interconnection IP "GLink", HBM2/2E/3 Controller/PHY, 28G/32G SerDes, PCIe Gen3/4/5 and high-speed ADC/DAC in 7nm, 6nm 5nm and 3nm, but also migrating key components, such as Power Management Solutions and Clock Generators, to advanced processing nodes. GUC's R&D team has also developed in-house memory IP (TCAM, SRAM) and customized standard cell libraries that enrich our IP/Library portfolio of competitive IP and subsystem solutions.

### (2) Industry Brief

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

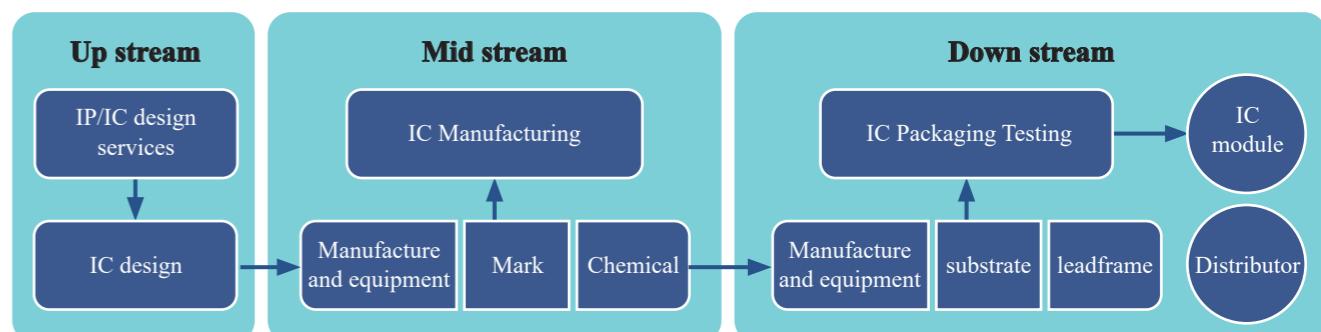
Along with the advance of semiconductor process, IC design and mask costs continue to rise. In addition, the trend toward incorporating multiple functionalities on a single chip continues to grow. Therefore the numbers of chip design projects are expected to experience a minor downward trend each year.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

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

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

#### 2. The supply chain of Taiwan semiconductor industry

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



### 3. Product development trend and competition

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

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

### (3) Technological Research and Development

#### 1. Latest research and development expenses

Item	Year	Unit: NT\$ Thousand	
		2021	2022
R&D expenditures		2,817,903	-

Note: Numbers for Q122 is not available by printing date.

#### 2. Latest technologies and new products

2021	1. GUC 3nm, 5nm, 6nm, and 7nm design flows are in place.
	2. GUC 5nm, 6nm and 7nm chip interconnection IP "GLink" are silicon proven.
	3. GUC 5nm and 7nm GLink-3D IP testchip for 3D SoIC application successfully taped out.
	4. GUC 5nm and 7nm HBM3/2E PHY & Controller with TSMC CoWoS packaging total solution are available.
	5. CUC completed silicon verification of 12nm Analog Front-End (AFE) IP that supports both mmWave and sub-6GHz band applications.

### (4) Short-Term and Long-Term Business Development Plans

#### 1. Short-term

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

#### 2. Long-term

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

## 2. Overview of Market and Sales

### (1) Market Analysis

#### 1. Sales area of main products

In 2021, the Company's largest market for sales (calculated based on business regions) was Asia, accounting for 72% of the Company's turnover; the second largest market was North America, accounting for 22%; and the European market, accounting for 6%.

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

##### (1) Market Share

GUC is the leading design service company in Taiwan. GUC is one of the Top 10 global ASIC IC companies.

##### (2) The Future Supply and Demand of the Market

The outbreak of COVID-19 hit the world in 2020 and 2021 but did not affect the semiconductor industry much. Instead, it stimulated the growth of remote education, work-from-home and stay-at-home economic, which increased the demand for semiconductors. According to the World Semiconductor Trade System Association (WSTS, 2021), the 2021 global semiconductor market is expected to expand by 25.6%, to US\$ 552.9 billion. Meanwhile, based on the IEK survey, 2021 Taiwan's IC industry generated NT\$4,056.6 billion, up to 25.9% growth over 2020. The IC design industry accounted for NT\$1200.2 billion, a 40.7% increase over 2020. (IEK, 2021)

According to DIGITIMES and an in-depth report from the China Semiconductor Industry Association, impacted by the U.S.-China trade war, the growth rate is not as good as previous years. 2020 China IC design industry sales reached RMB\$377.8 billion, with an annual growth rate of 17.0%. In 2021, the revenue of China IC design is estimated at RMB\$446.5 billion with a 17.1% growth rate only. (DIGITIMES, 2021)

Looking ahead to 2022, the momentum of world-wide semiconductor growth will remain strong. The global semiconductor market is estimated to grow by 8.8%, reaching 601.4 billion US dollars in 2022. (WSTS, 2021) Application development related to 5G is still a major focus. Autonomous vehicle, drones, smart factories, smart medical care, smart agriculture, smart cities and other "smart" applications will develop rapidly thanks to 5G networking's high efficiency, low latency and large-scale connectivity. Therefore, continues to drive related IC design and semiconductor industries. GUC will not only work closely with upstream foundries, but actively involved in the development of advanced processes and key silicon IP. These initiatives ensure that GUC meets market demands better than the competitors.

	Amount (US\$M)			YoY Growth (%)		
	2020	2021(E)	2022(E)	2020	2021(E)	2022(E)
Global semiconductor market	440,389	552,961	601,490	6.8	25.6	8.8

(E: Estimate)

Source: WSTS (2021 Fall)

### 2017~2021 Taiwan IC Industry Revenues

Unit: NT\$ 0.1 billion

	2017	YoY	2018	YoY	2019	YoY	2020	YoY	2021(E)	YoY(E)
Industry Revenue	24,623	0.5%	26,199	6.4%	26,656	1.7%	32,222	20.9%	40,566	25.9%
IC Design	6,171	-5.5%	6,413	3.9%	6,928	8.0%	8,529	23.1%	12,002	40.7%
IC Manufacturing	13,682	2.7%	14,856	8.6%	14,721	-0.9%	18,203	23.7%	22,280	22.4%
Foundry	12,061	5.0%	12,851	6.6%	13,125	2.1%	16,297	24.2%	19,344	18.7%
DRAM	1,621	-11.8%	2,005	23.7%	1,596	-20.4%	1,906	19.4%	2,936	54.0%
IC Packaging	3,330	2.8%	3,445	3.5%	3,463	0.5%	3,775	9.0%	4,284	13.5%
IC Testing	1,440	2.9%	1,485	3.1%	1,544	4.0%	1,715	11.1%	2,000	16.6%
IC Product Revenue	7,792	-6.9%	8,418	8.0%	8,524	1.3%	10,435	22.4%	14,938	43.2%

(E: Estimate)

Source: TSIA; IEK(2021/11)

### 2018~2021 China IC Industry Revenues

Unit: RMB\$ 0.1billion

	2018	2019	2020	2021(E)
IC Design Revenue	2,519	3,064	3,778	4,465
IC Design Revenue growth rate	21.5%	21.6%	17.0%	17.1%

(E: Estimate)

Source DIGITIMES (2021/12)

### (3) Potential Growth:

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

As process technologies advance, the chip design costs sharply increase. In an effort to focus on core businesses and reduce costs, some IDMs have been outsourcing chip design to design service providers. Meanwhile, system companies lean toward designing their own ASIC chip with competitive PPA (Power, Performance, Area) as a way to differentiate themselves. These two trends create potential business opportunity for the design service companies with advanced platform solution. GUC has successively provided 7nm, 6nm and 5nm design and mass production services to customers, and continuously invested in 3nm and advanced design flow technologies. GUC can not only satisfy customers' needs in design services and silicon intellectual property, but also lead the growth momentum in the semiconductor industry.

The 5G specifications were formulated in 2019. The deployment of 5G base stations has been expanded around the world, and some major mobile phone manufacturers have also released their new generations of 5G mobile phones. The debut of Apple iPhone 13 has boosted the transformation of mobile communications. It is expected that the setup of 5G base stations in 2022 will have strong growth momentum. Comparing with the existing 3G/4G, 5G networking can provide more than 10 times performance, and support a wide variety of different scenarios. With these advantages, when facing the low-latency and high-bandwidth transmission applications such as AI, AR/VR, 8K video and Internet of Vehicle, requirements can be achieved effectively. In the future, these service providers will need more cloud data centers and larger data storage, which will drive the growth of related chips like CPU, AI accelerator, Switch, and Storage.

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

To meet the growing ASIC demand from the system companies, and to maintain its position as the leading advanced ASIC design service, GUC has developed world-class system-design platforms that span IP sub-systems, design methodology, system integration, 2.5D and 3D advanced packaging technologies as well as manufacturing and supply chain management to help customers develop its own chips. It is expected that the advanced ASIC application market will continue to boost in 2022.

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

### (1) Competitive advantages

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

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

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

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

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

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

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

GUC's well-developed and comprehensive processes serve to shorten the time needed for IC verification and reducing IC design risks; help customers complete product design within the shortest time frame.

### E. Silicon IP partnerships

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

### F. Diversified service models

GUC provides one-stop shopping service to customers with complete SoC solutions, and supports customers from design to mass production. GUC has built up all the important service links throughout the IC manufacturing processes. Customers can choose different services and delivery methods based on their technology capacity and needs.

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

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

Strength, weaknesses, and long-term countermeasures

### (2) Strengths, weaknesses, and long-term countermeasures

#### A. Strengths

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

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

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

From personal computers, system-on-a-chip SoC, analog mobile communication to 5G technology, the new applications and services have always been the driving force of industrial progress. In addition, due to the rapid development in artificial intelligence, high-speed computing, and data center cloud services, many start-up companies have invested new technologies and products to realize ideas and applications. Because of resources and manpower limitations, startups have to collaborate with design service providers and utilize the silicon verified intellectual property to quickly implement their ideas onto their products. New technologies and startups have formed a positive cycle, providing a strong momentum into the growth of the semiconductor industry.

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

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

## B. Weaknesses and countermeasures

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

GUC is engaging with customers from data centers, AI and high speed switch applications, key IPs, for example, chip interconnection IP "GLink", HBM, TCAM, customized SRAM and SerDes. The key IPs are critical in the customer's decision-making process.

#### Countermeasures

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

### b. Relevant professional data for diversified customer applications is essential

The application varies from one customer to another. GUC needs to gain more comprehensive understandings of different applications and to provide high-quality services.

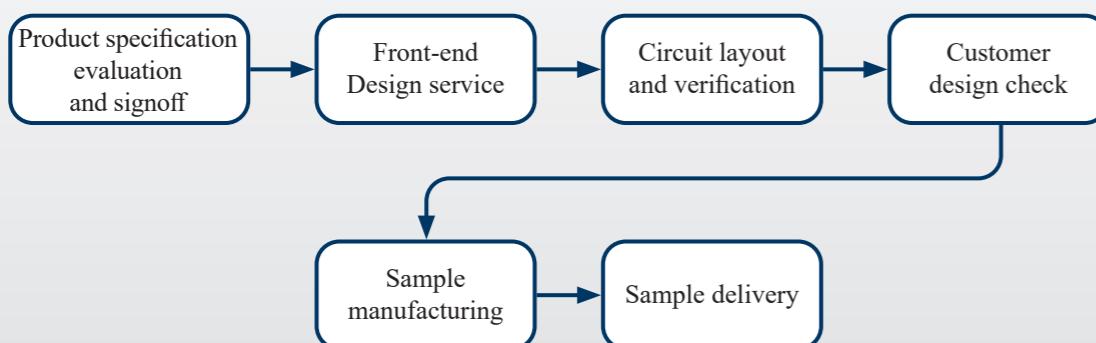
#### Countermeasures

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

## (2) Product Application and Production Flow

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

Step 1: The process of front end design:



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



## (3) Supply of Raw Materials

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

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

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

Unit: NT\$ Thousand

2020				2021			
Client's Name	Amount	Percentage of annual net sales	Relationship	Client's Name	Amount	Percentage of annual net sales	Relationship
A	(Note)	(Note)	(Note)	A	1,616,924	11%	None
B	1,497,659	11%	None	(Note)	(Note)	(Note)	(Note)

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

### 2. Names of suppliers accounting for more than 10% of the total purchase in any of the previous two years:

Unit: NT\$ Thousand

2020				2021			
Suppliers	Amount	Percentage of annual net purchase	Relationship	Suppliers	Amount	Percentage of annual net purchase	Relationship
TSMC	3,271,489	75%	(Note 1)	TSMC	3,850,703	73%	(Note 1)
TSMC-NA	1,007,193	23%	(Note 2)	TSMC-NA	1,332,553	25%	(Note 2)

Note 1: An investing company that adopts the "equity method evaluation" for the Company

Note 2: A subsidiary 100% owned by TSMC

Explanation: The Company's major suppliers are foundries, and the main raw materials purchased are wafers.

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

Units: Thousand Chip/Piece; NT\$ Thousand

Main products	2020		2021	
	Production Volume	Amount	Production Volume	Amount
ASIC & Wafers	166,213	5,591,090	176,489	4,712,990
NRE	(Note)	2,971,329	(Note)	2,654,621
Others	(Note)	10,650	(Note)	38,458
Total	166,213	8,573,069	176,489	7,406,069

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

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

Units: Thousand Chip/Piece; NT\$ Thousand

Year Sales volume/ Main products	2020				2021			
	Domestic sales		Export sales		Domestic sales		Export sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
ASIC & Wafers	30,199	2,193,065	125,115	6,331,822	32,281	2,358,756	127,265	7,727,776
NRE	(Note)	512,711	(Note)	4,101,621	(Note)	648,195	(Note)	4,060,508
Others	(Note)	6,098	(Note)	424,124	(Note)	8,353	(Note)	304,327
Total	30,199	2,711,874	125,115	10,857,567	32,281	3,015,304	127,265	12,092,611

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

## 3. Human Capital

Year		2020	2021	As of March 21, 2022
Number of employees	Managerial officer	8	8(Note 3)	7
	Professionals	783	775	788
	Total	791	783	795
	Average age	38.9	39.5	39.5
	Average years of seniority	5.7	6.1	6.1
Educational level	Ph. D	2.1%	2.7%	2.7%
	Master	65.5%	61.9%	62.1%
	Bachelor	32.0%	35.0%	34.8%
	High School	0.4%	0.4%	0.4%

Note 1: The above information was presented based on consolidated statements.

Note 2: The above information did not include fixed-term contract employees.

Note 3: The Co-president was included.

## 4. Environmental protection expenditure information

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

## 5. Labor-management relations

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

#### 1. Employee Benefits

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

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

(10) Organize GUC Family Day for employees' family to learn more about GUC and to shorten the distance between the family and the Company.

(11) Organize local day trips, encouraging employees to get close to Nature.

(12) Provide high allowances for employees' local/overseas tours and club activities to help employees enjoy a balanced life after work.

#### 2. Further education and training

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

Course category	Sessions	Total participants	Total hours	Total expenditure (NT\$)
Professional Training	33	743	1,669	
Management Capabilities	3	76	417	
General Training	11	282	673	
New Employee Training	7	136	538	
Language Learning	5	6	166	
Self-inspiration	45	59	526	
Digital Learning	109	4,200	1,502	
Total	213	5,502	5,491	945,777

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

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

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

This complete and innovative learning framework provides employees with the best learning environment, and has been recognized by the public with the winning of "National HRD InnoPrize", "TTQS Gold Medal Award", etc. "Learning makes GUC better"- With the concept of continuing improvement and persistence in progress, we hope to provide all employees with the best quality and most effective learning and development opportunities.

### 3. Retirement System

In order to help employees secure their post-retirement life, for employees under the old pension system regulated by Labor Standards Act, pension fund is allocated on a monthly basis in accordance with Labor Standards Act. The fund is supervised by the Company's Employee Pension Supervisory Committee, and is deposited in the name of the

Committee in Bank of Taiwan for receiving/paying, custody and utilization. For employees under the new pension system regulated by Labor Pension Act, the Company shall follow the Monthly Contribution Classification Table approved by the Executive Yuan to make pension contributions for employees at a minimum rate of 6% every month in accordance with Labor Pension Act, and deposit the fund in employees' Individual Retirement Account kept in the Bureau of Labor Insurance.

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

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

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

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

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

### 6. Employee Conduct or Ethics Rules

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

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

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

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

The Company follows and declares the Ethical Management Policy. Ethical Management Evaluation is conducted before business relationships are established. The Ethical Management Policy is clearly explained to business partners, and the ethical management principles are specified in all contracts/agreements, through which dealing with dishonest firms/companies is avoided. All

employees are responsible for the compliance with this policy and relevant procedures. Supervisors of all levels should implement the policy with all efforts and ensure that their subordinates understand, accept and abide by relevant regulations.

### 7. Work environment safety and employee safety protection measures

Protecting employees' safety has been the first consideration since the Company designed the hard & soft services facilities of its office environment, ensuring that employees can receive the best protection at work. Swipe-card devices for access control are set at all entrances/exits of the Company. Emergency buttons are set in car parks and ladies' toilets. The office areas are equipped with AED rescue kits, and qualified first-aiders are designated for each floor. The main entrances/exits are also guarded by security personnel 24 hours a day to protect employees' safety. All mechanical/electrical devices or fire-safety equipment (such as fire alarms, fire extinguishers, etc.) of the Company are maintained or serviced on an yearly, quarterly or monthly basis in accordance with stipulated schedules to ensure that they are in the best state to be used at any time. In addition, employee health checks and fire-safety drills are carried out on an annual basis to help employees have a correct understanding of their health and safety status, and respond in a right and swift manner when encountering emergencies. The Company has also taken out Public Liability Insurance to provide more protection for employees in the workplace.

The Company's efforts in work environment safety and employee safety protection have been recognized by Ministry of Labor, making the Company one of the "Friendly Workplace Award" winners. Additionally, the Company also received the "Health Promotion - Health Management Award" granted by Health Promotion Administration of the Department of Health under Executive Yuan as a recognition for its excellent performance in creating a healthy workplace.

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

## 6. Maintenance of Shareholder and Investor Relations

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

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

The information about the number of investor meeting sessions and participants in 2021 is as follows:

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

## 7. Information-Communication Security Management

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

#### 1. Information security governance systems, goals and strategies

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

#### 2. Implementation of information security policy

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

#### 3. Organizations for information security

##### (1) Information Security Committee

The "Information Security Committee" is responsible for the management and planning of information operations security, and the establishment and maintenance of information security management systems. The information security officer supervises the implementation of the Company's information security operations and the effectiveness of the information security risk management mechanisms. The officer also regularly reports to the board of directors on the overall operations of the information security management organizations, and the effectiveness of the systems being implemented. The "Information Security Representatives' Meeting" is held every year to review the information security development plans and implementation results, and to announce policies related to information security and implementation focuses.

##### (2) Proprietary Information Protection (PIP) Committee

PIP Committee: The committee is composed of representatives designated by heads of various departments, responsible for the research/discussion, establishment, audit, promotion, etc. of all the Company's proprietary

information control operations. Protecting proprietary information is GUC's commitment to customers, shareholders and the Company's employees. GUC understands that proprietary information protection is closely related to the Company's current and future competitive advantages. Thus, the Proprietary Information Protection (PIP) Policy has been formulated to clearly define the Company's proprietary information protection management procedures and regulations, by which the Company can properly control its trade secrets and undisclosed confidential information related to GUC to ensure the best interests of the Company, shareholders, employees, customers and suppliers. GUC's proprietary information protection is carried out based on the management cycle of Plan-Do-Check-Act (PDCA), which continuously strengthens the ability to protect proprietary information, and enhances personnel's correct concept about and vigilance over proprietary information protection, thereby reducing the risk of proprietary information leakage.

##### (2.1) Inspections are conducted on a quarterly basis to ensure the implementation of the Company's proprietary information protection measures.

##### (2.2) Raise the awareness of proprietary information and the rules to follow through everyday work and various occasions.

##### (2.3) Conduct educational training to improve employees' information security awareness and capability. In addition to listing proprietary information control as a mandatory topic for new employees' training, all employees should also be re-trained every year to continuously strengthen and enhance their information security awareness.

#### 4. Information security risk management framework and countermeasures

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

Conduct regular information security tests for system strengthening, and continue the implementation of business continuity drills. Develop cybersecurity incident response plans, and take corresponding reporting and recovery actions. Carry out risk analysis based on objective verification results and threats information concluded by third-party agencies to upgrade and strengthen the information security management systems. The frequency of External Vulnerability Scan has been increased from once per month to currently once per week. Any high-risk vulnerability being identified can be fixed within one week.

##### (2) Information security management procedures upgrade: GUC has been ISO 27001 certified, and is improving through annual reviews.

#### (3) Risk management

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

##### (3.1) Fraudsters use fake emails to trick company's employees into sending money or making transactions.

##### (3.2) Those who commit industrial espionage or a company's competitors use hacking techniques to continuously hack into the company's internal hosts and steal the company's internal information.

##### (3.3) Crime groups work with hackers to distribute contents with malicious links through emails, text messages, social software, and communication software. A victim's computer data may be encrypted and kidnapped, and a high ransom will then be asked for the recovery.

##### (3.4) Hackers launch a large number of connection requests through the Internet, interrupting the normal operations of a company's network.

##### (3.5) Internal employees use illegal software, or copy the company's confidential and sensitive information to portable storage devices, which may lead to information leakage if the devices are lost, stolen or sold.

##### (3.6) Information software/hardware may be damaged due to natural or man-made disasters, resulting in service interruption or data loss.

##### (3.7) Currently no Information Security Insurance has been taken out; however, for the above-mentioned risk concerns, several measures such as the application of information security management principles, introduction of technological solutions, and reinforcement of information security educational training are concurrently employed to establish fortified information security management mechanisms. The key measures are as follows:

##### (3.7.1) Perform regular internal/external audits, pass and maintain ISO 27001: 2013 certification, and upgrade the operations of information security management systems.

##### (3.7.2) Continue to conduct social engineering attack simulation exercises and provide educational training on information security to enhance employees' awareness of email protection.

##### (3.7.3) Install antivirus and EDR (Endpoint Detection and Response) protection systems on the client side to provide real-time anomaly detection and alerting as well as forensic analysis and endpoint recovery functions. Block USB storage device connection and stop users from installing software. Moreover, provide Backup File Server for users to back up important data.

(3.7.4) With respect to the network layer, incorporate the use of firewalls to control network traffic and applications. Develop a security monitoring and management mechanism for intranet protection and database access.

(3.7.5) Employ the DRM (Digital Right Management) confidential and sensitive document management system and disk encryption technologies to protect the confidentiality of documents.

(3.7.6) Adopt mail filtering and auditing systems and Anti-APT solutions to reduce the risks arising from email usage.

(3.7.7) Introduce fingerprint identification systems and swipe-card systems in gateway management to meet the physical security requirements of two-factor authentication.

(3.7.8) Centralize the management of hosts and establish environmental control and alarm mechanisms for the data center. Perform regular data backups and carry out emergency recovery drills on a yearly basis.

#### (4) Educational training

The Information Security Department also conducts Information Security Awareness-raising Educational Training for all employees on a quarterly basis. The topics are determined based on the encountered internal/external threats. The topic for each quarter of 2021 is listed as follows:

2021 Information Security Awareness-raising Educational Training	
Quarter	Topic
Quarter 1	Identifying Malicious Websites
Quarter 2	Malware Prevention & Prevention Measures for Home/Office Information Security
Quarter 3	Social engineering attack methods and prevention measures & Social engineering phishing testing
Quarter 4	Regulations on Email Proprietary Information Protection

#### (5) Resources invested for information security

The Company keeps investing resources in information security related fields. The 2021 investment spending increased by 190% compared to 2020 with resources being invested in improving the fundamental structure for governance and technology, strengthening the equipment for information security defense, information/data monitoring and analysis, incident response drills, educational training, etc. to comprehensively enhance the information security capabilities.

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

The Company did not suffer any losses due to major information-communication security incidents in 2021 and up until the publication date of this annual report.

## **8. Important Contracts**

### **(1) License and Transfer Contract**

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

Contract party: Taiwan Semiconductor Manufacturing Co., Ltd.

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

### **(2) License Agreement**

Contract period: Effective from September 1, 2007

Contract party: Taiwan Semiconductor Manufacturing Co., Ltd.

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

### **(3) License Contract**

Contract period: From May 31, 2018 to May 30, 2021

Contract party: A certain company

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

### **(4) License Contract**

Contract period: From March 31, 2019 to March 30, 2022

Contract party: A certain company

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

### **(5) License Contract**

Contract period: From March 30, 2019 to March 28, 2022

Contract party: A certain company

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

### **(6) License Contract**

Contract period: From December 27, 2019 to March 28, 2022

Contract party: A certain company

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

### **(7) License Contract**

Contract period: From May 1, 2019 to October 31, 2021

Contract party: A certain company

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

### **(8) License Contract**

Contract period: From May 1, 2019 to April 30, 2022

Contract party: A certain company

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

### **(9) License Contract**

Contract period: From August 1, 2019 to July 31, 2022

Contract party: A certain company

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

**(10) License Contract**

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

Contract party: A certain company

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

**(11) License Contract**

Contract period: From April 1, 2020 to March 31, 2022

Contract party: A certain company

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

**(12) License Contract**

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

Contract party: A certain company

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

**(13) License Contract**

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

Contract party: A certain company

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

**(14) License Contract**

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

Contract party: A certain company

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

**(15) License Contract**

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

Contract party: A certain company

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

**(16) License Contract**

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

Contract party: A certain company

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

**(17) License Contract**

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

Contract party: A certain company

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

**(18) License Contract**

Contract period: From January 2, 2021 to January 1, 2022

Contract party: A certain company

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

**(19) License Contract**

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

Contract party: A certain company

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

**(20) License Contract**

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

Contract party: A certain company

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

**(21) License Contract**

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

Contract party: A certain company

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

**(22) License Contract**

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

Contract party: A certain company

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

# CHAPTER 6

## Financial Information

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



## Financial Information

### 2. Condensed Statements of Comprehensive Income

Unit: NT\$ Thousand

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

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

###### 1. Condensed balance sheet

Unit: NT\$ Thousand

Item	Year	Financial information for the past 5 fiscal years (Note 1)				
		2017	2018	2019	2020	2021
Current assets		7,425,101	6,628,659	6,615,928	8,218,112	13,627,617
Property, plant and equipment		473,250	1,088,524	982,487	778,354	564,391
Intangible assets		323,533	288,195	412,047	443,885	317,888
Other non-current assets		73,612	103,862	330,253	305,461	347,763
Total assets		8,295,496	8,109,240	8,340,715	9,745,812	14,857,659
Current liabilities	Before distribution	4,146,106	3,634,856	3,638,237	4,892,132	9,202,793
	After distribution	4,816,166	4,304,916	4,308,297	5,562,192	(Note 2)
Non-current liabilities		102,134	108,480	389,504	366,696	391,537
Total liabilities	Before distribution	4,248,240	3,743,336	4,027,741	5,258,828	9,594,330
	After distribution	4,918,300	4,413,396	4,697,801	5,928,888	(Note 2)
Equity attributable to owners of the parent		4,047,256	4,365,904	4,312,974	4,486,984	5,263,329
Share capital		1,340,119	1,340,119	1,340,119	1,340,119	1,340,119
Capital surplus		32,513	32,543	32,578	32,618	32,641
Retained earnings	Before distribution	2,685,564	3,001,878	2,961,022	3,136,400	3,929,040
	After distribution	2,015,504	2,331,818	2,290,962	2,466,340	(Note 2)
Other equity		(10,940)	(8,636)	(20,745)	(22,153)	(38,471)
Treasury share		0	0	0	0	0
Non-controlling interest		0	0	0	0	0
Total equity	Before distribution	4,047,256	4,365,904	4,312,974	4,486,984	5,263,329
	After distribution	3,377,196	3,695,844	3,642,914	3,816,924	(Note 2)

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

Note 2: The proposal regarding 2021 surplus earnings distribution is subject to the resolution of Shareholders' Meeting.

Item	Year	Financial information for the past 5 fiscal years (Note 1)				
		2017	2018	2019	2020	2021
Operating revenue		12,160,606	13,459,804	10,710,068	13,569,441	15,107,915
Gross operating profit		3,165,097	4,017,042	3,530,011	4,070,877	5,229,954
Operating profit or loss		930,632	1,096,373	697,229	963,933	1,673,892
Non-operating revenue and expenses		57,980	39,111	85,873	37,630	67,413
Net profit before tax		988,612	1,135,484	783,102	1,001,563	1,741,305
Net profit of continued operations for the year		854,809	988,156	633,467	850,007	1,460,149
Loss of discontinued operations		0	0	0	0	0
Net profit (loss) for the year		854,809	988,156	633,467	850,007	1,460,149
Other comprehensive income for the year (profit after tax)		(13,669)	522	(16,372)	(5,977)	(13,767)
Total comprehensive income for the year		841,140	988,678	617,095	844,030	1,446,382
Net profit attributable to owners of the parent		854,809	988,156	633,467	850,007	1,460,149
Net profit attributable to non-controlling interest		0	0	0	0	0
Comprehensive income attributable to owners of the parent		841,140	988,678	617,095	844,030	1,446,382
Comprehensive income attributable to non-controlling interest		0	0	0	0	0
Earnings per share		6.38	7.37	4.73	6.34	10.90

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

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

### 1. Condensed balance sheets - Parent Company only

Item	Year	Financial information for the past 5 fiscal years (Note 1)				
		2017	2018	2019	2020	2021
Current assets		7,259,613	6,381,511	6,285,666	7,514,595	13,014,006
Property, plant and equipment		452,694	1,061,015	961,415	759,457	546,301
Intangible assets		323,533	288,020	411,954	443,866	317,888
Other non-current assets		280,763	394,325	625,977	721,554	868,369
Total assets		8,316,603	8,124,871	8,285,012	9,439,472	14,746,564
Current liabilities	Before distribution	4,167,213	3,652,282	3,636,710	4,625,004	9,175,324
	After distribution	4,837,273	4,322,342	4,306,770	5,295,064	(Note 2)
Non-current liabilities		102,134	106,685	335,328	327,484	307,911
	Before distribution	4,269,347	3,758,967	3,972,038	4,952,488	9,483,235
Total liabilities		4,939,407	4,429,027	4,642,098	5,622,548	(Note 2)
Equity attributable to owners of the parent		4,047,256	4,365,904	4,312,974	4,486,984	5,263,329
Share capital		1,340,119	1,340,119	1,340,119	1,340,119	1,340,119
Capital surplus		32,513	32,543	32,578	32,618	32,641
Retained earnings	Before distribution	2,685,564	3,001,878	2,961,022	3,136,400	3,929,040
	After distribution	2,015,504	2,331,818	2,290,962	2,466,340	(Note 2)
Other equity		(10,940)	(8,636)	(20,745)	(22,153)	(38,471)
Treasury share		0	0	0	0	0
Non-controlling interest		0	0	0	0	0
Total equity	Before distribution	4,047,256	4,365,904	4,312,974	4,486,984	5,263,329
	After distribution	3,377,196	3,695,844	3,642,914	3,816,924	(Note 2)

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

Note 2: The proposal regarding 2021 surplus earnings distribution is subject to the resolution of Shareholders' Meeting.

Unit: NT\$ Thousand

### 2. Condensed Statements of Comprehensive Income -Parent Company only

Item	Year	Financial information for the past 5 fiscal years (Note 1)				
		2017	2018	2019	2020	2021
Operating revenue		12,160,606	13,459,804	10,710,068	13,448,967	14,983,822
Gross operating profit		2,910,504	3,657,974	3,164,347	3,719,569	5,156,735
Operating profit or loss		908,293	1,053,630	645,661	892,931	1,555,060
Non-operating revenue and expenses		69,364	68,396	115,256	85,969	156,917
Net profit before tax		977,657	1,122,026	760,917	978,900	1,711,977
Net profit of continued operations for the year		854,809	988,156	633,467	850,007	1,460,149
Loss of discontinued operations		0	0	0	0	0
Net profit (loss) for the year		854,809	988,156	633,467	850,007	1,460,149
Other comprehensive income for the year (profit after tax)		(13,669)	522	(16,372)	(5,977)	(13,767)
Total comprehensive income for the year		841,140	988,678	617,095	844,030	1,446,382
Net profit attributable to owners of the parent		854,809	988,156	633,467	850,007	1,460,149
Net profit attributable to non-controlling interest		0	0	0	0	0
Comprehensive income attributable to owners of the parent		841,140	988,678	617,095	844,030	1,446,382
Comprehensive income attributable to non-controlling interest		0	0	0	0	0
Earnings per share		6.38	7.37	4.73	6.34	10.90

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

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

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

Year	Names of CPAs	Audit opinions
2017	Deloitte & Touche-Yi-Hsin Kao, Yu-Feng Huang	Unqualified opinion
2018	Deloitte & Touche-Yi-Hsin Kao, Yu-Feng Huang	Unqualified opinion
2019	Deloitte & Touche-Yi-Hsin Kao, Yu-Feng Huang	Unqualified opinion
2020	Deloitte & Touche-Yi-Hsin Kao, Yu-Feng Huang	Unqualified opinion
2021	Deloitte & Touche-Ming-Hui Chen, Su-Li Fang	Unqualified opinion

## 2. Five-Year Financial Analysis

### (1) Financial Analysis - IFRS

Items for Analysis	Year	Financial Analysis for the past 5 fiscal years (Note 1)				
		2017	2018	2019	2020	2021
Financial structure	Debt-asset ratio (%)	51.21	46.16	48.29	53.96	64.57
	Ratio of long-term capital to property, plant and equipment (%)	876.79	411.05	478.63	623.58	1,001.94
Solvency	Current ratio(%)	179.09	182.36	181.84	167.99	148.08
	Quick ratio (%)	144.92	134.10	117.78	118.59	100.31
	Interest coverage ratio	16,477.87	0.00	235.67	277.29	377.66
Operating ability	Receivables turnover rate(times)	14.29	14.73	9.20	10.47	11.24
	Average collection days for receivables	26	25	40	35	32.47
	Inventory turnover rate (times)	9.57	7.78	4.70	5.5	4.43
	Payables turnover rate (times)	6.00	6.62	5.20	7.32	6.79
	Average days for sale	38	47	78	66	82.39
	Property, plant and equipment turnover (times)	28.33	17.24	10.34	15.41	22.50
	Total asset turnover rate (times)	1.64	1.64	1.30	1.50	1.23
Profitability	Return on assets(%)	11.54	12.05	7.73	9.43	11.90
	Return on equity(%)	22.15	23.49	14.60	19.32	29.95
	Ratio of net profit before tax to paid-in capital (%)	73.77	84.73	58.44	74.74	129.94
	Net profit ratio (%)	7.03	7.34	5.91	6.26	9.66
	Earnings per share (NT\$) (Note 2)	6.38	7.37	4.73	6.34	10.90
Cash flows	Cash flow ratio (%)	46.49	6.25	2.97	67.25	45.97
	Cash flow adequacy ratio (%)	151.49	122.90	76.47	106.98	121.65
	Cash flow reinvestment ratio (%)	29.32	(8.12)	(9.44)	40.96	47.51
Leveraging	Operating leverage	10.24	9.58	10.28	8.76	5.86
	Financial leverage	1	1	1	1	1

Explain the reasons for changes in various financial ratios in the last two years. (If the increase/decrease change range does not reach 20%, the analysis can be exempted)

1. Increase in the ratio of long-term capital to property, plant and equipment: primarily due to the decrease in new equipment.
2. Increase in interest coverage ratio: primarily due to the increase in net profit before tax this year.
3. Property, plant and equipment turnover (times) was primarily due to the increase in sales revenue.
4. The increase in ratios related to profitability was primarily due to the increase in sales revenue.
5. The decrease of cash flow ratio was primarily due to the increase in current liabilities.
6. The decrease of operating leverage ratio was primarily due to the increase in operating revenue.

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

Note 2: The EPS was calculated based on the retrospective weighted average number of shares.

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

Items for Analysis	Year	Financial Analysis for the past 5 fiscal years (Note 1)				
		2017	2018	2019	2020	2021
Financial structure	Debt-asset ratio (%)	51.34	46.26	47.94	52.47	64.31
	Ratio of long-term capital to property, plant and equipment (%)	916.60	421.54	483.49	633.94	1,019.81
Solvency	Current ratio(%)	174.21	174.73	172.84	162.48	141.84
	Quick ratio (%)	140.80	127.76	111.16	115.61	94.32
	Interest coverage ratio	16,295.28	0.00	346.56	455.46	878.49
Operating ability	Receivables turnover rate(times)	14.29	14.73	9.20	10.38	11.16
	Average collection days for receivables	26	25	40	35	32.71
	Inventory turnover rate (times)	9.84	8.08	4.94	6.01	4.63
	Payables turnover rate (times)	6.17	6.84	5.43	8.17	7.32
	Average days for sale	37	45	74	61	78.83
	Property, plant and equipment turnover (times)	29.49	17.78	10.59	15.63	22.95
	Total asset turnover rate (times)	1.64	1.64	1.31	1.52	1.24
Profitability	Return on assets (%)	11.51	12.02	7.74	9.61	12.09
	Return on equity (%)	22.15	23.49	14.60	19.32	29.95
	Ratio of net profit before tax to paid-in capital (%)	72.95	83.73	56.78	73.05	127.75
	Net profit ratio (%)	7.03	7.34	5.91	6.32	9.74
	Earnings per share (NT\$) (Note 2)	6.38	7.37	4.73	6.34	10.90
Cash flows	Cash flow ratio (%)	46.06	5.22	0.97	65.82	44.47
	Cash flow adequacy ratio (%)	149.52	120.77	73.17	99.80	110.83
	Cash flow reinvestment ratio (%)	29.27	(8.83)	(10.82)	37.54	46.27
Leveraging	Operating leverage	10.58	10.18	11.91	10.21	6.54
	Financial leverage	1	1	1	1	1

Explain the reasons for changes in various financial ratios in the last two years. (If the increase/decrease change range does not reach 20%, the analysis can be exempted)

1. The increase of debt-asset ratio was primarily due to the increase in contract liabilities.
2. The increase of the ratio of long-term capital to property, plant and equipment was primarily due to the decrease of the addition of equipment.
3. The increase of interest coverage ratio was primarily due to the increase in profit before tax for current period.
4. The decrease of inventory turnover rate was primarily due to the increase in average inventory.
5. The increase of average days for sale was primarily due to the increase in average inventory.
6. Turnover of property, plant and equipment was primarily due to the increase in sales revenue.
7. The increase in ratios related to profitability was primarily due to the increase in sales revenue.
8. The decrease of cash flow ratio was primarily due to the increase in current liabilities.
9. The increase of cash reinvestments ratio was primarily due to the increase in net cash flow from operating activities.
10. The decrease of operating leverage ratio was primarily due to the increase in operating revenue.

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

Note 2: The EPS was calculated based on the retrospective weighted average number of shares.

**Formulas:**

## 1. Financial structure

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

## 2. Solvency

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

Interest coverage ratio = Income before income tax and interest expenses / Interest expenses for the period

## 3. Operating ability

- (1) Receivables (including accounts receivable and notes receivable arising from business operations) Turnover rate = Net sales / Average receivables (including accounts receivable and notes receivable arising from business operation) for each period
- (2) Average collection days for receivables = 365 / Receivables turnover rate
- (3) Inventory turnover rate = Cost of goods sold / Average inventory
- (4) Payables (including accounts payable and notes payable arising from business operations) Turnover rate = Cost of goods sold / Average payables (including accounts payable and notes payable arising from business operations) for each period
- (5) Average days for sale = 365 / Inventory turnover rate
- (6) Property, plant and equipment turnover rate = Net sales / Average net worth of property, plant and equipment
- (7) Total asset turnover rate = Net sales / Average total assets

## 4. Profitability

- (1) Return on assets = [Net income + Interest expenses × (1 – Tax rate)] / Average total assets
- (2) Return on equity = Net income / Average total equity
- (3) Net profit ratio = Net income / Net sales
- (4) Earnings per share = (Profit and loss attributable to owners of the parent – Dividends on special shares) / Weighted average number of issued shares

## 5. Cash flows

- (1) Cash flow ratio = Net cash flow from operating activities / Current liabilities
- (2) Net cash flow adequacy ratio = Net cash flow from operating activities for the most recent five fiscal years / (Capital expenditures + Inventory increase + Cash dividend) for the most five fiscal years
- (3) Cash flow reinvestment ratio = (Net cash flow from operating activities – Cash dividend) / (Gross value of property, plant and equipment + Long-term investment + Other non-current assets + Working capital)

## 6. Leveraging:

- (1) Operating leverage = (Net operating revenue – Variable operating costs and expenses) / Operating revenue
- (2) Financial leverage = Operating revenue / (Operating revenue – Interest expenses)

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

### 3. Audit Committee's Review Report

#### Audit Committee Review Report

The Company's 2021 financial statements approved by the Audit Committee and resolved by the Board of Directors has been audited by Deloitte & Touche appointed by the Board, and an Audit Report has been issued when Deloitte & Touche completed the audit.

As for the Company's 2021 business reports and the proposal regarding earnings distribution prepared and submitted by the Board, the Audit Committee, after completing relevant audits, considers that the said reports and proposal comply with provisions stipulated in Company Act. Thus, this report is hereby issued in accordance with Article 14-4 of Securities and Exchange Act and Article 219 of Company Act, and submitted for your Honor to approve.

To:

Global Unichip Corp. 2022 Regular Shareholders' Meeting



Audit Committee Convener: Benson W. C. Liu



January 26, 2022

**4. The most recent year's CPA audited and certified financial reports: Please refer to page 146-200 of this annual report.**

**5. The most recent year's CPA audited and certified corporate parent company only financial reports: Please refer to page 201-253 of this annual report.**

**6. The impact on the company's financial status in cases where the company or its affiliates have financial difficulties: None.**

# 7

## CHAPTER

# Operating Results and Status of Risk Management

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

## Operating Results and Status of Risk Management

### 1. Financial status

Item	Year			Unit: NT\$ Thousand	
		2021	2020	Amount	%
Current assets	13,627,617	8,218,112	5,409,505	65.82	
Property, plant and equipment	564,391	778,354	(213,963)	(27.49)	
Intangible assets	317,888	443,885	(125,997)	(28.39)	
Other non-current assets	347,763	305,461	42,302	13.85	
Total assets	14,857,659	9,745,812	5,111,847	52.45	
Current liabilities	9,202,793	4,892,132	4,310,661	88.11	
Non-current liabilities	391,537	366,696	24,841	6.77	
Total liabilities	9,594,330	5,258,828	4,335,502	82.44	
Share capital	1,340,119	1,340,119	0	0.00	
Capital surplus	32,641	32,618	23	0.07	
Retained earnings	3,929,040	3,136,400	792,640	25.27	
Other equity	(38,471)	(22,153)	(16,318)	73.66	
Total equity	5,263,329	4,486,984	776,345	17.30	
Description:					
1.	The increase of current assets was primarily due to the increase in net cash inflow from operating activities, which resulted in an increase in cash and cash equivalents & financial assets measured at fair value through profit or loss.				
2.	The decrease in real property, plant and equipment was primarily due to an addition of NT\$91,337,000 and amortization/depreciation of NT\$304,458,000.				
3.	The decrease in intangible assets was primarily due to an addition of NT\$175,172,000 and an amortization of NT\$301,169,000.				
4.	The increase in current liabilities and total liabilities was primarily due to the increase of contract liability.				
5.	The increase in retained earnings was primarily due to the 2021 net profit increase of NT\$610,142,000 compared to 2020.				
6.	The increase in other equity's negative value was primarily due to exchange differences resulting from translating the financial statements of a foreign operation.				

### 2. Operating Results

Unit: NT\$ Thousand

Item	Year	2021	2020	Increase (decrease) amount	Change percentage (%)
Operating revenue		15,107,915	13,569,441	1,538,474	11.34
Operating cost		9,877,961	9,498,564	379,397	3.99
Gross operating profit		5,229,954	4,070,877	1,159,077	28.47
Operating expenses		3,556,062	3,106,944	449,118	14.46
Net operating profit		1,673,892	963,933	709,959	73.65
Non-operating revenue and expenses		67,413	37,630	29,783	79.15
Net profit before tax		1,741,305	1,001,563	739,742	73.86
Income tax expense		281,156	151,556	129,600	85.51
Net profit of this period		1,460,149	850,007	610,142	71.78
Other comprehensive income for the year		(13,767)	(5,977)	(7,790)	130.33
Total comprehensive income for the year		1,446,382	844,030	602,352	71.37
Analysis of increase/decrease changes:					
1.	The increase in gross operating revenue, net operating revenue, Net profit before tax, current net profit and current total comprehensive income was primarily due to the increase in operating revenue.				
2.	The increase in non-operating revenue and expenses was primarily due to the increase in revenue and other revenue transferred from contract liability overdue for two years.				
3.	The increase in tax expense was primarily due to the increase of current net profit in 2021.				
4.	The increase in current other comprehensive losses was primarily due to the increase in exchange differences resulting from translating the financial statements of a foreign operation.				

### 3. Cash flows Analysis

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

Item	Year			Increase (decrease) amount	Change percentage (%)
		2021	2020		
Operating activities		4,230,921	3,289,922	940,999	28.60
Investment activities		(1,792,226)	(1,202,338)	(589,888)	49.06
financing activities		(733,714)	(731,110)	(2,604)	0.36
Total		1,704,981	1,356,474	348,507	25.69

Analysis description:

1. The increase in net cash inflow from operating activities was primarily due to the increase in profit before tax and net cash inflow from contract liabilities in 2021.
2. The increase in net cash outflow for investing activities was primarily due to the increase of investment in financial assets measured at fair value through profit or loss in 2021.

#### (2) Analysis of liquidity

Item	Year			Increase (decrease) ratio %
		2021	2020	
Cash flow ratio (%)		45.97	67.25	(31.64)
Cash flow adequacy ratio(%)		121.65	106.98	13.71
Cash flow reinvestment ratio (%)		47.51	40.96	15.99

Analysis description:

The decrease of cash flow ratio was primarily due to the increase in current liabilities in 2021 compared with 2020.

#### (3) Analysis of cash liquidity for the next year

Beginning of year cash balance (1)	Expected annual net cash inflow from operating activities (2)	Expected annual net cash outflow (3)	Cash surplus (deficit) (1)+(2)-(3)	Remediation measures against expected cash flow deficit	
				Investment plans	Wealth management
5,587,232	2,866,000	2,063,000	6,390,232	0	0

1. Cash liquidity analysis:

Operating activities: The 2022 net cash inflow is expected to come mainly from 2022 profit before tax.

Investing activities: The 2022 net cash outflow is expected for the purchase of equipment and software.

Financing activities: The 2022 net cash outflow is expected for the cash dividends payment.

2. Remediation measures against expected cash flow deficit and liquidity analysis: None.

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

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

Investee	Description	Reinvestment Policy	2021 Investment profit/loss (NT\$1,000)	Main reason for profit or loss	Improvement Plan	Investment plan for the coming year
Global Unichip Corp.-NA	The main purpose is to help expand the US market, and to directly provide product design, technical support and consulting services for customers on a local basis.		8,275	The main profit source is the stable revenue from product design, technical support and consulting services	N/A	None
Global Unichip Japan Co., Ltd.	The main purpose is to help expand the Japanese market, and to directly provide product consulting services for customers on a local basis.		10,722	The main profit source is the stable revenue from product design, technical support and consulting services	N/A	None
Global Unichip Corp. Europe B.V.	The main purpose is to help expand the European market, and to directly provide product consulting services for customers on a local basis.		1,552	The main profit source is the stable revenue from consulting services	N/A	None
Global Unichip (Shanghai) Co., Ltd.	The main purpose is to help expand the Mainland China market, and to directly provide product consulting services for customers on a local basis.		4,622	The main profit source is the stable revenue from consulting services	N/A	None
Global Unichip Corp. Korea	The main purpose is to help expand the Korean market, and to directly provide product consulting services for customers on a local basis.		388	The main profit source is the stable revenue from consulting services	N/A	None
Global Unichip Nanjing Co., Ltd.	The main purpose is to help expand the Mainland China market, and to directly provide product consulting services for customers on a local basis.		118,496	The main profit source is the stable revenue from technical support and consulting services	N/A	The principle of long-term strategic investing shall still be upheld through ongoing and prudent investment evaluations.

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

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

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

The Company's interest revenue was NT\$14,082 thousand, and interest expense was NT\$4,623 thousand in 2021, both of which accounted for a low percentage of annual operating revenue and profit/loss. It is expected that changes in interest rates in the future will not have a significant impact on the Company's overall operations and profit/loss.

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

The Company's losses on currency exchanges in 2021 was NT\$36,805,000, accounting for a low percentage of the annual operating revenue and net income. Since export accounts for a considerable percentage of the Company's revenue, changes in TWD to USD exchange rate may have an impact on the Company's profit/loss. Thus, the Company has been paying attention to the exchange rate fluctuations in the global market, and continues the implementation of the following countermeasures:

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

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

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

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

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

### (3) Future R&D plans and estimated investments

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

Item	Test Chip Tape Out Schedule or Development Status	System Validation Schedule
5nm HBM2E-3.6G controller & PHY	Completed	Completed
7/6nm HBM3 controller & PHY	Completed	2022/Q2
5nm HBM3 controller & PHY	2022/Q1	2022/Q4
3nm HBM3 controller & PHY	2022/Q3	2023/Q2
3nm PLL, THM, Process Monitor	2022/Q3	2023/Q2
7nm 5G mmWave & sub-6G AFE IP	2022/Q3	2023/Q1
5nm chip interconnection IP "GLink2.3" PHY	Completed	2022/Q3
3nm chip interconnection IP "GLink2.3" PHY	2022/Q3	2023/Q2
5nm chip interconnection IP "GLink-3D" PHY	Completed	2022/Q2
6nm chip interconnection IP "GLink-3D" PHY	Completed	2022/Q2
3nm design flow	Completed	2022/Q2

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

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

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

The Company has been putting emphasis on the enhancement of research and development capabilities, and actively establishes strategic partnership with TSMC to jointly promote the progress of advanced technologies. In addition to continuing R&D investment, the Company also maintains stable and flexible financial management to meet the challenges of technological change. In terms of information security risk control/management, the Company has established and implemented information security management systems, and has formulated documents in relation to information security policies to regulate the Company's information security operations. Moreover, Information Security Risk Assessment and Internal/External Information Security Cycle Audit are conducted every year to ensure the effectiveness and regulatory compliance of the management systems. For the Company's information security management, please refer to the Company's website and page 111~113 of this annual report. Besides, the Company has been promoting intellectual property management plans since 2000. Please refer to the Company's website for the implementation status.

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

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

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

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

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

**(10) Impact and risks of the transfer of stakes held by directors or major shareholders holding stakes over 10 %, and the countermeasures to be taken: No such condition****(11) Impact and risks of changes in ownership of the company, and the countermeasures to be taken: No such condition****(12) Litigious or non-litigious events: It is necessary to list the major adjudicated or pending litigious/non-litigious or administrative dispute events in which the company or any of the company's directors, president, de facto responsible person, any of the major shareholders holding stakes over 10%, or any of the subordinate companies is involved. For events whose consequences may have a material impact on shareholders' equity or the price of securities, it is necessary to disclose the disputed facts at issue, the claim amount, the litigation start date, and the main parties involved as well as the processing status up until the publication date of this annual report:**

Global Unichip Corp. filed a civil lawsuit with Taiwan Hsinchu District Court on April 22, 2020, requesting that the defendant General Processor Technologies Inc. and the defendant Ke-yi Li should jointly pay the Company USD 646,951 combined with an interest calculated at an annual interest rate of 5% from September 4, 2019 to the settlement date. The defendants paid Global Unichip Corp. USD 646,935 on January 29, 2021 while the litigation was in progress. The Taiwan Hsinchu District Court judged on March 5, 2021 that the two defendants should jointly pay US\$45,480 and an interest calculated at an annual interest rate of 5% from January 30, 2021 to the settlement date.

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

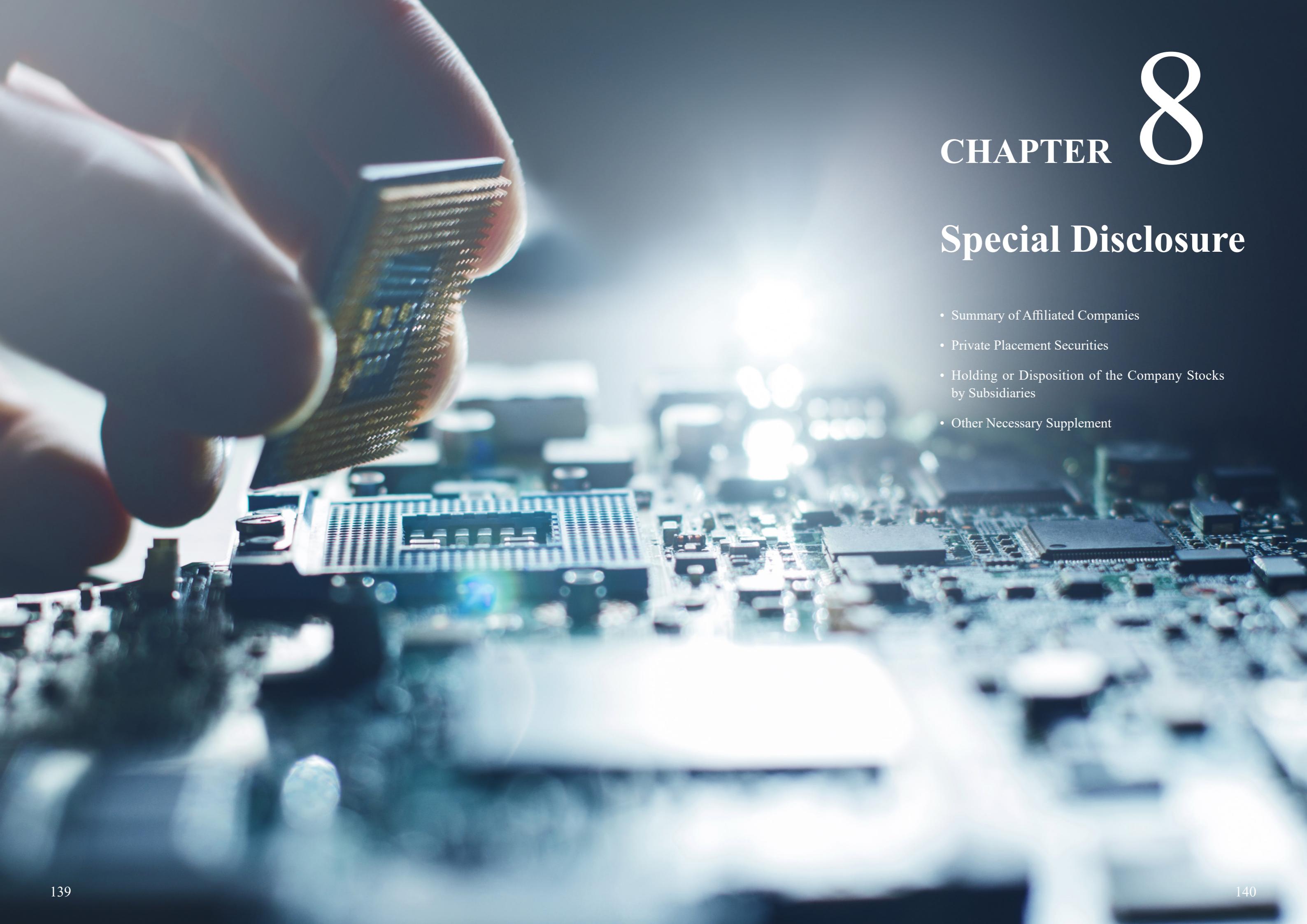
**(13) Other important risks and countermeasures: None****7. Other material matters: None**

# 8

## CHAPTER

# Special Disclosure

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

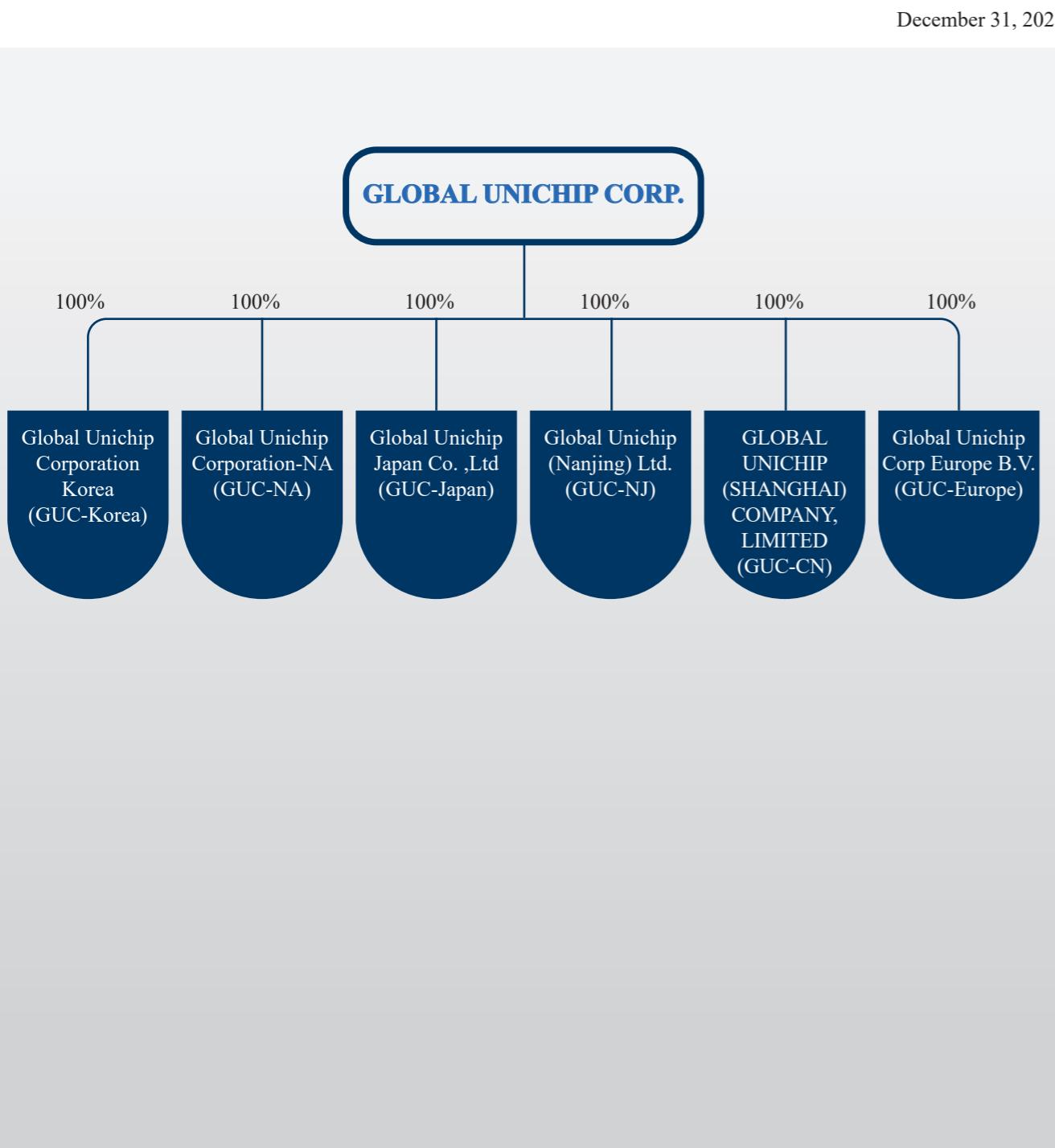


## Special Disclosure

### 1. Summary of affiliated companies

#### (1) Affiliated companies' consolidated business report

1. Organizational chart of the company's affiliated companies



### 2. Profiles of the Company's affiliated companies

Name of enterprise	Date of establishment	Address	Paid-in Capital	Main business or production items
GUC-NA	2004.02.02	2841 Junction Ave. Suite 201, San Jose, CA 95134	USD800,000	Assist in product design, technical support, and consulting services for GUC's North American market.
GUC-Japan	2005.06.16	Yokohama Landmark Tower 16F, 2-2-1, Minatomirai, Nishiku, Yokohama, 220-8116, Japan	YEN55,000,000	Assist in product design, technical support, and consulting services for GUC's Japan market.
GUC-Europe	2008.05.09	World Trade Center, Tower H - 6th Floor, Zuidplein 58, 1077 XV Amsterdam.	EUR200,000	Assist in consulting services for GUC's Europe market.
GUC-CN	2009.11.04	Room 2305, No. 1350, Sichuan North Road, Hongkou District, Shanghai	USD1,000,000	Assist in technical support, and consulting services for GUC's Mainland China market.
GUC-Korea	2016.11.21	3F, 208 Teheran-ro, Gangnam-gu, Seoul	KRW220,000,000	Assist in consulting services for GUC's Korea market.
GUC-NJ	2017.07.24	14th Floor, Block C, Fuying Building, No. 99, Tuanjie Road, Pukou District, Nanjing City	USD4,000,000	Assist in technical support, and consulting services for GUC's Mainland China market.

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

4. The industries covered by the business of the overall affiliated enterprises:

Businesses operated by the Company and its affiliates include IC R&D, production, sales, and relevant consulting services.

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

Name of enterprise	Title	Name or Representative	Number of shares	
			Number of shares	Shareholding ratio
GUC-NA	Director and CEO	Chuan-Nan Chen	GUC holds 800,000 shares	100%
	Director	Louis Lin, Chen-Yang Pan		
GUC-Japan	Director and CEO	Tsung-Lin Tsai	GUC holds 1,100 shares	100%
	Director	Simon Yen		
GUC-Europe	Director	Simon Yen, Christelle	GUC holds 100% shares	100%
GUC-CN	Director and President	Simon Yen	GUC holds 100% shares	100%
	Director	Simon Yen, Louis Lin		
	Supervisor	Daniel Chien		
GUC-Korea	Director and Representative	Yung-Chi Hsu	GUC holds 44,000 shares	100%
	Director	Simon Yen		
GUC-NJ	Director and President	Chien-Hung Lin	GUC holds 100% shares	100%
	Director	Simon Yen, Louis Lin		
	Supervisor	Daniel Chien		

6. Operation overview of the Company's affiliates

December 31, 2021 Unit: unless otherwise specified, NT\$1,000

Name of enterprise	Paid-up capital	Total assets	Total liabilities	Net worth	Operating revenue for current period	Operating profit for current period	Profit or loss for current period (After tax)	Earnings per share (NT\$) (After tax)
GUC-NA	USD 800,000	208,040	72,336	135,704	231,011	15,768	8,275	10.34
GUC-Japan	YEN 55,000,000	105,380	42,310	63,070	231,397	15,133	10,722	9,746.82
GUC-Europe	EUR 200,000	36,243	23,968	12,275	32,439	2,275	1,552	Not applicable
GUC-CN	USD 1,000,000	53,304	7,634	45,670	87,990	5,801	4,622	Not applicable
GUC-Korea	KRW 220,000,000	8,643	1,948	6,695	7,147	491	388	8.82
GUC-NJ	USD 4,000,000	395,211	14,704	380,507	762,299	79,364	118,496	Not applicable

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

USD 1= TWD27.68, JPY 1=TWD0.2405

EUR 1= TWD31.32, KRW 1= TWD0.0235

RMB 1= TWD4.3440

2. The exchange rates adopted in Income Statement were the average buying/selling exchange rates of the current month and current period announced by Bank of Taiwan in 2021.



Global Unichip Corp.



Chairman: F.C. Tseng

January 26, 2022



勤業眾信

勤業眾信聯合會計師事務所  
11073 台北市信義區松仁路100號20樓

Deloitte & Touche  
20F, Taipei Nan Shan Plaza  
No. 100, Songren Rd.,  
Xinyi Dist., Taipei 11073, Taiwan

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

### (3) Affiliation reports

1. Overview of the relationship between the subordinate company and the controlling company: N/A.

2. Transaction/Interaction

(1) Purchase (sales) transactions: N/A.

(2) Property transactions: None

(3) Fund financing: None

(4) Asset leasing: None

(5) Other important transactions/interactions: None

3. Endorsement/guarantee: None

4. Derivatives trading: None

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

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

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

### 4. Other necessary supplementary notes:

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

#### (2) Personnel's license obtained in the Company's Finance/Accounting Department and Audit Department:

1. CPA:One in Finance/Accounting Department and one in Audit Department
2. Certified Securities Investment Analyst (CSIA): One in Finance/Accounting Department
3. Certified Internal Auditor (CIA): One in Audit Department
4. Certified Public Bookkeeper: One in Finance/Accounting Department

### 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, 2021 and 2020, 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, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

#### Basis for Opinion

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

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. 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, 2021 the carrying amount of inventory was NT\$2,788,572 thousand, which accounted for 19% of the total assets in the consolidated balance sheet. Please refer to Notes 4, 5 and 8 to the consolidated financial statements for the details of the information and accounting policy about inventory. The Company's primary business is rendering of services and producing and selling of products in the semiconductor industry. The rapid technological changes in the semiconductor industry require management to timely estimate possible loss on inventory that is expected to be scrapped or disposed of according to the Company's inventory control and accounting policy and the clients' demands. As uncertainty exists in management's judgment when determining loss on inventory, the valuation of inventory has been identified as a key audit matter.

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

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

## Other Matter

We have also audited the parent company only financial statements of Global Unichip Corp. as of and for the years ended December 31, 2021 and 2020 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 auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2021, 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 26, 2022

#### Notice to Readers

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

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

#### GLOBAL UNICHIP CORP. AND SUBSIDIARIES

##### CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 5,587,232	38	\$ 3,896,753	40
Financial assets at fair value through profit or loss (Note 7)	2,130,000	14	730,000	7
Accounts receivable, net (Notes 6 and 16)	1,507,550	10	1,137,071	12
Receivables from related parties (Note 27)	5,500	-	37,371	-
Inventories (Note 8)	2,788,572	19	1,674,466	17
Other financial assets	782	-	383	-
Other current assets (Notes 12 and 27)	1,607,981	11	742,068	8
<b>Total current assets</b>	<b>13,627,617</b>	<b>92</b>	<b>8,218,112</b>	<b>84</b>
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment (Note 9)	564,391	4	778,354	8
Right-of-use assets (Note 10)	260,357	2	238,263	3
Intangible assets (Note 11)	317,888	2	443,885	5
Deferred income tax assets (Note 21)	14,374	-	20,285	-
Refundable deposits (Note 27)	50,832	-	24,713	-
Pledged time deposits (Note 28)	22,200	-	22,200	-
<b>Total non-current assets</b>	<b>1,230,042</b>	<b>8</b>	<b>1,527,700</b>	<b>16</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Contract liabilities (Note 16)	\$ 5,313,950	36	\$ 2,381,778	24
Accounts payable	1,240,392	8	682,090	7
Payables to related parties (Note 27)	609,293	4	379,010	4
Accrued employees' compensation and remuneration to directors (Note 23)	299,495	2	145,634	1
Payables on machinery and equipment	3,820	-	4,171	-
Current tax liabilities (Note 21)	219,949	2	95,526	1
Lease liabilities - current (Notes 10, 24 and 27)	61,223	-	53,693	1
Accrued expenses and other current liabilities (Notes 13 and 27)	1,454,671	10	1,150,230	12
<b>Total current liabilities</b>	<b>9,202,793</b>	<b>62</b>	<b>4,892,132</b>	<b>50</b>
<b>NON-CURRENT LIABILITIES</b>				
Deferred income tax liabilities (Notes 21)	91,547	1	63,100	1
Lease liabilities - non-current (Notes 10, 24 and 27)	210,004	2	189,398	2
Other long-term payables (Note 13)	53,687	-	74,921	1
Net defined benefit liabilities (Note 14)	33,388	-	36,320	-
Guarantee deposits (Note 24)	2,911	-	2,957	-
<b>Total non-current liabilities</b>	<b>391,537</b>	<b>3</b>	<b>366,696</b>	<b>4</b>
<b>Total liabilities</b>	<b>9,594,330</b>	<b>65</b>	<b>5,258,828</b>	<b>54</b>
<b>EQUITY (Note 15)</b>				
Share capital	1,340,119	9	1,340,119	14
Capital surplus	32,641	-	32,618	-
Retained earnings	910,172	6	825,628	8
Appropriated as legal reserve	22,153	-	20,745	-
Unappropriated earnings	2,996,715	20	2,290,027	24
Others	(38,471)	-	(22,153)	-
<b>Total equity</b>	<b>5,263,329</b>	<b>35</b>	<b>4,486,984</b>	<b>46</b>
<b>TOTAL</b>	<b>\$ 14,857,659</b>	<b>100</b>	<b>\$ 9,745,812</b>	<b>100</b>

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

## GLOBAL UNICHIP CORP. AND SUBSIDIARIES

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

	2021		2020		
	Amount	%	Amount	%	
NET REVENUE (Notes 16 and 27)	\$ 15,107,915	100	\$ 13,569,441	100	
COST OF REVENUE (Notes 23 and 27)	<u>9,877,961</u>	<u>65</u>	<u>9,498,564</u>	<u>70</u>	
GROSS PROFIT	<u>5,229,954</u>	<u>35</u>	<u>4,070,877</u>	<u>30</u>	
OPERATING EXPENSES					
Sales and marketing (Notes 23 and 27)	279,373	2	266,020	2	
General and administrative (Notes 23 and 27)	478,707	3	336,914	3	
Research and development (Notes 23 and 27)	2,817,903	19	2,504,010	18	
Expected credit impairment gain (Note 6)	<u>(19,921)</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Total operating expenses	<u>3,556,062</u>	<u>24</u>	<u>3,106,944</u>	<u>23</u>	
INCOME FROM OPERATIONS	<u>1,673,892</u>	<u>11</u>	<u>963,933</u>	<u>7</u>	
NON-OPERATING INCOME AND EXPENSES					
Interest income (Note 17)	14,082	-	12,353	-	
Other income (Notes 10 and 18)	90,505	1	67,683	-	
Other gains and losses (Note 19)	<u>(32,551)</u>	<u>-</u>	<u>(38,781)</u>	<u>-</u>	
Finance costs (Notes 20 and 27)	<u>(4,623)</u>	<u>-</u>	<u>(3,625)</u>	<u>-</u>	
Total non-operating income and expenses	<u>67,413</u>	<u>1</u>	<u>37,630</u>	<u>-</u>	
INCOME BEFORE INCOME TAX	1,741,305	12	1,001,563	7	
INCOME TAX EXPENSE (Note 21)	<u>281,156</u>	<u>2</u>	<u>151,556</u>	<u>1</u>	
NET INCOME	<u>1,460,149</u>	<u>10</u>	<u>850,007</u>	<u>6</u>	
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of defined benefit plans (Note 14)	2,551	-	(4,569)	-	
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations (Note 15)	<u>(16,318)</u>	<u>-</u>	<u>(1,408)</u>	<u>-</u>	
Other comprehensive income (loss) for the year, net of income tax	<u>(13,767)</u>	<u>-</u>	<u>(5,977)</u>	<u>-</u>	
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,446,382</u>	<u>10</u>	<u>\$ 844,030</u>	<u>6</u>	
EARNINGS PER SHARE (Note 22)					
Basic earnings per share	<u>\$ 10.90</u>		<u>\$ 6.34</u>		
Diluted earnings per share	<u>\$ 10.86</u>		<u>\$ 6.32</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 (In Thousands)	Capital Surplus	Legal Reserve	Special Reserve	Retained Earnings Unappropriated Earnings	Total	Others	Foreign Currency Translation Reserve	Total Equity
BALANCE, JANUARY 1, 2020	134,011	\$ 1,340,119	\$ 32,578	\$ 762,708	\$ 8,636	\$ 2,189,678	\$ 2,961,022	\$ (20,745)	\$ 4,312,974
Appropriation and distribution of prior year's earnings									
Legal reserve			62,920		12,109	(62,920)			
Special reserve						(12,109)			
Cash dividends to shareholders - NT\$5.00 per share						(670,060)			
Total			62,920		12,109	(745,089)			
Dividends from claims extinguished by prescription									40
Net income in 2020							850,007		850,007
Other comprehensive income (loss) in 2020, net of income tax							(4,569)		(5,977)
Total comprehensive income (loss) in 2020							845,438		844,030
BALANCE, DECEMBER 31, 2020	134,011	1,340,119	32,618	825,628	20,745	2,290,027	3,136,400	(22,153)	4,486,984
Appropriation and distribution of prior year's earnings									
Legal reserve							(84,544)		
Special reserve							(1,408)		
Cash dividends to shareholders - NT\$5.00 per share							(670,060)		
Total							(756,012)		
Dividends from claims extinguished by prescription									23
Net income in 2021								1,460,149	1,460,149
Other comprehensive income (loss) in 2021, net of income tax								2,551	(16,318)
Total comprehensive income (loss) in 2021								1,462,700	(16,318)
BALANCE, DECEMBER 31, 2021	134,011	\$ 1,340,119	\$ 32,611	\$ 910,172	\$ 22,153	\$ 2,996,715	\$ 3,929,040	\$ (38,471)	\$ 5,263,329

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)

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 1,741,305	\$ 1,001,563
Adjustments for:		
Depreciation	370,430	370,910
Amortization	301,169	306,821
Expected credit impairment gain	(19,921)	-
Gain on financial assets at fair value through profit or loss	(3,792)	(2,802)
Finance costs	4,623	3,625
Interest income	(14,082)	(12,353)
Loss (gain) on foreign exchange, net	9,212	(8,000)
Gain on lease modification	(462)	-
Changes in operating assets and liabilities:		
Contract assets	-	324,965
Accounts receivable (including related parties)	(318,687)	225,520
Inventories	(1,114,106)	104,018
Other current assets	(699,980)	(168,215)
Contract liabilities	2,932,172	1,272,736
Accounts payable (including related parties)	620,178	(483,462)
Accrued employees' compensation and remuneration to directors	153,861	64,943
Accrued expenses and other current liabilities	389,029	376,015
Net defined benefit liabilities	(381)	(353)
Cash generated from operations	4,350,568	3,375,931
Income tax paid	(119,647)	(86,009)
Net cash generated from operating activities	<u>4,230,921</u>	<u>3,289,922</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of:		
Financial assets at fair value through profit or loss	(3,930,000)	(3,610,000)
Property, plant and equipment	(91,832)	(161,391)
Intangible assets	(290,024)	(322,203)
Proceeds from disposal of:		
Financial assets at fair value through profit or loss	2,533,792	2,882,802
Refundable deposits paid	(30,209)	(8,435)
Refundable deposits refunded	2,364	4,577
Interest received	13,683	12,312
Net cash used in investing activities	<u>(1,792,226)</u>	<u>(1,202,338)</u>

(Continued)

## GLOBAL UNICHIP CORP. AND SUBSIDIARIES

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

	2021	2020
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Guarantee deposits received	\$ 67	\$ 51
Guarantee deposits refunded	(33)	(21)
Repayment of the principal portion of lease liabilities	(59,088)	(57,495)
Cash dividends paid	(670,060)	(670,060)
Interest paid	(4,623)	(3,625)
Dividends from claims extinguished by prescription reclassified to capital surplus	23	40
Net cash used in financing activities	<u>(733,714)</u>	<u>(731,110)</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		
	<u>(14,502)</u>	<u>(1,349)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,690,479	1,355,125
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,896,753</u>	<u>2,541,628</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 5,587,232</u>	<u>\$ 3,896,753</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, 2021 AND 2020 (Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

### 1. GENERAL

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

### 2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorized by GUC's Audit Committee and Board of Directors for issue on January 26, 2022.

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

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

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

b. The IFRSs endorsed by the FSC for application starting from 2022

New IFRSs	Effective Date Announced by IASB
"Annual Improvements to IFRS Standards 2018-2020"	January 1, 2022 (Note 1)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 2)
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022 (Note 3)
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 4)

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

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
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 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 4)

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

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except that deferred taxes will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

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

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Significant accounting policies are summarized as follows:

#### Statement of Compliance

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

#### Basis of Preparation

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

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

#### Basis of Consolidation

##### Principles for preparing consolidated financial statements

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

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

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

##### The subsidiaries in the consolidated financial statements

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	2021	
2021	2020					
GUC	Global Unichip Corp.-NA (GUC-NA)	Products consulting, design and technical support service	U.S.A.	100%	100%	Note
	Global Unichip Japan Co., Ltd. (GUC-Japan)	Products consulting, design and technical support service	Japan	100%	100%	Note
	Global Unichip Corp. Europe B.V. (GUC-Europe)	Products consulting, design and technical support service	Netherlands	100%	100%	Note
	Global Unichip Corp. Korea (GUC-Korea)	Products consulting, design and technical support service	Korea	100%	100%	Note
	Global Unichip (Nanjing) Ltd. (GUC-Nanjing)	Products consulting, design and technical support service	Nanjing, China	100%	100%	Note
	Global Unichip (Shanghai) Company, Limited (GUC-Shanghai)	Products consulting, design and technical support service	Shanghai, China	100%	100%	Note

Note: The subsidiaries are not significant subsidiaries. Their financial statements have not been audited, except for GUC-NA and GUC-Nanjing.

#### Foreign Currencies

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

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

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

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

Current assets include:

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

Current liabilities include:

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

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

#### Cash Equivalents

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

## Financial Instruments

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

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

### Financial Assets

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

#### a. Measurement category

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

##### 1) Financial assets at FVTPL

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

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

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

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

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

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

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

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

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

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

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

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

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

#### c. Derecognition of financial assets

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

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

## Financial Liabilities and Equity Instruments

#### a. Classification as debt or equity

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

#### b. Equity instruments

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

#### c. Financial liabilities

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

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

#### d. Derecognition of financial liabilities

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

## Inventories

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

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

### Property, Plant and Equipment

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

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

Buildings	50 years
Machinery and equipment	4 to 7 years
Research and development equipment	3 to 5 years
Transportation equipment	5 years
Office equipment	3 to 5 years
Miscellaneous equipment	2 to 10 years

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

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

### Leases

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

#### a. The Company as lessor

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

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

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

#### b. The Company as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets. Right-of-use assets are subsequently measured at cost less accumulated depreciation and

impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

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

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

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

### Intangible Assets

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

Software	2 to 5 years
Patents	Economic lives of the patents

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

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

### Impairment of Tangible and Intangible Assets

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

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

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

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

#### Revenue Recognition

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

##### Revenue from sale of goods

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

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

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

#### Retirement Benefits

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

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

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

#### Taxation

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

##### Current tax

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

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

##### Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for

all deductible temporary differences, provided it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

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

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

#### Government Grants

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

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

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

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

## CRITICAL ACCOUNTING JUDGMENTS

### **Revenue Recognition**

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

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

### KEY SOURCES OF ESTIMATION AND UNCERTAINTY

#### **Impairment of Financial Assets**

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

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

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

#### **Valuation of Inventory**

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

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

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

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

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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
At amortized cost		
Gross carrying amount	\$ 1,507,550	\$ 1,156,992
Less: Allowance for credit loss	_____	(19,921)
	<u>\$ 1,507,550</u>	<u>\$ 1,137,071</u>

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

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

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

#### Aging analysis of accounts receivable

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
No past due	\$ 1,454,821	\$ 1,098,680
Past due		
Past due within 1-30 days	52,729	24,149
Past due within 31-60 days	-	15,738
Past due over 180 days	-	18,425
Less: Loss allowance	_____	(19,921)
	<u>\$ 1,507,550</u>	<u>\$ 1,137,071</u>

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

	<b>Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 19,921	\$ 19,921
Net remeasurement of credit loss allowance	(19,921)	-
Balance at December 31	\$ _____	\$ 19,921

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

	December 31	
	2021	2020

Financial assets mandatorily classified as at FVTPL	
Non-derivative financial assets	
Mutual funds	<u>\$ 2,130,000</u>
	<u>\$ 730,000</u>

## 8. INVENTORIES

	December 31	
	2021	2020
Finished goods	\$ 159,667	\$ 122,300
Work in process	2,344,644	1,380,771
Raw materials	<u>284,261</u>	<u>171,395</u>
	<u>\$ 2,788,572</u>	<u>\$ 1,674,466</u>

Write-down of inventories to net realizable value and reversal of inventory valuation losses were included in the cost of revenue, the amounts were as follows:

	Years Ended December 31	
	2021	2020
Reversal of write-down of inventories (write-down of inventories)	<u>\$ 36,670</u>	<u>\$ (55,193)</u>

## 9. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery and Equipment	Research and Development Equipment	Transportation Equipment	Office Equipment	Miscellaneous Equipment	Total
<u>Cost</u>							
Balance at January 1, 2021	\$ 242,923	\$ 56,136	\$ 1,560,939	\$ 1,375	\$ 29,450	\$ 429,300	\$ 2,320,123
Additions	-	42,331	24,568	-	3,811	20,627	91,337
Disposals	-	-	(2,993)	-	-	(991)	(3,984)
Effect of exchange rate changes	-	-	(297)	-	(440)	(1,483)	(2,220)
Balance at December 31, 2021	<u>\$ 242,923</u>	<u>\$ 98,467</u>	<u>\$ 1,582,217</u>	<u>\$ 1,375</u>	<u>\$ 32,821</u>	<u>\$ 447,453</u>	<u>\$ 2,405,256</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2021	\$ 78,096	\$ 14,608	\$ 1,106,091	\$ 689	\$ 23,897	\$ 318,388	\$ 1,541,769
Depreciation	4,766	9,785	253,572	266	2,725	33,344	304,458
Disposals	-	-	(2,993)	-	-	(991)	(3,984)
Effect of exchange rate changes	-	-	(208)	-	(204)	(966)	(1,378)
Balance at December 31, 2021	<u>\$ 82,862</u>	<u>\$ 24,393</u>	<u>\$ 1,356,462</u>	<u>\$ 955</u>	<u>\$ 26,418</u>	<u>\$ 349,775</u>	<u>\$ 1,840,865</u>
Carrying amount at December 31, 2021	<u>\$ 160,061</u>	<u>\$ 74,074</u>	<u>\$ 225,755</u>	<u>\$ 420</u>	<u>\$ 6,403</u>	<u>\$ 97,678</u>	<u>\$ 564,391</u>
<u>Cost</u>							
Balance at January 1, 2020	\$ 242,923	\$ 24,741	\$ 1,506,119	\$ 1,375	\$ 29,728	\$ 430,306	\$ 2,235,192
Additions	-	31,395	61,303	-	1,454	12,686	106,838
Disposals	-	-	(5,932)	-	(1,699)	(13,640)	(21,271)
Effect of exchange rate changes	-	-	(551)	-	(33)	(52)	(636)
Balance at December 31, 2020	<u>\$ 242,923</u>	<u>\$ 56,136</u>	<u>\$ 1,560,939</u>	<u>\$ 1,375</u>	<u>\$ 29,450</u>	<u>\$ 429,300</u>	<u>\$ 2,320,123</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2020	\$ 73,330	\$ 8,560	\$ 847,771	\$ 424	\$ 23,338	\$ 299,282	\$ 1,252,705
Depreciation	4,766	6,048	264,567	265	2,293	32,986	310,925
Disposals	-	-	(5,932)	-	(1,699)	(13,640)	(21,271)
Effect of exchange rate changes	-	-	(315)	-	(35)	(240)	(590)
Balance at December 31, 2020	<u>\$ 78,096</u>	<u>\$ 14,608</u>	<u>\$ 1,106,091</u>	<u>\$ 689</u>	<u>\$ 23,897</u>	<u>\$ 318,388</u>	<u>\$ 1,541,769</u>
Carrying amount at December 31, 2020	<u>\$ 164,827</u>	<u>\$ 41,528</u>	<u>\$ 454,848</u>	<u>\$ 686</u>	<u>\$ 5,553</u>	<u>\$ 110,912</u>	<u>\$ 778,354</u>

## 10. LEASE ARRANGEMENTS

### a. Right-of-use assets

	Land	Buildings	Transportation Equipment	Total
<u>Cost</u>				
Balance at January 1, 2021	\$ 58,995	\$ 288,970	\$ 4,957	\$ 352,922
Additions	-	95,339	341	95,680
Lease expired	-	(1,437)	(478)	(1,915)
Lease modification	-	(14,719)	(1,345)	(16,064)
Effect of exchange rate changes	-	(10,069)	-	(10,069)
Balance at December 31, 2021	<u>\$ 58,995</u>	<u>\$ 358,084</u>	<u>\$ 3,475</u>	<u>\$ 420,554</u>
<u>Accumulated depreciation</u>				
Balance at January 1, 2021	\$ 3,225	\$ 109,013	\$ 2,421	\$ 114,659
Depreciation	1,613	63,251	1,108	65,972
Lease expired	-	(1,437)	(478)	(1,915)
Lease modification	-	(14,156)	(797)	(14,953)
Effect of exchange rate changes	-	(3,566)	-	(3,566)
Balance at December 31, 2021	<u>\$ 4,838</u>	<u>\$ 153,105</u>	<u>\$ 2,254</u>	<u>\$ 160,197</u>
Carrying amount at December 31, 2021	<u>\$ 54,157</u>	<u>\$ 204,979</u>	<u>\$ 1,221</u>	<u>\$ 260,357</u>
<u>Cost</u>				
Balance at January 1, 2020	\$ 58,995	\$ 239,159	\$ 4,957	\$ 303,111
Additions	-	48,815	-	48,815
Effect of exchange rate changes	-	996	-	996
Balance at December 31, 2020	<u>\$ 58,995</u>	<u>\$ 288,970</u>	<u>\$ 4,957</u>	<u>\$ 352,922</u>
<u>Accumulated depreciation</u>				
Balance at January 1, 2020	\$ 1,612	\$ 5		

## b. Lease liabilities

	December 31	
	2021	2020

Carrying amount

Current	\$ 61,223	\$ 53,693
Non-current	\$ 210,004	\$ 189,398

Range of discount rates for lease liabilities was as follows:

	December 31	
	2021	2020
Land	1.62%	1.62%
Buildings	0.589%-4.75%	0.642%-4.75%
Transportation equipment	0.589%-0.825%	0.825%

## c. Material leasing activities and terms

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

## d. Subleases

The other sublease transaction is set out below.

Sublease of right-of-use assets

The Company subleased its leasehold parking lot under operating lease with lease term of 3 years and with an option to extend for an additional 1 year.

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

	December 31	
	2021	2020
Year 1	\$ 299	\$ 299
Year 2	-	299
	<u>\$ 299</u>	<u>\$ 598</u>

## e. Other lease information

	Years Ended December 31	
	2021	2020
Expenses relating to short-term leases	\$ 5,880	\$ 6,433
Expenses relating to low-value asset leases	\$ 30	\$ 34
Total cash outflow for leases	<u>\$ (69,804)</u>	<u>\$ (67,609)</u>

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

## 11. INTANGIBLE ASSETS

	Software	Patents	Total
<u>Cost</u>			
Balance at January 1, 2021			
Additions	\$ 1,059,356	\$ 519	\$ 1,059,875
Disposals	175,172	-	175,172
Effect of exchange rate changes	(185,319)	-	(185,319)
Balance at December 31, 2021	<u>\$ 1,049,207</u>	<u>\$ 519</u>	<u>\$ 1,049,726</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2021			
Amortization	\$ 615,510	\$ 480	\$ 615,990
Disposals	301,140	29	301,169
Effect of exchange rate changes	(185,319)	-	(185,319)
Balance at December 31, 2021	<u>\$ 731,329</u>	<u>\$ 509</u>	<u>\$ 731,838</u>
Carrying amount at December 31, 2021	<u>\$ 317,878</u>	<u>\$ 10</u>	<u>\$ 317,888</u>
<u>Cost</u>			
Balance at January 1, 2020			
Additions	\$ 930,730	\$ 519	\$ 931,249
Disposals	338,659	-	338,659
Effect of exchange rate changes	(210,037)	-	(210,037)
Balance at December 31, 2020	<u>\$ 1,059,356</u>	<u>\$ 519</u>	<u>\$ 1,059,875</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2020			
Amortization	\$ 518,750	\$ 452	\$ 519,202
Disposals	306,793	28	306,821
Effect of exchange rate changes	(210,037)	-	(210,037)
Balance at December 31, 2020	<u>\$ 615,510</u>	<u>\$ 480</u>	<u>\$ 615,990</u>
Carrying amount at December 31, 2020	<u>\$ 443,846</u>	<u>\$ 39</u>	<u>\$ 443,885</u>

## 12. OTHER CURRENT ASSETS

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Prepayment for purchases	\$ 1,126,096	\$ 235,125
Prepaid license fees	326,812	359,389
VAT tax receivable	133,448	104,685
Prepaid expenses	20,819	30,736
Prepaid income tax	806	3,235
Temporary payments	-	8,898
	<b><u>\$ 1,607,981</u></b>	<b><u>\$ 742,068</u></b>

## 13. OTHER LIABILITIES

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Current</u>		
Payable for salaries and bonuses		
Payable for salaries and bonuses	\$ 547,693	\$ 323,839
License fees payable	272,893	206,942
Payable for royalties	23,336	10,431
Refund liabilities	-	621
Others	<u>610,749</u>	<u>608,397</u>
	<b><u>\$ 1,454,671</u></b>	<b><u>\$ 1,150,230</u></b>

### Non-current

License fees payable	\$ 53,687	\$ 74,921
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The Company estimates and recognizes refund liabilities based on historical experience and the consideration of varying contractual terms.

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

## 14. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

The pension mechanism under the Labor Pension Act is deemed a defined contribution retirement plan. Pursuant to the Act, GUC makes monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts. Furthermore, GUC-NA, GUC-Japan, GUC-Korea, GUC-Shanghai and GUC-Nanjing make monthly contributions at certain percentages of the salary of their employees. Accordingly, the Company recognized expenses of NT\$64,055 thousand and NT\$53,860 thousand in the consolidated statements of comprehensive income for the years ended December 31, 2021 and 2020, 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:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Present value of defined benefit obligation	\$ 78,457	\$ 78,670
Fair value of plan assets	<u>(45,069)</u>	<u>(42,350)</u>
Net defined benefit liabilities	<b><u>\$ 33,388</u></b>	<b><u>\$ 36,320</u></b>
Movements in net defined benefit liabilities were as follows:		
	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>
Balance at January 1, 2020	\$ 72,709	\$ (40,605)
Service cost		
Current service cost	1,342	-
Net interest expense (income)	545	(312)
Recognized in profit or loss	<u>1,887</u>	<u>(312)</u>
Remeasurement		
Return on plan assets	-	(1,295)
Actuarial loss - changes in demographic assumptions	1,010	-
Actuarial loss - changes in financial assumptions	3,953	-
Actuarial loss - experience adjustments	<u>901</u>	<u>-</u>
Recognized in other comprehensive (income) loss	<u>5,864</u>	<u>(1,295)</u>
Contributions from the employer	-	(1,928)
Benefits paid	<u>(1,790)</u>	<u>1,790</u>
Balance at December 31, 2020	<b><u>78,670</u></b>	<b><u>(42,350)</u></b>
Service cost		
Current service cost	1,471	-
Net interest expense (income)	275	(152)
Recognized in profit or loss	<u>1,746</u>	<u>(152)</u>
		(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
<b>Remeasurement</b>			
Return on plan assets	\$ -	\$ (592)	\$ (592)
Actuarial loss - changes in demographic assumptions	444	-	444
Actuarial loss - changes in financial assumptions	(2,924)	-	(2,924)
Actuarial loss - experience adjustments	521	-	521
Recognized in other comprehensive (income) loss	(1,959)	(592)	(2,551)
Contributions from the employer	-	(1,975)	(1,975)
Balance at December 31, 2021	<u>\$ 78,457</u>	<u>\$ (45,069)</u>	<u>\$ 33,388</u> (Concluded)

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

	Years Ended December 31	
	2021	2020
General and administrative expenses	<u>\$ 1,594</u>	<u>\$ 1,575</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	
	2021	2020
Discount rate	0.65%	0.35%
Expected rate of salary increase	3.00%	3.00%
Turnover rate	1.90%	2.00%

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	
	2021	2020
Discount rate		
0.25% increase	<u>\$ (2,370)</u>	<u>\$ (2,555)</u>
0.25% decrease	<u>\$ 2,469</u>	<u>\$ 2,669</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 2,401</u>	<u>\$ 2,587</u>
0.25% decrease	<u>\$ (2,317)</u>	<u>\$ (2,492)</u>
Turnover rate		
10% increase	<u>\$ (450)</u>	<u>\$ (595)</u>
10% decrease	<u>\$ 461</u>	<u>\$ 609</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	
	2021	2020
The expected contributions to the plan for the next year	<u>\$ 2,090</u>	<u>\$ 2,037</u>
The average duration of the defined benefit obligation	12 years	13 years

The maturity analysis of undiscounted pension benefit is as follows:

	December 31	
	2021	2020
Later than 1 year and not later than 5 years	\$ 10,445	\$ 8,666
Later than 5 years	<u>73,441</u>	<u>72,389</u>
	<u>\$ 83,886</u>	<u>\$ 81,055</u>

## 15. EQUITY

### a. Share capital

	December 31	
	2021	2020
Authorized		
Issued	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>
	<u>\$ 1,340,119</u>	<u>\$ 1,340,119</u>

As of December 31, 2021 and 2020, GUC is authorized to issue 150,000 thousand shares, with par value of \$10; each share is entitled to the right to vote and to receive dividends; a total of 134,011 thousand shares have been paid and issued.

## b. Capital surplus

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
From merger	\$ 16,621	\$ 16,621
Additional paid-in capital	13,232	13,232
Donations	2,660	2,660
Dividends from claims extinguished by prescription	<u>128</u>	<u>105</u>
	<u><u>\$ 32,641</u></u>	<u><u>\$ 32,618</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;
- 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 appropriation for legal reserve shall be made until the reserve equals GUC's paid-in capital. The reserve may be used to offset a deficit, or be distributed as dividends and bonuses to the extent that the portion exceeds 25% of the paid-in capital if GUC incurs no loss.

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

The appropriations of earnings for 2020 and 2019 had been approved in the meetings of the shareholders of GUC held on May 20, 2021 and May 14, 2020, respectively. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Legal reserve	\$ 84,544	\$ 62,920
Special reserve	\$ 1,408	\$ 12,109
Cash dividends	\$ 670,060	\$ 670,060
Cash dividends per share (NT\$)	\$ 5.00	\$ 5.00

The appropriations of earnings for 2021 had been proposed by the Board of Directors of GUC on January 26, 2022. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 146,270	
Special reserve	16,318	
Cash dividends to shareholders	<u>938,083</u>	\$ 7.00
	<u><u>\$ 1,100,671</u></u>	

The appropriations of earnings for 2021 are to be resolved in the meeting of the shareholders of GUC which is expected to be held on May 19, 2022.

## d. Others

Changes in foreign currency translation reserve were as follows:

	<b>Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance, beginning of year	\$ (22,153)	\$ (20,745)
Exchange differences on translation of foreign operations	<u>(16,318)</u>	<u>(1,408)</u>
Balance, end of year	<u><u>\$ (38,471)</u></u>	<u><u>\$ (22,153)</u></u>

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

## 16. NET REVENUE

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

	<b>Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Revenue from customer contracts		
Net revenue from sale of goods	\$ 10,086,532	\$ 8,524,887
Net revenue from NRE service	<u>5,021,383</u>	<u>5,044,554</u>
	<u><u>\$ 15,107,915</u></u>	<u><u>\$ 13,569,441</u></u>

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

## a. Contract balances

	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>January 1, 2020</b>
Accounts receivable	\$ 1,507,550	\$ 1,137,071	\$ 1,377,203
Contract assets - current	<u>-</u>	<u>-</u>	<u>\$ 324,965</u>
Contract liabilities - current	<u><u>\$ 5,313,950</u></u>	<u><u>\$ 2,381,778</u></u>	<u><u>\$ 1,109,042</u></u>

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

For the years ended December 31, 2021 and 2020, the Company recognized revenue of NT\$2,098,244 thousand and NT\$1,031,673 thousand, respectively, from the beginning balance of contract liability.

b. Disaggregation of revenue from contracts with customers

Production	Years Ended December 31	
	2021	2020
ASIC and wafer product	\$ 10,086,532	\$ 8,524,887
NRE	4,708,703	4,614,332
Others	<u>312,680</u>	<u>430,222</u>
	<u>\$ 15,107,915</u>	<u>\$ 13,569,441</u>

Region	Years Ended December 31	
	2021	2020
China	\$ 5,554,165	\$ 3,047,735
United States	3,297,975	4,071,493
Taiwan	2,717,737	2,387,977
Japan	1,419,624	703,452
Korea	1,251,753	2,034,681
Europe	<u>866,661</u>	<u>1,324,103</u>
	<u>\$ 15,107,915</u>	<u>\$ 13,569,441</u>

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

Application Type	Years Ended December 31	
	2021	2020
Digital Consumer	\$ 5,985,740	\$ 6,555,633
Networking	3,589,054	2,999,275
AI/ML	2,620,115	1,475,312
Industry	1,873,791	1,812,677
Others	<u>1,039,215</u>	<u>726,544</u>
	<u>\$ 15,107,915</u>	<u>\$ 13,569,441</u>

Customer Type	Years Ended December 31	
	2021	2020
System House	\$ 10,099,377	\$ 9,103,510
Fabless	<u>5,008,538</u>	<u>4,465,931</u>
	<u>\$ 15,107,915</u>	<u>\$ 13,569,441</u>

Resolution	Year Ended December 31, 2021		Year Ended December 31, 2020	
	Net Revenue from NRE Service	Net Revenue from Sale of Goods	Net Revenue from NRE Service	Net Revenue from Sale of Goods
7-nanometer	\$ 1,500,628	\$ 1,408,826	\$ 1,188,995	\$ -
16-nanometer	1,971,515	1,963,278	1,925,356	990,233
28-nanometer	660,841	1,861,162	935,864	2,667,106
40-nanometer and above	575,719	4,853,266	564,117	4,867,548
Others	<u>312,680</u>	<u>-</u>	<u>430,222</u>	<u>-</u>
	<u>\$ 5,021,383</u>	<u>\$ 10,086,532</u>	<u>\$ 5,044,554</u>	<u>\$ 8,524,887</u>

## 17. INTEREST INCOME

	Years Ended December 31	
	2021	2020
Bank deposits	<u>\$ 14,082</u>	<u>\$ 12,353</u>

## 18. OTHER INCOME

	Years Ended December 31	
	2021	2020
Government grants	\$ 55,525	\$ 59,574
Past due over 2 years' contract liabilities transferred to income	17,709	3,528
Rental income	299	299
Other income	<u>16,972</u>	<u>4,282</u>
	<u>\$ 90,505</u>	<u>\$ 67,683</u>

## 19. OTHER GAINS AND LOSSES

	Years Ended December 31	
	2021	2020
Gain on financial assets at fair value through profit or loss	\$ 3,792	\$ 2,802
Gain on lease modification	462	-
Foreign exchange loss, net	<u>(36,805)</u>	<u>(41,583)</u>
	<u>\$ (32,551)</u>	<u>\$ (38,781)</u>

## 20. FINANCE COSTS

	Years Ended December 31	
	2021	2020
Interest on lease liabilities	\$ 4,623	\$ 3,600
Interest on bank loans	<u>-</u>	<u>25</u>
	<u>\$ 4,623</u>	<u>\$ 3,625</u>

## 21. INCOME TAX

December 31  
2021      2020

a. Income tax expense recognized in profit or loss

Income tax expense consisted of the following:

	<u>Years Ended December 31</u>	
	2021	2020
Current income tax expense		
Current tax expense recognized in the current period	\$ 246,941	\$ 117,148
Adjustments to income tax of prior years	(159)	(5,509)
	<u>246,782</u>	<u>111,639</u>
Deferred income tax expense		
Temporary differences	34,325	39,917
Effect of tax rate changes	49	-
	<u>34,374</u>	<u>39,917</u>
Income tax expense recognized in profit or loss	<u>\$ 281,156</u>	<u>\$ 151,556</u>

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

	<u>Years Ended December 31</u>	
	2021	2020
Income before tax	<u>\$ 1,741,305</u>	<u>\$ 1,001,563</u>
Income tax expense at the statutory rate	\$ 375,539	\$ 222,203
Tax effect of adjusting items:		
Nondeductible items in determining taxable income	2,799	329
Tax-exempt income	-	(28,236)
Investment tax credits used	(101,543)	(37,231)
Additional income tax expense on unappropriated earnings	4,471	-
Adjustments to income tax of prior years	(159)	(5,509)
Effect of tax rate changes	<u>49</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 281,156</u>	<u>\$ 151,556</u>

b. Deferred income tax

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

	<u>December 31</u>	
	2021	2020
<u>Deferred income tax assets</u>		
Temporary differences		
Write-down of inventory	\$ 5,366	\$ 13,077
Allowance for credit loss in excess of amount allowed by law	-	1,598
Refund liability	-	124
Others	<u>9,008</u>	<u>5,486</u>
	<u>\$ 14,374</u>	<u>\$ 20,285</u>

(Continued)

Deferred income tax liabilities

Temporary differences

Share of profit of subsidiaries accounted for using equity method	\$ (91,332)	\$ (62,521)
Others	<u>(215)</u>	<u>(579)</u>

\$ (91,547)      \$ (63,100)  
(Concluded)

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

Year ended December 31, 2021

<u>Balance, Beginning of Year</u>	<u>Recognized in Profit or Loss</u>	<u>Effect of Exchange Rate Changes</u>	<u>Balance, End of Year</u>
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Deferred income tax assets

Temporary differences			
Write-down of inventory	\$ 13,077	\$ (7,711)	\$ -
Allowance for credit loss in excess of amount allowed by law	1,598	(1,598)	-
Refund liability	124	(124)	-
Others	<u>5,486</u>	<u>3,522</u>	<u>-</u>
	<u>\$ 20,285</u>	<u>\$ (5,911)</u>	<u>\$ -</u>
			<u>\$ 14,374</u>

Year ended December 31, 2020

<u>Balance, Beginning of Year</u>	<u>Recognized in Profit or Loss</u>	<u>Effect of Exchange Rate Changes</u>	<u>Balance, End of Year</u>
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Deferred income tax assets

Temporary differences			
Write-down of inventory	\$ 29,768	\$ (16,691)	\$ -
Allowance for credit loss in excess of amount allowed by law	1,106	492	-
Refund liability	124	-	124
Others	<u>7,812</u>	<u>(2,326)</u>	<u>-</u>
	<u>\$ 38,810</u>	<u>\$ (18,525)</u>	<u>\$ -</u>
			<u>\$ 20,285</u>

Year ended December 31, 2021

	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	\$ (62,521)	\$ (28,811)	\$ -	\$ (91,332)
Others	<u>(579)</u>	<u>348</u>	<u>16</u>	<u>(215)</u>
	<u><b>\$ (63,100)</b></u>	<u><b>\$ (28,463)</b></u>	<u><b>\$ 16</b></u>	<u><b>\$ (91,547)</b></u>
<u>Year ended December 31, 2020</u>				
	Balance, Beginning of Year	Recognized in Profit or Loss	Effect of Exchange Rate Changes	Balance, End of Year
<u>Deferred income tax liabilities</u>				
Temporary differences				
Share of profit of subsidiaries accounted for using equity method	\$ (41,127)	\$ (21,394)	\$ -	\$ (62,521)
Others	<u>(699)</u>	<u>2</u>	<u>118</u>	<u>(579)</u>
	<u><b>\$ (41,826)</b></u>	<u><b>\$ (21,392)</b></u>	<u><b>\$ 118</b></u>	<u><b>\$ (63,100)</b></u>

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

As of December 31, 2021 and 2020, the aggregate deductible temporary differences for which no deferred income tax assets have been recognized amounted to NT\$7,694 thousand and NT\$4,431 thousand, respectively.

d. Income tax examination

The tax authorities have examined the income tax returns of GUC through 2019.

## 22. EARNINGS PER SHARE

	Years Ended December 31	
	2021	2020
Basic EPS	<u>\$10.90</u>	<u>\$6.34</u>
Diluted EPS	<u>\$10.86</u>	<u>\$6.32</u>

EPS is computed as follows:

	Amounts (Numerator)	Number of Shares (Denominator) (In Thousands)	EPS (NT\$)
<u>Year ended December 31, 2021</u>			
Basic EPS			
Net income available to common shareholders	\$ 1,460,149	134,011	<u>\$10.90</u>
Effect of dilutive potential common stock	<u>-</u>	<u>488</u>	
Diluted EPS			
Net income available to common shareholders (including effect of dilutive potential common stock)	<u>\$ 1,460,149</u>	<u>134,499</u>	<u>\$10.86</u>
<u>Year ended December 31, 2020</u>			
Basic EPS			
Net income available to common shareholders	\$ 850,007	134,011	<u>\$6.34</u>
Effect of dilutive potential common stock	<u>-</u>	<u>426</u>	
Diluted EPS			
Net income available to common shareholders (including effect of dilutive potential common stock)	<u>\$ 850,007</u>	<u>134,437</u>	<u>\$6.32</u>
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.			
<b>23. ADDITIONAL INFORMATION OF EXPENSES BY NATURE</b>			
Net income included the following items:			
	Years Ended December 31		
	2021	2020	
a. Depreciation expense			
Depreciation of property, plant and equipment			
Recognized in cost of revenue	\$ 11,784	\$ 7,833	
Recognized in operating expenses	<u>292,674</u>	<u>303,092</u>	
	<u>304,458</u>	<u>310,925</u>	
Depreciation of right-of-use assets			
Recognized in cost of revenue	3,845	4,006	
Recognized in operating expenses	<u>62,127</u>	<u>55,979</u>	
	<u>65,972</u>	<u>59,985</u>	
	<u><b>\$ 370,430</b></u>	<u><b>\$ 370,910</b></u>	

	<b>Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
b. Amortization of intangible assets		
Recognized in cost of revenue	\$ 295	\$ -
Recognized in operating expenses	<u>300,874</u>	<u>306,821</u>
	<u><u>\$ 301,169</u></u>	<u><u>\$ 306,821</u></u>
c. Research and development costs expensed as incurred	<u><u>\$ 2,817,903</u></u>	<u><u>\$ 2,504,010</u></u>
d. Employee benefits expense		
Post-employment benefits (Note 14)		
Defined contribution plans	\$ 64,055	\$ 53,860
Defined benefit plans	<u>1,594</u>	<u>1,575</u>
	<u><u>65,649</u></u>	<u><u>55,435</u></u>
Other employee benefits	<u><u>2,567,227</u></u>	<u><u>2,092,396</u></u>
	<u><u>\$ 2,632,876</u></u>	<u><u>\$ 2,147,831</u></u>
Employee benefits expense summarized by function		
Recognized in cost of revenue	\$ 247,934	\$ 187,312
Recognized in operating expenses	<u>2,384,942</u>	<u>1,960,519</u>
	<u><u>\$ 2,632,876</u></u>	<u><u>\$ 2,147,831</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 2021 and 2020, GUC accrued employees' compensation and remuneration to directors; the accruals were approved in the meetings of the Board of Directors held on January 26, 2022 and January 28, 2021, respectively; the accruals were made at the approved percentage of net income before tax and before deduction of the employees' compensation and remuneration to directors. The accrued amounts were as follows:

	<b>Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Employees' compensation	\$ 271,773	\$ 133,640
Remuneration to directors	<u>27,722</u>	<u>11,994</u>

The aforementioned approved amounts were the same as the amounts reported as expenses in 2021 and 2020.

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\$75,228 thousand and NT\$5,463 thousand in cash for 2019 were approved by the Board of Directors in their meeting held on February 6, 2020. The aforementioned approved amounts did not have any difference with the amounts recognized in the consolidated financial statements for the year ended December 31, 2019.

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:

	<b>Balance as of January 1, 2021</b>	<b>Cash Flows</b>	<b>Non-cash Changes</b>			<b>Foreign Exchange Movement</b>	<b>Balance as of December 31, 2021</b>
			<b>Lease Additions</b>	<b>Lease Termination</b>			
Guarantee deposits	\$ 2,957	\$ 34	\$ -	\$ -	\$ (95,680)	\$ (1,573)	\$ (80)
Lease liabilities	243,091	(59,088)					(6,883)
<b>Non-cash Changes</b>							
	<b>Balance as of January 1, 2020</b>	<b>Cash Flows</b>	<b>Lease Additions</b>	<b>Lease Termination</b>	<b>Foreign Exchange Movement</b>	<b>Balance as of December 31, 2020</b>	
Guarantee deposits	\$ 3,075	\$ 30	\$ -	\$ -	\$ (48,815)	\$ -	\$ (148)
Lease liabilities	250,577	(57,495)					1,194

## 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, 2021

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTPL Mutual funds	\$ 2,130,000	\$ -	\$ -	\$ 2,130,000

December 31, 2020

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTPL				
Mutual funds	<u>\$ 730,000</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ 730,000</u>
There were no transfers between Levels 1 and 2 in the current and prior period.				
b. Categories of financial instruments				
<b>December 31</b>				
<b>2021</b>				
<b>2020</b>				
<b>Financial assets</b>				
FVTPL				
Mandatorily classified as at FVTPL	<u>\$ 2,130,000</u>	<u>\$ 730,000</u>		
Amortized cost				
Cash and cash equivalents	<u>5,587,232</u>	<u>3,896,753</u>		
Accounts receivable, net (including related parties)	<u>1,513,050</u>	<u>1,174,442</u>		
Other financial assets	<u>782</u>	<u>383</u>		
Refundable deposits	<u>24,458</u>	<u>1,328</u>		
Pledged time deposits	<u>22,200</u>	<u>22,200</u>		
	<u><u>\$ 9,277,722</u></u>	<u><u>\$ 5,825,106</u></u>		
<b>Financial liabilities</b>				
Amortized cost				
Accounts payable (including related parties)	<u>\$ 1,849,685</u>	<u>\$ 1,061,100</u>		
Payables on machinery and equipment	<u>3,820</u>	<u>4,171</u>		
Accrued expenses and other current liabilities	<u>748,203</u>	<u>612,556</u>		
Other long-term payables	<u>176,040</u>	<u>281,863</u>		
Guarantee deposits	<u>2,768</u>	<u>2,848</u>		
	<u><u>\$ 2,780,516</u></u>	<u><u>\$ 1,962,538</u></u>		

c. Financial risk management objectives and policies

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

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

d. Market risk

Foreign currency risk

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

The Company's sensitivity analysis to foreign currency risk mainly focuses on the foreign currency monetary items at the end of the reporting period. Assuming a 10% strengthening of New Taiwan Dollars against the relevant currencies, the net income before tax for the years ended December 31, 2021 and 2020 would have increased by NT\$41,287 thousand and decreased by NT\$65,864 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, 2021 and 2020, the Company's ten largest customers accounted for 58% and 31% 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, 2021 and 2020, 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, 2021</u>				
Accounts payable (including related parties)	\$ 1,849,685	\$ -	\$ -	\$ 1,849,685
Payables on machinery and equipment	3,820	-	-	3,820
Accrued expenses and other current liabilities	748,203	-	-	748,203
Lease liabilities	64,931	125,243	106,403	296,577
Other long-term payables	122,353	53,687	-	176,040
Guarantee deposits	-	-	2,768	2,768
	<u>\$ 2,788,992</u>	<u>\$ 178,930</u>	<u>\$ 109,171</u>	<u>\$ 3,077,093</u>

Additional information about the maturity analysis of lease liabilities:

Non-derivative Financial Liabilities	Less Than 1 Year	2-3 Years	4+ Years	Total	
	Less than 4 Year	4-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 190,174</u>	<u>\$ 55,971</u>	<u>\$ 10,692</u>	<u>\$ 10,692</u>	<u>\$ 29,048</u>
<u>December 31, 2020</u>					
Accounts payable (including related parties)	\$ 1,061,100	\$ -	\$ -	\$ 1,061,100	
Payables on machinery and equipment	4,171	-	-	-	4,171
Accrued expenses and other current liabilities	612,556	-	-	612,556	
Lease liabilities	56,593	106,365	102,968	265,926	
Other long-term payables	206,942	74,921	-	281,863	
Guarantee deposits	-	-	2,848	2,848	
	<u>\$ 1,941,362</u>	<u>\$ 181,286</u>	<u>\$ 105,816</u>	<u>\$ 2,228,464</u>	

Additional information about the maturity analysis of lease liabilities:

	Less than 4 Year	4-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 162,958</u>	<u>\$ 50,398</u>	<u>\$ 10,692</u>	<u>\$ 10,692</u>	<u>\$ 31,186</u>

**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
VisEra Technologies Co., Ltd. (VisEra)	A subsidiary of TSMC
Vanguard International Semiconductor Corporation (VIS)	An associate of TSMC

**b. Operating transactions**

Line Item	Related Party Name and Category	Years Ended December 31	
		2021	2020
Net revenue from sale	Investors with significant influence over the Company	<u>\$ 218,235</u>	<u>\$ 228,500</u>
Purchases	Investors with significant influence over the Company		
	TSMC	\$ 3,850,703	\$ 3,271,489
	TSMC-NA	1,332,553	1,007,193
	Other related parties	5,183,256	4,278,682
		53,240	68,136
		<u>\$ 5,236,496</u>	<u>\$ 4,346,818</u>
Manufacturing overhead	Investors with significant influence over the Company		
	TSMC	\$ 1,706,918	\$ 1,816,286
	TSMC-NA	411,195	421,575
	VisEra	1,587	1,712
		<u>\$ 2,119,700</u>	<u>\$ 2,239,573</u>
Operating expenses	Investors with significant influence over the Company	<u>\$ 11,274</u>	<u>\$ 14,804</u>

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

Line Item	Related Party Name and Category	December 31	
		2021	2020
Receivables from related parties	Investors with significant influence over the Company		
	TSMC	<u>\$ 5,500</u>	<u>\$ 37,371</u>

(Continued)

Line Item	Related Party Name and Category	December 31	
		2021	2020
Other current assets	Investors with significant influence over the Company TSMC	\$ 725,936	\$ _____
Refundable deposits	Investors with significant influence over the Company VisEra TSMC-NA	\$ 2,832 _____ \$ 2,832	\$ 2,832 419 \$ 3,251
Payables to related parties	Investors with significant influence over the Company TSMC TSMC-NA VisEra Other related parties	\$ 391,150 205,986 258 597,394 11,899 \$ 609,293	\$ 317,199 58,136 234 375,569 3,441 \$ 379,010
Accrued expenses and other current liabilities	Investors with significant influence over the Company	\$ _____	\$ 1,057

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	
		2021	2020
Lease liabilities - current	Investors with significant influence over the Company VisEra TSMC-NA	\$ 16,399 _____ \$ 16,399	\$ 16,236 1,671 \$ 17,907
Lease liabilities - non-current	Investors with significant influence over the Company VisEra	\$ 50,196	\$ 66,595 (Continued)

Line Item	Related Party Name and Category	December 31	
		2021	2020
Interest expense	Investors with significant influence over the Company VisEra TSMC-NA	\$ 756 4 \$ 760	\$ 918 171 \$ 1,089 (Concluded)

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

d. Compensation of key management personnel:

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

	Years Ended December 31	
	2021	2020
Short-term employee benefits	\$ 116,971	\$ 74,477
Post-employment benefits	687	648

\$ 117,658 \$ 75,125

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, 2021 and 2020, 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\$4,200 thousand, US\$4,200 thousand and US\$8,200 thousand to the counterparty in the period from April 2020 to April 2023, from October 2020 to October 2023 and from March 2021 to March 2024, respectively.

Under the agreement, GUC shall pay at least US\$1,500 thousand to the counterparty in the period from July 2021 to June 2023.

### 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, 2021</u>			
Monetary item - financial assets			
USD	\$ 73,957	27.68	\$ 2,047,121
Monetary item - financial liabilities			
USD	87,568	27.68	2,423,890
JPY	77,554	0.2405	18,652
RMB	3,424	4.344	14,873

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

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

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

Years Ended December 31					
2021		2020			
Foreign Currency	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)	
JPY	0.2554 (JPY:NTD)	\$ 2,428	0.2769 (JPY:NTD)	\$ (443)	
EUR	33.1566 (EUR:NTD)	159	33.7084 (EUR:NTD)	(278)	
KRW	0.02471 (KRW:NTD)	15	0.02529 (KRW:NTD)	(16)	
RMB	4.3413 (RMB:NTD)	(290)	4.2816 (RMB:NTD)	113	
USD	28.0088 (USD:NTD)	(36,973)	29.5491 (USD:NTD)	(39,613)	
USD	1,130.9918 (USD:KRW)	(7)	1,165.8161 (USD:KRW)	(45)	
USD	6.4615 (USD:RMB)	(2,137)	6.9284 (USD:RMB)	(1,301)	
		<u><u>\$ (36,805)</u></u>		<u><u>\$ (41,583)</u></u>	

### 31. OPERATING SEGMENT INFORMATION

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

#### a. Geographic information

Non-current Assets	
December 31	
2021	2020
Taiwan	\$ 1,021,781
United States	69,930
Europe	21,346
Japan	20,199
China	7,455
Korea	1,925
	<u>806</u>
	<u>\$ 1,142,636</u>
	<u>\$ 1,460,502</u>

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

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

Years Ended December 31			
2021		2020	
Amount	%	Amount	%
Customer A	\$ 1,616,924	11	(Note)
Customer B	(Note)	-	\$ 1,497,659

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

### 32. ADDITIONAL DISCLOSURES

#### a. Significant transactions and b. Related information of reinvestment

- 1) Financing provided: None;
- 2) Endorsements/guarantees provided: None;
- 3) Marketable securities held (excluding investments in subsidiaries, associates and jointly controlled entities): See Table 1 attached;
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: See Table 2 attached;
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None;
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None;
- 7) Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: See Table 3 attached;
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None;

9) Information about the derivative instruments transaction: None;

10) Others: Intercompany relationships and significant intercompany transactions: See Table 4 attached;

11) Names, locations, and related information of investees over which the Company exercises significant influence (excluding information on investment in Mainland China): See Table 5 attached;

c. Information on investment in Mainland China

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

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

TABLE 1

Holding Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2021			Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	
GUC	Mutual funds	-	Financial assets at fair value through profit or loss - current	48,708,556	\$ 730,000	-	\$ 730,000
	Jih Sun Money Market Fund	-	Financial assets at fair value through profit or loss - current	27,780,621	380,000	-	380,000
	Taishin 1699 Money Market Fund	-	Financial assets at fair value through profit or loss - current	24,030,374	350,000	-	350,000
	Fuh Haw Money Market Fund	-	Financial assets at fair value through profit or loss - current	13,039,123	220,000	-	220,000
	UPAMC James Bond Money Market Fund	-	Financial assets at fair value through profit or loss - current	13,089,862	200,000	-	200,000
	Yuanta Wan Tai Money Market Fund	-	Financial assets at fair value through profit or loss - current	10,452,670	150,000	-	150,000
	Taishin Ta-Chong Money Market Fund	-	Financial assets at fair value through profit or loss - current	6,253,283	100,000	-	100,000
	Prudential Financial Money Market Fund	-	Financial assets at fair value through profit or loss - current	1,515,151	-	-	-
	Preferred stock	-	Financial assets at fair value through profit or loss - non-current			3.0	
	eTopus Technology Inc.	-					

## GLOBAL UNICHIP CORP. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2021

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

## GLOBAL UNICHIP CORP. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NTS300 MILLION OR 20% OF THE PAID-IN CAPITAL  
 FOR THE YEAR ENDED DECEMBER 31, 2021  
 (Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance			Acquisition			Disposal			Ending Balance	
					Units	Amount	Units	Amount	Units	Amount	Units	Amount	Gains on Disposal	Units	Amount
GUC	Jih Sun Money Market Fund	Financial assets at fair value through profit or loss	-	-	26,755,853	\$ 400,000	70,754,211	\$ 1,060,000	48,801,508	\$ 730,000	731,393	\$ 1,393	48,708,556	\$ 730,000	
	Taishin 1699 Money Market Fund	Financial assets at fair value through profit or loss	-	-	20,518,984	280,000	35,108,077	480,000	27,846,440	380,900	900	27,780,621	380,000		
	Fuh Hau Money Market Fund	Financial assets at fair value through profit or loss	-	-	3,437,844	50,000	72,444,215	1,050,000	51,551,685	750,491	491	24,330,374	350,000		
	UPAMC James Bond Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	26,093,581	440,000	13,054,458	220,259	220,000	259	13,039,123	220,000		
	Yunta Wan Tai Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	26,199,802	400,000	13,089,940	200,307	200,000	307	13,089,862	200,000		
	Taishin Ta-Chong Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	20,925,702	300,000	10,473,032	150,292	150,000	292	10,452,670	150,000		

TABLE 2

## GLOBAL UNICHIP CORP. AND SUBSIDIARIES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES OF AT LEAST NTS100 MILLION OR 20% OF THE PAID-IN CAPITAL  
 FOR THE YEAR ENDED DECEMBER 31, 2021  
 (Amounts in Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details			Abnormal Transaction		Notes/Accounts Receivable (Payable)	
			Purchases/ Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Unit Price
GUC	TSMC	TSMC is an investor that accounts for its investment by using equity method	Sales	\$ 218,235	1	30 days after monthly closing	Note 27	Note 27	\$ 5,500
	TSMC-NA	TSMC-NA is a subsidiary of TSMC	Purchases	3,851,351 1,332,553	73 25	30 days after monthly closing 30 days after invoice date and 30 days after monthly closing	Note 27 Note 27	Note 27 Note 27	(391,150) (205,986)

TABLE 3

TABLE 4

## GLOBAL UNICHIP CORP. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2021**  
(Amounts in Thousands of New Taiwan Dollars)

## GLOBAL UNICHIP CORP. AND SUBSIDIARIES INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS

No.	Company Name	Counterparty	Nature of Relationship (Note 1)	Intercompany Transactions		Percentage to Consolidated Net Revenue or Total Assets
				Financial Statement Account	Amount	
0	GUC	GUC-NA	1	Operating expenses	\$ 230,341	2%
		GUC-Japan	1	Accrued expenses and other current liabilities	15,421	-
		GUC-Europe	1	Operating expenses	230,339	2%
		GUC-Korea	1	Accrued expenses and other current liabilities	18,652	-
		GUC-Shanghai	1	Operating expenses	32,294	-
		GUC-Nanjing	1	Accrued expenses and other current liabilities	2,373	-
				Operating expenses	7,048	-
				Accrued expenses and other current liabilities	488	-
				Operating expenses	87,488	-
				Accrued expenses and other current liabilities	87,609	1%
				Manufacturing overhead	5,930	-
				Operating expenses	532,997	4%
				Accrued expenses and other current liabilities	103,719	1%
					8,942	-

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

Notes 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 UNICHP CORP. AND SUBSIDIARIES**  
**NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTESSES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

Investor Company	Investee Company	Location	Main Businesses and Products	Balance as of December 31, 2021				Investment Income (Losses)	Note
				Original Investment Amount December 31, 2021	December 31, 2020 (Foreign Currencies in Thousands)	Shares	Percentage of Ownership (%)	Carrying Amount	
GUC	GUC-NA	U.S.A.	Products consulting, design and technical support service	\$ 40,268	\$ 40,268	800,000	100	\$ 135,704	\$ 8,275
	GUC-Japan	Japan	Products consulting, design and technical support service	(USS 1,264)	(USS 1,264)	1,100	100	63,070	10,722
	GUC-Europe	Netherlands	Products consulting, design and technical support service	(YEN 15,393)	(YEN 15,393)	8,109	8,109	-	12,275
	GUC- Korea	Korea	Products consulting, design and technical support service	(EUR 55,000)	(EUR 55,000)	200	100	44,000	6,695

TABLE 6

**GLOBAL UNICHIP CORP. AND SUBSIDIARIES**  
**INFORMATION ON INVESTMENT IN MAINLAND CHINA**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
**(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	Investment Flows		Net Income (Losses) of the Investee	Percentage of Ownership	Investment Income (Losses)	Carrying Amount as of December 31, 2021	Accumulated Inward Remittance of Earnings as of December 31, 2021
				Outflow	Inflow					
GUIC-Nanjing	Products consulting, design and technical support service	\$ 118,133 (US\$ 4,000)	(Note 1)	\$ 90,138 (US\$ 3,000)	\$ 27,995 (US\$ 1,000)	\$ 118,133 (US\$ 4,000)	100%	\$ 118,496 (Note 2)	\$ 380,507	\$ -
GUIC-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)	100%	4,622 (Note 3)	45,670	\$ -
<b>Accumulated Investment in Mainland China as of December 31, 2021 (US\$ in Thousands)</b>										
		\$ 149,298 (US\$ 5,000)		\$ 207,998 (US\$ 7,000)		\$ 3,157,997 (Note 4)				

Note 1: The Company invested the investee directly.

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

Note 3: Subject to 60% of net asset value of GUIC according to the revised "Guidelines Governing the Approval of Investment or Technical Cooperation in Mainland China", issued by the Investment Commission.

TABLE 7

**GLOBAL UNICHIP CORP. AND SUBSIDIARIES**  
**INFORMATION OF MAJOR SHAREHOLDERS**  
**DECEMBER 31, 2021**

Name of Major Shareholder	Number of Shares	Percentage of Ownership (%)
Taiwan Semiconductor Manufacturing Co., Ltd. SmallCap World Fund Inc.	46,687,859 7,626,000	34.83 5.69

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

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

### INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
Global Unichip Corp.

#### Opinion

We have audited the accompanying parent company only financial statements of Global Unichip Corp. (the "Company"), which comprise the parent company only balance sheets as of December 31, 2021 and 2020, and the parent company only statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### Basis for Opinion

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

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Valuation of inventory

Due to the current rapid changes in technology and the high level of competition in the business environment, the prices of products are fluctuating quickly; consequently, the changes in the net realizable value of inventory could have a material impact on the parent company only financial statements. As of December 31, 2021 the carrying amount of inventory was NT\$2,788,572 thousand, which accounted for 19% of the total assets in the parent company only balance sheet. Please refer to Notes 4, 5 and 8 to the parent company only financial statements for the details of the information and accounting policy about inventory. The Company's primary business is rendering of services and producing and selling of products in the semiconductor industry. The rapid technological changes in the semiconductor industry require management to timely estimate possible loss on inventory that is expected to be scrapped or disposed of according to the Company's inventory control and accounting policy and the clients' demands. As uncertainty exists in management's judgment when determining loss on inventory, the valuation of inventory has been identified as a key audit matter.

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

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

#### Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

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

#### Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

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

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence on the financial information of components constituting the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2021, 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 26, 2022

#### Notice to Readers

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

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

	ASSETS		LIABILITIES AND EQUITY	
	December 31, 2021 Amount	%	December 31, 2020 Amount	%
<b>PARENT COMPANY ONLY BALANCE SHEETS (In Thousands of New Taiwan Dollars)</b>				
<b>CURRENT ASSETS</b>			<b>CURRENT LIABILITIES</b>	
Cash and cash equivalents	\$ 5,009,975	34	\$ 3,443,560	37
Financial assets at fair value through profit or loss (Note 7)	2,130,000	14	730,000	8
Accounts receivable, net (Notes 6 and 17)	1,507,550	10	1,35,929	12
Receivables from related parties (Note 28)	5,500	-	37,371	-
Inventories (Note 8)	2,788,572	19	1,457,605	15
Other financial assets	686	-	316	-
Other current assets (Notes 13 and 28)	1,571,723	11	709,814	8
<b>Total current assets</b>	<b>13,014,006</b>	<b>88</b>	<b>7,514,595</b>	<b>80</b>
<b>NON-CURRENT ASSETS</b>			<b>NON-CURRENT LIABILITIES</b>	
Investments accounted for using equity method (Note 9)	643,921	5	488,190	5
Property, plant and equipment (Note 10)	546,301	4	759,457	8
Right-of-use-assets (Note 11)	157,592	1	183,867	2
Intangible assets (Note 12)	317,888	2	443,866	5
Deferred income tax assets (Note 22)	14,229	-	20,008	-
Refundable deposits (Note 28)	30,427	-	7,289	-
Pledged time deposits (Note 29)	22,200	-	22,200	-
<b>Total non-current assets</b>	<b>1,732,558</b>	<b>12</b>	<b>1,924,877</b>	<b>20</b>
<b>ASSETS</b>			<b>Total liabilities</b>	
CURRENT LIABILITIES				
Contract liabilities (Note 17)				
Accounts payable				
Payables to related parties (Note 28)				
Accrued employees' compensation and remuneration to directors (Note 24)				
Payables on machinery and equipment				
Current tax liabilities (Note 22)				
Lease liabilities - current (Notes 11, 25 and 28)				
Accrued expenses and other current liabilities (Notes 14 and 28)				
<b>Total current liabilities</b>	<b>9,175,324</b>	<b>62</b>	<b>4,625,004</b>	<b>49</b>
<b>EQUITY (Note 16)</b>				
Share capital	1,340,119	9	1,340,119	14
Capital surplus	32,641	-	32,618	1
Retained earnings				
Appropriated as legal reserve	910,172	6	825,628	9
Unappropriated earnings	22,153	-	20,745	-
Others	2,996,715	21	2,290,027	24
<b>Total equity</b>	<b>(38,471)</b>	<b>-</b>	<b>(22,153)</b>	<b>-</b>
<b>TOTAL</b>	<b>5,263,329</b>	<b>36</b>	<b>4,486,984</b>	<b>48</b>
<b>TOTAL</b>	<b>\$ 14,746,564</b>	<b>100</b>	<b>\$ 9,439,472</b>	<b>100</b>

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

# GLOBAL UNICHIP CORP.

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

	2021		2020		
	Amount	%	Amount	%	
NET REVENUE (Notes 17 and 28)	\$ 14,983,822	100	\$ 13,448,967	100	
COST OF REVENUE (Notes 24 and 28)	<u>9,827,087</u>	<u>66</u>	<u>9,729,398</u>	<u>72</u>	
GROSS PROFIT	<u>5,156,735</u>	<u>34</u>	<u>3,719,569</u>	<u>28</u>	
OPERATING EXPENSES					
Sales and marketing (Notes 24 and 28)	293,913	2	276,807	2	
General and administrative (Notes 24 and 28)	469,480	3	329,057	2	
Research and development (Notes 24 and 28)	2,858,203	19	2,220,774	17	
Expected credit impairment gain (Note 6)	<u>(19,921)</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Total operating expenses	<u>3,601,675</u>	<u>24</u>	<u>2,826,638</u>	<u>21</u>	
INCOME FROM OPERATIONS	<u>1,555,060</u>	<u>10</u>	<u>892,931</u>	<u>7</u>	
NON-OPERATING INCOME AND EXPENSES					
Interest income (Note 18)	11,815	-	10,810	-	
Other income (Notes 11 and 19)	33,861	-	7,777	-	
Other gains and losses (Note 20)	<u>(30,863)</u>	<u>-</u>	<u>(37,435)</u>	<u>-</u>	
Finance costs (Notes 21 and 28)	<u>(1,951)</u>	<u>-</u>	<u>(2,154)</u>	<u>-</u>	
Share of profit of subsidiaries	<u>144,055</u>	<u>1</u>	<u>106,971</u>	<u>-</u>	
Total non-operating income and expenses	<u>156,917</u>	<u>1</u>	<u>85,969</u>	<u>-</u>	
INCOME BEFORE INCOME TAX	<u>1,711,977</u>	<u>11</u>	<u>978,900</u>	<u>7</u>	
INCOME TAX EXPENSE (Note 22)	<u>251,828</u>	<u>1</u>	<u>128,893</u>	<u>1</u>	
NET INCOME	<u>1,460,149</u>	<u>10</u>	<u>850,007</u>	<u>6</u>	
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of defined benefit plans (Note 15)	2,551	-	(4,569)	-	
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations (Note 16)	<u>(16,318)</u>	<u>-</u>	<u>(1,408)</u>	<u>-</u>	
Other comprehensive income (loss) for the year, net of income tax	<u>(13,767)</u>	<u>-</u>	<u>(5,977)</u>	<u>-</u>	
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,446,382</u>	<u>10</u>	<u>\$ 844,030</u>	<u>6</u>	
EARNINGS PER SHARE (Note 23)					
Basic earnings per share	<u>\$ 10.90</u>		<u>\$ 6.34</u>		
Diluted earnings per share	<u>\$ 10.86</u>		<u>\$ 6.32</u>		

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

	Others			Total Equity
	Foreign Currency Translation Reserve	Total	Retained Earnings	
	Special Reserve	Unappropriated Earnings	Total	
BALANCE, JANUARY 1, 2020				\$ 4,312,974
Appropriation and distribution of prior year's earnings				
Legal reserve				
Special reserve				
Cash dividends to shareholders - NT\$5.00 per share				
Total				<u>(670,060)</u>
Dividends from claims extinguished by prescription				40
Net income in 2020				850,007
Other comprehensive income (loss) in 2020, net of income tax				(5,977)
Total comprehensive income (loss) in 2020				844,030
BALANCE, DECEMBER 31, 2020				4,486,984
Appropriation and distribution of prior year's earnings				
Legal reserve				
Special reserve				
Cash dividends to shareholders - NT\$5.00 per share				
Total				<u>(670,060)</u>
Dividends from claims extinguished by prescription				23
Net income in 2021				1,460,149
Other comprehensive income (loss) in 2021, net of income tax				(13,767)
Total comprehensive income (loss) in 2021				1,446,382
BALANCE, DECEMBER 31, 2021				5,263,329

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

## GLOBAL UNICHIP CORP.

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

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 1,711,977	\$ 978,900
Adjustments for:		
Depreciation	329,553	337,384
Amortization	301,150	306,747
Expected credit impairment gain	(19,921)	-
Gain on financial assets at fair value through profit or loss	(3,792)	(2,802)
Finance costs	1,951	2,154
Interest income	(11,815)	(10,810)
Share of profit of subsidiaries	(144,055)	(106,971)
Loss (gain) on foreign exchange, net	9,212	(8,000)
Gain on lease modification	(6)	-
Changes in operating assets and liabilities:		
Contract assets	-	324,965
Accounts receivable (including related parties)	(319,829)	226,662
Inventories	(1,330,967)	320,879
Other current assets	(713,413)	(186,373)
Contract liabilities	2,967,447	1,237,461
Accounts payable (including related parties)	857,038	(745,588)
Accrued employees' compensation and remuneration to directors	153,861	64,943
Accrued expenses and other current liabilities	385,343	373,484
Net defined benefit liabilities	(381)	(353)
Cash generated from operations	4,173,353	3,112,682
Income tax paid	(92,674)	(68,486)
Net cash generated from operating activities	<u>4,080,679</u>	<u>3,044,196</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of:		
Financial assets at fair value through profit or loss	(3,930,000)	(3,610,000)
Investments accounted for using equity method	(27,994)	-
Property, plant and equipment	(81,133)	(154,261)
Intangible assets	(290,024)	(322,203)
Proceeds from disposal of:		
Financial assets at fair value through profit or loss	2,533,792	2,882,802
Refundable deposits paid	(25,199)	(3,140)
Refundable deposits refunded	1,943	3,450
Interest received	11,444	10,824
Net cash used in investing activities	<u>(1,807,171)</u>	<u>(1,192,528)</u>

## GLOBAL UNICHIP CORP.

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

	2021	2020
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of the principal portion of lease liabilities	\$ (35,105)	\$ (34,821)
Cash dividends paid	(670,060)	(670,060)
Interest paid	(1,951)	(2,154)
Dividends from claims extinguished by prescription reclassified to capital surplus	23	40
Net cash used in financing activities	<u>(707,093)</u>	<u>(706,995)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,566,415	1,144,673
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,443,560</u>	<u>2,298,887</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 5,009,975</u>	<u>\$ 3,443,560</u>

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

# GLOBAL UNICHIP CORP.

## NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

### 1. GENERAL

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

### 2. APPROVAL OF FINANCIAL STATEMENTS

The parent company only financial statements were approved and authorized by the Audit Committee and the Board of Directors for issue on January 26, 2022.

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

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

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

b. The IFRSs endorsed by the FSC for application starting from 2022

New IFRSs	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

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

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
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 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

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

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except that deferred taxes will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

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

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Significant accounting policies are summarized as follows:

#### Statement of Compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### Basis of Preparation

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

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

When preparing these parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using equity method, the share of profit or loss of subsidiaries and the related equity items, as appropriate, in these parent company only financial statements.

#### Foreign Currencies

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

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

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

Current assets include:

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

Current liabilities include:

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

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

#### Cash Equivalents

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

#### Financial Instruments

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

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

#### Financial Assets

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

##### a. Measurement category

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

##### 1) Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, and any dividends, interest earned and remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 27: Financial Instruments.

## 2) Financial assets at amortized cost

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

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

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

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

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

The Company always recognizes lifetime Expected Credit Losses (ECLs) for accounts receivable. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

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

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

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

### c. Derecognition of financial assets

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

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

## Financial Liabilities and Equity Instruments

### a. Classification as debt or equity

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

### b. Equity instruments

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

### c. Financial liabilities

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

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

### d. Derecognition of financial liabilities

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

## Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process. Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made on an item-by-item basis, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and necessary selling costs. Inventories are recorded at the weighted-average cost on the balance sheet date.

## Investments Accounted for Using Equity Method

The Company uses the equity method to account for its investments in subsidiaries. A subsidiary is the entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes its share of the changes in the equity items of the subsidiary.

Profits or losses resulting from downstream transactions with subsidiaries are eliminated in full in the parent company only financial statements. Profits and losses resulting from upstream transactions with subsidiaries and transactions between subsidiaries are recognized in the parent company only financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

## Property, Plant and Equipment

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

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

Buildings	50 years
Machinery and equipment	4 to 7 years
Research and development equipment	3 to 5 years
Transportation equipment	5 years
Office equipment	3 to 5 years
Miscellaneous equipment	2 to 10 years

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

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

#### Leases

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

##### a. The Company as lessor

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

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

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

##### b. The Company as lessee

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

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

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

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

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

#### Intangible Assets

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

Software	2 to 5 years
Patents	Economic lives of the patents

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

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

#### Impairment of Tangible and Intangible Assets

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

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

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

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

#### Revenue Recognition

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

##### Revenue from sale of goods

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

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

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

### **Retirement Benefits**

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

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

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

### **Taxation**

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

#### Current tax

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

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

#### Deferred tax

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

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

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and

assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

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

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY**

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

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

### **CRITICAL ACCOUNTING JUDGMENTS**

#### **Revenue Recognition**

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

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

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

#### **Impairment of Financial Assets**

The provision for impairment of 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	
	2021	2020
At amortized cost		
Gross carrying amount	\$ 1,507,550	\$ 1,155,850
Less: Allowance for credit loss	<u>-</u>	<u>(19,921)</u>
	<u>\$ 1,507,550</u>	<u>\$ 1,135,929</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	
	2021	2020
No past due	\$ 1,454,821	\$ 1,097,538
Past due		
Past due within 1-30 days	52,729	24,149
Past due within 31-60 days	-	15,738
Past due over 180 days	-	18,425
Less: Loss allowance	<u>-</u>	<u>(19,921)</u>
	<u>\$ 1,507,550</u>	<u>\$ 1,135,929</u>

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

	Years Ended December 31	
	2021	2020
Balance at January 1	\$ 19,921	\$ 19,921
Net remeasurement of credit loss allowance	<u>(19,921)</u>	<u>-</u>
Balance at December 31	<u>\$ -</u>	<u>\$ 19,921</u>

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

	December 31	
	2021	2020
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	\$ 2,130,000	\$ 730,000

#### 8. INVENTORIES

	December 31	
	2021	2020
Finished goods	\$ 159,667	\$ 122,300
Work in process	2,344,644	1,163,910
Raw materials	<u>284,261</u>	<u>171,395</u>
	<u>\$ 2,788,572</u>	<u>\$ 1,457,605</u>

Write-down of inventories to net realizable value and reversal of inventory valuation losses were included in the cost of revenue, the amounts were as follows:

	Years Ended December 31	
	2021	2020
Reversal of write-down of inventories (write-down of inventories)	\$ 36,670	<u>\$ (55,193)</u>

## 9. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

The carrying amount and percentage of ownership of subsidiaries accounted for by using the equity method were as follows:

## 11. LEASE ARRANGEMENTS

a. Right-of-use assets

The carrying amount and percentage of ownership of subsidiaries accounted for by using the equity method were as follows:										Land	Buildings	Transportation Equipment	Total
Name of Investee	Main Businesses and Products	Establishment and Operating Location	Carrying Amount		Percentage of Ownership		Cost	Accumulated depreciation	Carrying amount at December 31, 2021	Cost	Accumulated depreciation	Carrying amount at December 31, 2020	
			2021	2020	2021	2020							
Global Unichip (Nanjing) Ltd. (GUC-Nanjing)	Products consulting, design and technical support service	Nanjing, China	\$ 380,507	\$ 235,564	100%	100%	Balance at January 1, 2021	\$ 58,995	\$ 190,126	\$ 4,957	\$ 254,078		
Global Unichip Corp.-NA (GUC-NA)	Products consulting, design and technical support service	U.S.A.	135,704	131,222	100%	100%	Additions	-	9,691	341	10,032		
Global Unichip Japan Co., Ltd. (GUC-Japan)	Products consulting, design and technical support service	Japan	63,070	60,843	100%	100%	Lease expired	-	(1,437)	(478)	(1,915)		
Global Unichip (Shanghai) Company, Limited (GUC-Shanghai)	Products consulting, design and technical support service	Shanghai, China	45,670	41,356	100%	100%	Lease modification	-	-	(1,345)	(1,345)		
Global Unichip Corp. Europe B.V. (GUC-Europe)	Products consulting, design and technical support service	Netherlands	12,275	12,088	100%	100%	Balance at December 31, 2021	\$ 58,995	\$ 198,380	\$ 3,475	\$ 260,850		
Global Unichip Corp. Korea (GUC-Korea)	Products consulting, design and technical support service	Korea	6.695	7.117	100%	100%							
			\$ 643,921	\$ 488,190									
<b>PROPERTY, PLANT AND EQUIPMENT</b>													
			<b>Buildings</b>	<b>Machinery and Equipment</b>	<b>Research and Development Equipment</b>	<b>Transportation Equipment</b>	<b>Office Equipment</b>	<b>Miscellaneous Equipment</b>	<b>Total</b>				
<b>Cost</b>													
Balance at January 1, 2021	\$ 242,923	\$ 56,136	\$ 1,550,625	\$ 1,375	\$ 21,668	\$ 397,221	\$ 2,269,948						
Additions	-	42,331	22,345	-	-	15,962	80,638						
Disposals	-	-	(2,993)	-	-	(760)	(3,753)						
Balance at December 31, 2021	<u>\$ 242,923</u>	<u>\$ 98,467</u>	<u>\$ 1,569,977</u>	<u>\$ 1,375</u>	<u>\$ 21,668</u>	<u>\$ 412,423</u>	<u>\$ 2,346,833</u>						
<b>Accumulated depreciation</b>													
Balance at January 1, 2021	\$ 78,096	\$ 14,608	\$ 1,099,525	\$ 689	\$ 18,890	\$ 298,683	\$ 1,510,491						
Depreciation	4,766	9,785	251,309	266	1,161	26,507	293,794						
Disposals	-	-	(2,993)	-	-	(760)	(3,753)						
Balance at December 31, 2021	<u>\$ 82,862</u>	<u>\$ 24,393</u>	<u>\$ 1,347,841</u>	<u>\$ 955</u>	<u>\$ 20,051</u>	<u>\$ 324,430</u>	<u>\$ 1,800,532</u>						
Carrying amount at December 31, 2021	<u>\$ 160,061</u>	<u>\$ 74,074</u>	<u>\$ 222,136</u>	<u>\$ 420</u>	<u>\$ 1,617</u>	<u>\$ 87,993</u>	<u>\$ 546,301</u>						
<b>Cost</b>													
Balance at January 1, 2020	\$ 242,923	\$ 24,741	\$ 1,496,503	\$ 1,375	\$ 22,664	\$ 392,500	\$ 2,180,706						
Additions	-	31,395	60,054	-	-	8,259	99,708						
Disposals	-	-	(5,932)	-	-	(996)	(3,538)						
Balance at December 31, 2020	<u>\$ 242,923</u>	<u>\$ 56,136</u>	<u>\$ 1,550,625</u>	<u>\$ 1,375</u>	<u>\$ 21,668</u>	<u>\$ 397,221</u>	<u>\$ 2,269,948</u>						
<b>Accumulated depreciation</b>													
Balance at January 1, 2020	\$ 73,330	\$ 8,560	\$ 842,906	\$ 424	\$ 18,724	\$ 275,347	\$ 1,219,291						
Depreciation	4,766	6,048	262,551	265	1,162	26,874	301,666						
Disposals	-	-	(5,932)	-	-	(996)	(3,538)						
Balance at December 31, 2020	<u>\$ 78,096</u>	<u>\$ 14,608</u>	<u>\$ 1,099,525</u>	<u>\$ 689</u>	<u>\$ 18,890</u>	<u>\$ 298,683</u>	<u>\$ 1,510,491</u>						
Carrying amount at December 31, 2020	<u>\$ 164,827</u>	<u>\$ 41,528</u>	<u>\$ 451,100</u>	<u>\$ 686</u>	<u>\$ 2,778</u>	<u>\$ 98,538</u>	<u>\$ 759,457</u>						
<b>Years Ended December 31</b>													
Income from the subleasing of right-of-use assets (presented in other income)										\$ 299	\$ 299	\$ 299	

## b. Lease liabilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>

Carrying amount

Current	<u>\$ 33,229</u>	<u>\$ 34,718</u>
Non-current	<u>\$ 126,736</u>	<u>\$ 150,874</u>

Range of discount rates for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Land	1.62%	1.62%
Buildings	0.589%-1.003%	0.642%-1.003%
Transportation equipment	0.589%-0.825%	0.825%

## c. Material leasing activities and terms

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

## d. Subleases

The other sublease transaction is set out below.

Sublease of right-of-use assets

The Company subleased its leasehold parking lot under operating lease with lease term of 3 years and with an option to extend for an additional 1 year.

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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Year 1	\$ 299	\$ 299
Year 2	<u>-</u>	<u>299</u>
	<u>\$ 299</u>	<u>\$ 598</u>

## e. Other lease information

	<b>Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Expenses relating to short-term leases	<u>\$ 3,061</u>	<u>\$ 3,184</u>
Expenses relating to low-value asset leases	<u>\$ 4</u>	<u>\$ 13</u>
Total cash outflow for leases	<u>\$ (40,301)</u>	<u>\$ (40,195)</u>

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

**12. INTANGIBLE ASSETS**

	<b>Software</b>	<b>Patents</b>	<b>Total</b>
<u>Cost</u>			

Balance at January 1, 2021	\$ 1,059,128	\$ 519	\$ 1,059,647
Additions	175,172	-	175,172
Disposals	(185,319)	-	(185,319)

Balance at December 31, 2021	<u>\$ 1,048,981</u>	<u>\$ 519</u>	<u>\$ 1,049,500</u>
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Accumulated amortization

Balance at January 1, 2021	\$ 615,301	\$ 480	\$ 615,781
Amortization	301,121	29	301,150
Disposals	(185,319)	-	(185,319)

Balance at December 31, 2021	<u>\$ 731,103</u>	<u>\$ 509</u>	<u>\$ 731,612</u>
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Carrying amount at December 31, 2021	<u>\$ 317,878</u>	<u>\$ 10</u>	<u>\$ 317,888</u>
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Cost

Balance at January 1, 2020	\$ 930,506	\$ 519	\$ 931,025
Additions	338,659	-	338,659
Disposals	(210,037)	-	(210,037)

Balance at December 31, 2020	<u>\$ 1,059,128</u>	<u>\$ 519</u>	<u>\$ 1,059,647</u>
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Accumulated amortization

Balance at January 1, 2020	\$ 518,619	\$ 452	\$ 519,071
Amortization	306,719	28	306,747
Disposals	(210,037)	-	(210,037)

Balance at December 31, 2020	<u>\$ 615,301</u>	<u>\$ 480</u>	<u>\$ 615,781</u>
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Carrying amount at December 31, 2020	<u>\$ 443,827</u>	<u>\$ 39</u>	<u>\$ 443,866</u>
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**13. OTHER CURRENT ASSETS**

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Prepayment for purchases	\$ 1,106,186	\$ 235,125
Prepaid license fees	326,812	359,389
VAT tax receivable	122,591	90,422
Prepaid expenses	16,134	24,878
	<u>\$ 1,571,723</u>	<u>\$ 709,814</u>

#### 14. OTHER LIABILITIES

	December 31		
	2021	2020	
<u>Current</u>			
Payable for salaries and bonuses	\$ 539,285	\$ 310,300	
License fees payable	272,893	206,942	
Payable for royalties	23,336	10,431	
Refund liabilities	-	621	
Others	<u>627,494</u>	<u>633,959</u>	
	<u><u>\$ 1,463,008</u></u>	<u><u>\$ 1,162,253</u></u>	

#### Non-current

License fees payable	<u>\$ 53,687</u>	<u>\$ 74,921</u>
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The Company estimates and recognizes refund liabilities based on historical experience and the consideration of varying contractual terms.

The license fees payable are primarily attributable to several agreements that the Company entered into for certain technology license and software.

#### 15. RETIREMENT BENEFIT PLANS

##### a. Defined contribution plans

The pension mechanism under the Labor Pension Act is deemed a defined contribution retirement plan. Pursuant to the Act, the Company makes monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts. Accordingly, the Company recognized expenses of NT\$49,036 thousand and NT\$47,618 thousand in the parent company only statements of comprehensive income for the years ended December 31, 2021 and 2020, respectively.

##### b. Defined benefit plans

The Company has a defined benefit plan under the Labor Standards Act, which provides benefits based on an employee's length of service and average monthly salary of the last six months prior to retirement. The Company contributes an amount equal to 2% of salaries paid each month to a pension fund (the Fund), which is administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the Committee's name in the Bank of Taiwan. Before the end of each year, the Company assesses the balance in the Fund. If the amount of the balance in the Fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The Fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

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

	December 31		
	2021	2020	
Present value of defined benefit obligation	\$ 78,457	\$ 78,670	
Fair value of plan assets	<u>(45,069)</u>	<u>(42,350)</u>	
Net defined benefit liabilities	<u><u>\$ 33,388</u></u>	<u><u>\$ 36,320</u></u>	
Movements in net defined benefit liabilities were as follows:			
	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2020	<u>\$ 72,709</u>	<u>\$ (40,605)</u>	<u>\$ 32,104</u>
Service cost			
Current service cost	1,342	-	1,342
Net interest expense (income)	<u>545</u>	<u>(312)</u>	<u>233</u>
Recognized in profit or loss	<u>1,887</u>	<u>(312)</u>	<u>1,575</u>
Remeasurement			
Return on plan assets	-	(1,295)	(1,295)
Actuarial loss - changes in demographic assumptions	1,010	-	1,010
Actuarial loss - changes in financial assumptions	3,953	-	3,953
Actuarial loss - experience adjustments	<u>901</u>	<u>-</u>	<u>901</u>
Recognized in other comprehensive (income) loss	<u>5,864</u>	<u>(1,295)</u>	<u>4,569</u>
Contributions from the employer	<u>-</u>	<u>(1,928)</u>	<u>(1,928)</u>
Benefits paid	<u>(1,790)</u>	<u>1,790</u>	<u>-</u>
Balance at December 31, 2020	<u>78,670</u>	<u>(42,350)</u>	<u>36,320</u>
Service cost			
Current service cost	1,471	-	1,471
Net interest expense (income)	<u>275</u>	<u>(152)</u>	<u>123</u>
Recognized in profit or loss	<u>1,746</u>	<u>(152)</u>	<u>1,594</u>
Remeasurement			
Return on plan assets	-	(592)	(592)
Actuarial loss - changes in demographic assumptions	444	-	444
Actuarial loss - changes in financial assumptions	<u>(2,924)</u>	<u>-</u>	<u>(2,924)</u>
Actuarial loss - experience adjustments	<u>521</u>	<u>-</u>	<u>521</u>
Recognized in other comprehensive (income) loss	<u>(1,959)</u>	<u>(592)</u>	<u>(2,551)</u>
Contributions from the employer	<u>-</u>	<u>(1,975)</u>	<u>(1,975)</u>
Balance at December 31, 2021	<u><u>\$ 78,457</u></u>	<u><u>\$ (45,069)</u></u>	<u><u>\$ 33,388</u></u>

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

	<b>Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
General and administrative expenses	\$ 1,594	\$ 1,575

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

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

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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Discount rate	0.65%	0.35%
Expected rate of salary increase	3.00%	3.00%
Turnover rate	1.90%	2.00%

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:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Discount rate		
0.25% increase	\$ (2,370)	\$ (2,555)
0.25% decrease	\$ 2,469	\$ 2,669
Expected rate of salary increase		
0.25% increase	\$ 2,401	\$ 2,587
0.25% decrease	\$ (2,317)	\$ (2,492)
Turnover rate		
10% increase	\$ (450)	\$ (595)
10% decrease	\$ 461	\$ 609

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.

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
The expected contributions to the plan for the next year	\$ 2,090	\$ 2,037
The average duration of the defined benefit obligation	12 years	13 years

The maturity analysis of undiscounted pension benefit is as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Later than 1 year and not later than 5 years	\$ 10,445	\$ 8,666
Later than 5 years	73,441	72,389
	<u>\$ 83,886</u>	<u>\$ 81,055</u>

## 16. EQUITY

### a. Share capital

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Authorized	\$ 1,500,000	\$ 1,500,000
Issued	\$ 1,340,119	\$ 1,340,119

As of December 31, 2021 and 2020, the Company is authorized to issue 150,000 thousand shares, with par value of \$10; each share is entitled to the right to vote and to receive dividends; a total of 134,011 thousand shares have been paid and issued.

### b. Capital surplus

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
From merger	\$ 16,621	\$ 16,621
Additional paid-in capital	13,232	13,232
Donations	2,660	2,660
Dividends from claims extinguished by prescription	128	105
	<u>\$ 32,641</u>	<u>\$ 32,618</u>

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

c. Retained earnings and dividend policy

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

- 1) Legal reserve at 10% of the remaining profit;
- 2) Special reserve in accordance with the resolution in the shareholders' meeting;
- 3) Any balance remaining shall be allocated to shareholders according to the resolution in the shareholders' meeting.

The Articles of Incorporation provide the policy about employee' compensation and remuneration to directors; refer to Note 24.

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

The appropriation for legal reserve shall be made until the reserve equals the Company's paid-in capital. The reserve may be used to offset a deficit, or be distributed as dividends and bonuses to the extent that the portion exceeds 25% of the paid-in capital if the Company incurs no loss.

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

The appropriations of earnings for 2020 and 2019 had been approved in the meetings of the shareholders of the Company held on May 20, 2021 and May 14, 2020, respectively. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Legal reserve	\$ 84,544	\$ 62,920
Special reserve	\$ 1,408	\$ 12,109
Cash dividends	\$ 670,060	\$ 670,060
Cash dividends per share (NT\$)	\$ 5.00	\$ 5.00

The appropriations of earnings for 2021 had been proposed by the Board of Directors of the Company on January 26, 2022. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 146,270	
Special reserve	16,318	
Cash dividends to shareholders	<u>938,083</u>	\$ 7.00
		<u>\$ 1,100,671</u>

The appropriations of earnings for 2021 are to be resolved in the meeting of the shareholders of the Company which is expected to be held on May 19, 2022.

d. Others

Changes in foreign currency translation reserve were as follows:

	<b>Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance, beginning of year	\$ (22,153)	\$ (20,745)
Exchange differences on translation of foreign operations	<u>(16,318)</u>	<u>(1,408)</u>
Balance, end of year	<u>\$ (38,471)</u>	<u>\$ (22,153)</u>

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

**17. NET REVENUE**

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

	<b>Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Revenue from customer contracts		
Net revenue from sale of goods	\$ 10,086,532	\$ 8,524,887
Net revenue from NRE service	<u>4,897,290</u>	<u>4,924,080</u>
	<u>\$ 14,983,822</u>	<u>\$ 13,448,967</u>

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

a. Contract balances

	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>January 1, 2020</b>
Accounts receivable	\$ 1,507,550	\$ 1,135,929	\$ 1,377,203
Contract assets - current	\$ -	\$ -	\$ 324,965
Contract liabilities - current	<u>\$ 5,313,950</u>	<u>\$ 2,346,503</u>	<u>\$ 1,109,042</u>

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

For the years ended December 31, 2021 and 2020, the Company recognized revenue of NT\$2,063,171 thousand and NT\$1,031,673 thousand, respectively, from the beginning balance of contract liability.

b. Disaggregation of revenue from contracts with customers

	<b>Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Production		
ASIC and wafer product	\$ 10,086,532	\$ 8,524,887
NRE	4,584,610	4,493,858
Others	<u>312,680</u>	<u>430,222</u>
	<u>\$ 14,983,822</u>	<u>\$ 13,448,967</u>

Region	Years Ended December 31	
	2021	2020
China	\$ 5,430,072	\$ 2,927,261
United States	3,297,975	4,071,493
Taiwan	2,717,737	2,387,977
Japan	1,419,624	703,452
Korea	1,251,753	2,034,681
Europe	866,661	1,324,103
	<u>\$ 14,983,822</u>	<u>\$ 13,448,967</u>

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

Application Type	Years Ended December 31	
	2021	2020
Digital Consumer	\$ 5,985,740	\$ 6,555,633
Networking	3,464,961	2,878,801
AI/ML	2,620,115	1,475,312
Industry	1,873,791	1,812,677
Others	1,039,215	726,544
	<u>\$ 14,983,822</u>	<u>\$ 13,448,967</u>

Customer Type	Years Ended December 31	
	2021	2020
System House	\$ 9,975,284	\$ 8,983,036
Fabless	5,008,538	4,465,931
	<u>\$ 14,983,822</u>	<u>\$ 13,448,967</u>

Resolution	Year Ended December 31, 2021		Year Ended December 31, 2020	
	Net Revenue from NRE Service	Net Revenue from Sale of Goods	Net Revenue from NRE Service	Net Revenue from Sale of Goods
7-nanometer	\$ 1,500,628	\$ 1,408,826	\$ 1,188,995	\$ -
16-nanometer	1,847,422	1,963,278	1,804,882	990,233
28-nanometer	660,841	1,861,162	935,864	2,667,106
40-nanometer and above	575,719	4,853,266	564,117	4,867,548
Others	312,680	-	430,222	-
	<u>\$ 4,897,290</u>	<u>\$ 10,086,532</u>	<u>\$ 4,924,080</u>	<u>\$ 8,524,887</u>

## 18. INTEREST INCOME

	Years Ended December 31	
	2021	2020
Bank deposits	\$ 11,815	\$ 10,810

## 19. OTHER INCOME

Region	Years Ended December 31	
	2021	2020
China	\$ 5,430,072	\$ 2,927,261
United States	3,297,975	4,071,493
Taiwan	2,717,737	2,387,977
Japan	1,419,624	703,452
Korea	1,251,753	2,034,681
Europe	866,661	1,324,103
	<u>\$ 14,983,822</u>	<u>\$ 13,448,967</u>

Past due over 2 years' contract liabilities transferred to income  
Rental income  
Other income

	Years Ended December 31	
	2021	2020
	\$ 17,709	\$ 3,528
	299	299
	<u>15,853</u>	<u>3,950</u>
	<u>\$ 33,861</u>	<u>\$ 7,777</u>

## 20. OTHER GAINS AND LOSSES

Application Type	Years Ended December 31	
	2021	2020
Digital Consumer	\$ 5,985,740	\$ 6,555,633
Networking	3,464,961	2,878,801
AI/ML	2,620,115	1,475,312
Industry	1,873,791	1,812,677
Others	1,039,215	726,544
	<u>\$ 14,983,822</u>	<u>\$ 13,448,967</u>

Gain on financial assets at fair value through profit or loss  
Gain on lease modification  
Loss on foreign exchange, net

	Years Ended December 31	
	2021	2020
	\$ 3,792	\$ 2,802
	6	-
	<u>(34,661)</u>	<u>(40,237)</u>
	<u>\$ (30,863)</u>	<u>\$ (37,435)</u>

## 21. FINANCE COSTS

Customer Type	Years Ended December 31	
	2021	2020
System House	\$ 9,975,284	\$ 8,983,036
Fabless	5,008,538	4,465,931
	<u>\$ 14,983,822</u>	<u>\$ 13,448,967</u>

Interest on lease liabilities

Interest on bank loans

	Years Ended December 31	
	2021	2020
	\$ 1,951	\$ 2,129
	-	25
	<u>\$ 1,951</u>	<u>\$ 2,154</u>

## 22. INCOME TAX

	Years Ended December 31	
	2021	2020
	\$ 217,448	\$ 93,937
	(210)	(5,174)
	<u>217,238</u>	<u>88,763</u>
	<u>34,590</u>	<u>40,130</u>
	<u>\$ 251,828</u>	<u>\$ 128,893</u>

Current income tax expense

Current tax expense recognized in the current period  
Adjustments to income tax of prior years

Deferred income tax expense

Temporary differences

Income tax expense recognized in profit or loss

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

	<u>Years Ended December 31</u>		<u>Year ended December 31, 2020</u>	<u>Balance, Beginning of Year</u>	<u>Recognized in Profit or Loss</u>	<u>Balance, End of Year</u>
	<u>2021</u>	<u>2020</u>				
Income before tax	<u>\$ 1,711,977</u>	<u>\$ 978,900</u>				
Income tax expense at the statutory rate	\$ 342,395	\$ 195,780				
Tax effect of adjusting items:						
Nondeductible items in determining taxable income	2,835	451				
Tax-exempt income	-	(28,236)				
Investment tax credits used	(97,663)	(33,928)				
Additional income tax expense on unappropriated earnings	4,471	-				
Adjustments to income tax of prior years	(210)	(5,174)				
Income tax expense recognized in profit or loss	<u>\$ 251,828</u>	<u>\$ 128,893</u>				

b. Deferred income tax

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

	<u>December 31</u>		<u>Year ended December 31, 2021</u>	<u>Balance, Beginning of Year</u>	<u>Recognized in Profit or Loss</u>	<u>Balance, End of Year</u>
	<u>2021</u>	<u>2020</u>				
<u>Deferred income tax assets</u>						
Temporary differences						
Write-down of inventory	\$ 5,366	\$ 13,077				
Allowance for credit loss in excess of amount allowed by law	-	1,598				
Refund liability	-	124				
Others	<u>8,863</u>	<u>5,209</u>				
	<u>\$ 14,229</u>	<u>\$ 20,008</u>				

	<u>December 31</u>		<u>Year ended December 31, 2020</u>	<u>Balance, Beginning of Year</u>	<u>Recognized in Profit or Loss</u>	<u>Balance, End of Year</u>
	<u>2021</u>	<u>2020</u>				
<u>Deferred income tax liabilities</u>						
Temporary differences						
Share of profit of subsidiaries accounted for using equity method	<u>\$ (91,332)</u>	<u>\$ (62,521)</u>				

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

	<u>Balance, Beginning of Year</u>	<u>Recognized in Profit or Loss</u>	<u>Balance, End of Year</u>	<u>Year ended December 31, 2021</u>	<u>Balance, Beginning of Year</u>	<u>Recognized in Profit or Loss</u>	<u>Balance, End of Year</u>
<u>Deferred income tax assets</u>							
Temporary differences							
Write-down of inventory	\$ 13,077	\$ (7,711)	\$ 5,366				
Allowance for credit loss in excess of amount allowed by law	1,598	(1,598)	-				
Refund liability	124	(124)	-				
Others	<u>5,209</u>	<u>3,654</u>	<u>8,863</u>				
	<u>\$ 20,008</u>	<u>\$ (5,779)</u>	<u>\$ 14,229</u>				
<u>Deferred income tax liabilities</u>							
Temporary differences							
Share of profit of subsidiaries accounted for using equity method							
c. Deductible temporary differences for which no deferred tax assets have been recognized in the parent company only balance sheets							
As of December 31, 2021 and 2020, the aggregate deductible temporary differences for which no deferred income tax assets have been recognized amounted to NT\$7,694 thousand and NT\$4,431 thousand, respectively.							

## d. Income tax examination

The tax authorities have examined the income tax returns of the Company through 2019.

## 23. EARNINGS PER SHARE

	<b>Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Basic EPS	<u>\$10.90</u>	<u>\$6.34</u>
Diluted EPS	<u>\$10.86</u>	<u>\$6.32</u>
EPS is computed as follows:		
	<b>Number of Shares</b>	
	<b>Amounts (Numerator)</b>	<b>(Denominator) (In Thousands)</b>
	EPS (NT\$)	
<u>Year ended December 31, 2021</u>		
Basic EPS		
Net income available to common shareholders	\$ 1,460,149	134,011
Effect of dilutive potential common stock	<u>-</u>	<u>488</u>
Diluted EPS		
Net income available to common shareholders (including effect of dilutive potential common stock)	<u>\$ 1,460,149</u>	<u>134,499</u>
<u>Year ended December 31, 2020</u>		
Basic EPS		
Net income available to common shareholders	\$ 850,007	134,011
Effect of dilutive potential common stock	<u>-</u>	<u>426</u>
Diluted EPS		
Net income available to common shareholders (including effect of dilutive potential common stock)	<u>\$ 850,007</u>	<u>134,437</u>

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

## 24. ADDITIONAL INFORMATION OF EXPENSES BY NATURE

Net income included the following items:

	<b>Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
a. Depreciation expense		
Depreciation of property, plant and equipment		
Recognized in cost of revenue	\$ 11,784	\$ 7,833
Recognized in operating expenses	<u>282,010</u>	<u>293,833</u>
	<u>293,794</u>	<u>301,666</u>
Depreciation of right-of-use assets		
Recognized in cost of revenue	3,845	4,006
Recognized in operating expenses	<u>31,914</u>	<u>31,712</u>
	<u>35,759</u>	<u>35,718</u>
	<u>\$ 329,553</u>	<u>\$ 337,384</u>
b. Amortization of intangible assets		
Recognized in cost of revenue	\$ 295	\$ -
Recognized in operating expenses	<u>300,855</u>	<u>306,747</u>
	<u>\$ 301,150</u>	<u>\$ 306,747</u>
c. Research and development costs expensed as incurred		
	<u>\$ 2,858,203</u>	<u>\$ 2,220,774</u>
d. Employee benefits expense		
Post-employment benefits (Note 15)		
Defined contribution plans	\$ 49,036	\$ 47,618
Defined benefit plans	<u>1,594</u>	<u>1,575</u>
	<u>50,630</u>	<u>49,193</u>
Other employee benefits	<u>2,115,008</u>	<u>1,632,113</u>
	<u>\$ 2,165,638</u>	<u>\$ 1,681,306</u>
Employee benefits expense summarized by function		
Recognized in cost of revenue	\$ 247,934	\$ 187,312
Recognized in operating expenses	<u>1,917,704</u>	<u>1,493,994</u>
	<u>\$ 2,165,638</u>	<u>\$ 1,681,306</u>
e. Employees' compensation and remuneration to directors		
The Company shall allocate employees' compensation and remuneration to directors no less than 2% and no more than 2%, respectively, of net income before tax and before the employees' compensation and remuneration to directors. Directors who also serve as executive officers of the Company are not entitled to receive the remuneration to directors. The Company shall first offset its losses in previous years before allocating for employees' compensation and remuneration to directors. The Company may issue stock or cash compensation to employees of an affiliated company upon meeting the conditions set by the Board of Directors.		

For 2021 and 2020, the Company accrued employees' compensation and remuneration to directors; the accruals were approved in the meetings of the Board of Directors held on January 26, 2022 and January 28, 2021, respectively; the accruals were made at the approved percentage of net income before tax and before deduction of the employees' compensation and remuneration to directors. The accrued amounts were as follows:

	<b>Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Employees' compensation	\$ 271,773	\$ 133,640
Remuneration to directors	27,722	11,994

The aforementioned approved amounts were the same as the amounts reported as expenses in 2021 and 2020.

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

The employees' compensation and remuneration to directors of the Company in the amounts of NT\$75,228 thousand and NT\$5,463 thousand in cash for 2019 were approved by the Board of Directors in their meeting held on February 6, 2020. The aforementioned approved amounts did not have any difference with the amounts recognized in the parent company only financial statements for the year ended December 31, 2019.

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

## 25. CASH FLOW INFORMATION

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

	<b>Balance as of January 1, 2021</b>	<b>Cash Flows</b>	<b>Non-cash Changes</b>			<b>Balance as of December 31, 2021</b>
			<b>Lease Additions</b>	<b>Lease Termination</b>	<b>Foreign Exchange Movement</b>	
Guarantee deposits	\$ 2,848	\$ -	\$ -	\$ -	\$ (80)	\$ 2,768
Lease liabilities	185,592	(35,105)	10,032	(554)	-	159,965
<b>Non-cash Changes</b>						
	<b>Balance as of January 1, 2020</b>	<b>Cash Flows</b>	<b>Lease Additions</b>	<b>Lease Termination</b>	<b>Foreign Exchange Movement</b>	<b>Balance as of December 31, 2020</b>
			\$ -	\$ -	\$ (150)	
Guarantee deposits	\$ 2,998	\$ -	\$ -	\$ -	\$ (150)	\$ 2,848
Lease liabilities	175,635	(34,821)	44,778	-	-	185,592

## 26. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company are able to operate sustainability while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company engages in the semiconductor design services, which is closely tied with customer demand. Business is influenced by the cyclical nature of the semiconductor industry but not significantly. In consideration of the industry dynamics, the Company manages its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, capital asset purchases, research and development activities, dividend payments, debt service requirements and other business

requirements associated with its existing operations over the next 12 months. Through capital management, the Company is capable of coping with changes in the industry, striving for improvement, and ultimately creating shareholder value.

## 27. FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

December 31, 2021

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTPL Mutual funds	\$ 2,130,000	\$ -	\$ -	\$ 2,130,000

December 31, 2020

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

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

b. Categories of financial instruments

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<b>Financial assets</b>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 2,130,000	\$ 730,000
Amortized cost		
Cash and cash equivalents	5,009,975	3,443,560
Accounts receivable, net (including related parties)	1,513,050	1,173,300
Other financial assets	686	316
Refundable deposits	24,366	1,230
Pledged time deposits	22,200	22,200
	<u>\$ 8,700,277</u>	<u>\$ 5,370,606</u>
<b>Financial liabilities</b>		
Amortized cost		
Accounts payable (including related parties)	\$ 1,844,640	\$ 839,106
Payables on machinery and equipment	3,820	4,171
Accrued expenses and other current liabilities	766,049	639,122
Other long-term payables	176,040	281,863
Guarantee deposits	2,768	2,848
	<u>\$ 2,793,317</u>	<u>\$ 1,767,110</u>

c. Financial risk management objectives and policies

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

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

d. Market risk

Foreign currency risk

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

The Company's sensitivity analysis to foreign currency risk mainly focuses on the foreign currency monetary items at the end of the reporting period. Assuming a 10% strengthening of New Taiwan Dollars against the relevant currencies, the net income before tax for the years ended December 31, 2021 and 2020 would have increased by NT\$46,216 thousand and decreased by NT\$83,892 thousand, respectively.

e. Credit risk management

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

Business related credit risk

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

As of December 31, 2021 and 2020, the Company's ten largest customers accounted for 58% and 38% 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, 2021 and 2020, 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, 2021</u>				
Accounts payable (including related parties)	\$ 1,844,640	\$ -	\$ -	\$ 1,844,640
Payables on machinery and equipment	3,820	-	-	3,820
Accrued expenses and other current liabilities	766,049	-	-	766,049
Lease liabilities	34,917	79,998	63,263	178,178
Other long-term payables	122,353	53,687	-	176,040
Guarantee deposits	-	-	2,768	2,768
	<u>\$ 2,771,779</u>	<u>\$ 133,685</u>	<u>\$ 66,031</u>	<u>\$ 2,971,495</u>

Additional information about the maturity analysis of lease liabilities:

Lease liabilities	Less than 4 Year	4-10 Years	10-15 Years	15-20 Years	20+ Years
	<u>\$ 114,915</u>	<u>\$ 12,831</u>	<u>\$ 10,692</u>	<u>\$ 10,692</u>	<u>\$ 29,048</u>

Non-derivative Financial Liabilities	Less Than 1 Year	2-3 Years	4+ Years	Total
<u>December 31, 2020</u>				
Accounts payable (including related parties)	\$ 839,106	\$ -	\$ -	\$ 839,106
Payables on machinery and equipment	4,171	-	-	4,171
Accrued expenses and other current liabilities	639,122	-	-	639,122
Lease liabilities	36,656	83,394	85,638	205,688
Other long-term payables	206,942	74,921	-	281,863
Guarantee deposits	-	-	2,848	2,848
	<u>\$ 1,725,997</u>	<u>\$ 158,315</u>	<u>\$ 88,486</u>	<u>\$ 1,972,798</u>

Additional information about the maturity analysis of lease liabilities:

Lease liabilities	Less than 4 Year	4-10 Years	10-15 Years	15-20 Years	20+ Years
	<u>\$ 120,050</u>	<u>\$ 33,068</u>	<u>\$ 10,692</u>	<u>\$ 10,692</u>	<u>\$ 31,186</u>

g. Fair value of financial instruments

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

## 28. RELATED PARTY TRANSACTIONS

Besides information disclosed elsewhere in the other notes, details of transactions between the Company and its related parties are disclosed below:

### a. Related party name and category

Related Party Name	Related Party Category
Taiwan Semiconductor Manufacturing Co., Ltd. (TSMC)	An investor that accounts for its investment by using the equity method
TSMC North America (TSMC-NA)	A subsidiary of TSMC
VisEra Technologies Co., Ltd. (VisEra)	A subsidiary of TSMC
Vanguard International Semiconductor Corporation (VIS)	An associate of TSMC
GUC - NA	Subsidiary
GUC - Japan	Subsidiary
GUC - Europe	Subsidiary
GUC - Korea	Subsidiary
GUC - Nanjing	Subsidiary
GUC - Shanghai	Subsidiary

### b. Operating transactions

Line Item	Related Party Name and Category	Years Ended December 31	
		2021	2020
Net revenue from sale	Investors with significant influence over the Company	\$ 218,235	\$ 228,500
Purchases	Investors with significant influence over the Company		
	TSMC	\$ 3,851,351	\$ 3,265,893
	TSMC-NA	1,332,553	1,007,193
	Other related parties	5,183,904	4,273,086
		53,240	68,136
		\$ 5,237,144	\$ 4,341,222
Manufacturing overhead	Subsidiaries		
	GUC-Nanjing	\$ 532,997	\$ 498,076
	Others	-	263,066
		532,997	761,142
	Investors with significant influence over the Company		
	TSMC	1,413,300	1,231,643
	TSMC-NA	340,521	312,425
	VisEra	1,587	1,712
		\$ 2,288,405	\$ 2,306,922

(Continued)

Line Item	Related Party Name and Category	Years Ended December 31	
		2021	2020
Operating expenses	Subsidiaries	\$ 691,350	\$ 353,505
	Investors with significant influence over the Company	9,986	8,795
		\$ 701,336	\$ 362,300

(Concluded)

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

Line Item	Related Party Name and Category	December 31	
		2021	2020
Receivables from related parties	Investors with significant influence over the Company TSMC	\$ 5,500	\$ 37,371
Other current assets	Investors with significant influence over the Company TSMC	\$ 725,936	\$ -
Refundable deposits	Investors with significant influence over the Company VisEra	\$ 2,832	\$ 2,832
Payables to related parties	Investors with significant influence over the Company TSMC	\$ 391,150	\$ 102,549
	TSMC-NA	205,986	58,136
	VisEra	258	234
		597,394	160,919
Other related parties		11,899	3,441
		\$ 609,293	\$ 164,360
Accrued expenses and other current liabilities	Subsidiaries	\$ 51,806	\$ 60,173

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	
		2021	2020
Lease liabilities - current	Investors with significant influence over the Company VisEra	\$ 16,399	\$ 16,236

Line Item	Related Party Name and Category	Years Ended December 31		(Unit: Foreign Currency in Thousands)
		2021	2020	
Lease liabilities - non-current	Investors with significant influence over the Company VisEra	\$ 50,196	\$ 66,595	

Line Item	Related Party Name and Category	Years Ended December 31	
		2021	2020
Interest expense	Investors with significant influence over the Company VisEra	\$ 756	\$ 918

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

## d. Compensation of key management personnel:

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

	Years Ended December 31	
	2021	2020
Short-term employee benefits	\$ 116,435	\$ 73,934
Post-employment benefits	687	648
	<u>\$ 117,122</u>	<u>\$ 74,582</u>

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

## 29. PLEDGED OR MORTGAGED ASSETS

As of December 31, 2021 and 2020 the Company provided pledged time deposits of NT\$20,000 thousand as collateral for customs clearance and also provided pledged time deposits of NT\$2,200 thousand as collateral for lease of a parcel of land from the Science Park Administration (SPA).

## 30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The Company has entered into license agreements with several companies that own intellectual property rights. According to the agreements, the Company shall pay specific amounts of money to obtain licenses of their intellectual property rights or shall pay royalties at specific percentages of sales amount of identified products. Under the agreements, the Company shall pay at least US\$4,200 thousand, US\$4,200 thousand and US\$8,200 thousand to the counterparty in the period from April 2020 to April 2023, from October 2020 to October 2023 and from March 2021 to March 2024, respectively.

Under the agreement, the Company shall pay at least US\$1,500 thousand to the counterparty in the period from July 2021 to June 2023.

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

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

	Foreign Currency	Exchange Rate (Note)	Carrying Amount
<u>December 31, 2021</u>			
Monetary item - financial assets			
USD	\$ 72,023	27.68	\$ 1,993,600
Non-monetary item -financial assets			
RMB	98,107	4.344	426,177
USD	4,903	27.68	135,704
JPY	262,244	0.2405	63,070
EUR	392	31.32	12,275
KRW	284,892	0.02350	6,695
Monetary item - financial liabilities			
USD	87,415	27.68	2,419,651
JPY	77,554	0.2405	18,652
RMB	3,424	4.344	14,873
<u>December 31, 2020</u>			
Monetary item - financial assets			
USD	81,408	28.48	2,318,488
Non-monetary item -financial assets			
RMB	63,267	4.377	276,920
USD	4,608	28.48	131,222
JPY	220,208	0.2763	60,843
EUR	345	35.02	12,088
KRW	269,182	0.02644	7,117
Monetary item - financial liabilities			
USD	50,744	28.48	1,445,192
JPY	66,988	0.2763	18,509
RMB	3,077	4.377	13,468

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	
		2021	2020
		Net Foreign Exchange Gain (Loss)	Net Foreign Exchange Gain (Loss)
JPY	0.2554 (JPY:NTD)	\$ 2,428	0.2769 (JPY:NTD) \$ (443)
EUR	33.1566 (EUR:NTD)	159	33.7084 (EUR:NTD) (278)
KRW	0.02471 (KRW:NTD)	15	0.02529 (KRW:NTD) (16)
RMB	4.3413 (RMB:NTD)	(290)	4.2816 (RMB:NTD) 113
USD	28.0088 (USD:NTD)	<u>(36,973)</u>	<u>29.5491 (USD:NTD) (39,613)</u>
		<u><u>\$ (34,661)</u></u>	<u><u>\$ (40,237)</u></u>

## 32. OPERATING SEGMENT INFORMATION

The Company operates in a single industry and viewed by the Company's chief operating decision maker as one segment when reviewing information in order to allocate resources and assess performance. The basis for the measurement of the operating segment profit (loss), assets and liabilities is the same as that for the preparation of financial statements. Refer to the consolidated financial statements for the years ended December 31, 2021 and 2020.

## 33. ADDITIONAL DISCLOSURES

- a. Significant transactions and b. Related information of reinvestment
  - 1) Financing provided: None;
  - 2) Endorsements/guarantees provided: None;
  - 3) Marketable securities held (excluding investments in subsidiaries, associates and jointly controlled entities): See Table 1 attached;
  - 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: See Table 2 attached;
  - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None;
  - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None;
  - 7) Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: See Table 3 attached;
  - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None;
  - 9) Information about the derivative instruments transaction: None;

10) Names, locations, and related information of investees over which the Company exercises significant influence (excluding information on investment in Mainland China): See Table 4 attached;

c. Information on investment in Mainland China

1) The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, net income (losses) of the investee, investment income (losses), ending balance, amount received as dividends from the investee, and the limitation on investee: See Table 5 attached.

2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: See Table 6 attached.

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

**TABLE 1**

**GLOBAL UNICHIP CORP.**  
**MARKETABLE SECURITIES HELD**  
**DECEMBER 31, 2021**  
**(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	Shares/Units	Carrying Amount	December 31, 2021 Percentage of Ownership (%)	Fair Value	Note
The Company	Mutual funds	-	Financial assets at fair value through profit or loss - current	48,708,556	\$ 730,000	-	\$ 730,000	
	Jih Sun Money Market Fund	-	Financial assets at fair value through profit or loss - current	27,780,621	380,000	-	380,000	
	Taishin 1699 Money Market Fund	-	Financial assets at fair value through profit or loss - current	24,030,374	350,000	-	350,000	
	Fuh Haw Money Market Fund	-	Financial assets at fair value through profit or loss - current	13,039,123	220,000	-	220,000	
	UPAMC James Bond Money Market Fund	-	Financial assets at fair value through profit or loss - current	13,089,862	200,000	-	200,000	
	Yuanta Wan Tai Money Market Fund	-	Financial assets at fair value through profit or loss - current	10,452,670	150,000	-	150,000	
	Taishin Ta-Chong Money Market Fund	-	Financial assets at fair value through profit or loss - current	6,253,283	100,000	-	100,000	
	Prudential Financial Money Market Fund	-	Financial assets at fair value through profit or loss - current	1,515,151	-	3.0	-	
Preferred stock	eTopus Technology Inc.	-	Financial assets at fair value through profit or loss - non-current					

**TABLE 2**

**GLOBAL UNICHIP CORP.**  
**MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NTS300 MILLION OR 20% OF THE PAID-IN CAPITAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
**(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 Units	Amount	Units	Amount	Acquisition	Disposal	Carrying Amount	Gains on Disposal	Units	Amount	Ending Balance
The Company	Jih Sun Money Market Fund	Financial assets at fair value through profit or loss	-	-	26,755,853	\$ 400,000	70,754,211	\$ 1,060,000	48,801,508	\$ 730,000	\$ 731,193	\$ 1,393	48,708,556	\$ 730,000	
	Taishin 1699 Money Market Fund	Financial assets at fair value through profit or loss	-	-	20,518,984	280,000	35,108,077	480,000	27,846,440	380,900	750,491	900	27,780,621	380,000	
	Fuh Haw Money Market Fund	Financial assets at fair value through profit or loss	-	-	3,437,844	50,000	72,144,215	1,050,000	51,551,685	750,000	220,000	491	24,030,374	350,000	
	UPAMC James Bond Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	26,093,581	440,000	13,054,458	220,000	259	13,039,123	220,000		
	Yuanta Wan Tai Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	26,199,802	400,000	13,109,940	200,307	200,000	307	13,089,862	200,000	
	Taishin Ta-Chong Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	20,925,702	300,000	10,473,032	150,000	150,000	292	10,452,670	150,000	

TABLE 3

**GLOBAL UNICHIP CORP.**  
**TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES OF AT LEAST NTS100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2021**  
(Amounts in Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Ending Balance		Note
			Purchases/ Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Notes 28	Notes 28	
The Company	TSMC	TSMC is an investor that accounts for its investment by using equity method	Sales	\$ 218,235	1	30 days after monthly closing			Notes 28	Notes 28	\$ 5,500 (391,150) (205,986)
	TSMC-NA	TSMC-NA is a subsidiary of TSMC	Purchases	3,851,351	73	30 days after monthly closing			Notes 28	Notes 28	(21) (11)
			Purchases	1,332,553	25	30 days after invoice date and 30 days after monthly closing			Notes 28	Notes 28	

TABLE 4

**GLOBAL UNICHIP CORP.**  
**NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)**  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Balance as of December 31, 2021				Net Income (Losses) of the Investee	Investment Income (Losses)	Note
				Original Investment Amount December 31, 2021 (Foreign Currencies in Thousands)	December 31, 2020 (Foreign Currencies in Thousands)	Shares	Percentage of Ownership (%)	Carrying Amount		
The Company	GUC-NA	U.S.A.	Products consulting, design and technical support service	\$ 40,268 (US\$ 1,264) 15,393	\$ 40,268 (US\$ 1,264) 15,393	800,000	100	\$ 135,704 63,070	\$ 8,275 10,722	8,275
	GUC-Japan	Japan	Products consulting, design and technical support service	(YEN 55,000)	(YEN 55,000)	1,100	100	-	-	10,722
	GUC-Europe	Netherlands	Products consulting, design and technical support service	8,109 (EUR 200)	8,109 (EUR 200)	100	100	12,275	1,552	1,552
	GUC-Korea	Korea	Products consulting, design and technical support service	5,974 (KRW22,545)	44,000 (KRW22,545)	44,000	100	6,695	388	388

**GLOBAL UNICHIP CORP.**

**INFORMATION ON INVESTMENT IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(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, 2021 (US\$ in Thousands)	Outflow	Inflow	Investment Flows	Accumulated Outflow of Investment from Taiwan as of December 31, 2021 (US\$ in Thousands)	Net Income (Losses) of the Investee	Percentage of Ownership	Investment Income (Losses)	Carrying Amount as of December 31, 2021	Accumulated Inward Remittance of Earnings as of December 31, 2021
GUC-Nanjing	Products consulting, design and technical support service	\$ 118,133 (US\$ 4,000)	(Note 1)	\$ 90,138 (US\$ 3,000)	\$ 27,995 (US\$ 1,000)	\$ -	\$ 118,133 (US\$ 4,000)	\$ 118,496	100%	\$ 118,496 (Note 2)	\$ 380,507	\$ -	
GUC-Shanghai	Products consulting, design and technical support service	\$ 31,165 (US\$ 1,000)	(Note 1)	\$ 31,165 (US\$ 1,000)	\$ -	\$ 31,165 (US\$ 1,000)	\$ 4,622	100%	\$ 4,622 (Note 3)	\$ 45,670	\$ -		
<b>Accumulated Investment in Mainland China as of December 31, 2021 (US\$ in Thousands)</b>													
		\$ 149,298 (US\$ 5,000)		\$ 207,998 (US\$ 7,000)				\$ 3,157,997 (Note 4)					

Note 1: The Company invested the investee directly.

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

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

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

**TABLE 5**

**TABLE 6**

**GLOBAL UNICHIP CORP.**

**SIGNIFICANT INTERCOMPANY TRANSACTIONS WITH INVESTEE IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Amounts in Thousands of New Taiwan Dollars)**

No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Financial Statement Account	Amount	Terms (Note 2)	Percentage to Net Revenue or Total Assets
0	The Company	GUC-Shanghai GUC-Nanjing	1 1	Operating expenses Accrued expenses and other current liabilities Manufacturing overhead Operating expenses Accrued expenses and other current liabilities	\$ 87,609 5,930 532,997 103,719 8,942	- - - - -	10% 7% 40% 1% -

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

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

TABLE 7

**GLOBAL UNICHIP CORP. AND SUBSIDIARIES**  
**INFORMATION OF MAJOR SHAREHOLDERS**  
**DECEMBER 31, 2021**

Name of Major Shareholder	Number of Shares	Shares	Percentage of Ownership (%)
Taiwan Semiconductor Manufacturing Co., Ltd. SmallCap World Fund Inc.	46,687,859 7,626,000		34.83 5.69

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

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

F. C. Tseng  
Chairman



# Global Unichip Corporation

No. 10, Li-Hsin 6th Road, Hsinchu Science Park,  
Hsinchu City 30078, Taiwan  
TEL +886-3-5646600  
FAX +886-3-6668208