

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Global Unichip Corp.

Opinion

We have audited the accompanying parent company only financial statements of Global Unichip Corp. (the "Company"), which comprise the parent company only balance sheets as of December 31, 2020 and 2019, and the parent company only statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of inventory

Due to the current rapid changes in technology and the high level of competition in the business environment, the prices of products are fluctuating quickly; consequently, the changes in the net realizable value of inventory could have a material impact on the parent company only financial statements. As of December 31, 2020 the carrying amount of inventory was NT\$1,457,605 thousand, which accounted for 15% of the total assets in the parent company only balance sheet. Please refer to Notes 4, 5 and 8 to the parent company only financial statements for the details of the information and accounting policy about inventory. The Company's primary business is rendering of services and producing and selling of products in the semiconductor industry. The rapid technological changes in the semiconductor industry require management to timely estimate possible loss on inventory that is expected to be scrapped or disposed of according to the Company's inventory control and accounting policy and the clients' demands. As uncertainty exists in management's judgment when determining loss on inventory, the valuation of inventory has been identified as a key audit matter.

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

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

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence on the financial information of components constituting the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2020, and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

January 28, 2021

Notice to Readers

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

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

GLOBAL UNICHIP CORP.

PARENT COMPANY ONLY BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2020		December 31, 2019		LIABILITIES AND EQUITY	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS									
Cash and cash equivalents	\$ 3,443,560	37	\$ 2,298,887	28	CURRENT LIABILITIES				
Financial assets at fair value through profit or loss (Note 7)	730,000	8	-	-	Contract liabilities (Note 17)	\$ 2,346,503	25	\$ 1,109,042	13
Contract assets (Note 17)	-	-	324,965	4	Accounts payable	674,746	7	783,908	10
Accounts receivable, net (Notes 6 and 17)	1,135,929	12	1,377,203	17	Payables to related parties (Note 28)	164,360	2	759,661	9
Receivables from related parties (Note 28)	37,371	-	41,108	-	Accrued employees' compensation and remuneration to directors (Note 24)	145,634	2	80,691	1
Inventories (Note 8)	1,457,605	15	1,778,484	21	Payables on machinery and equipment	4,171	-	58,524	1
Other financial assets	316	-	330	-	Current tax liabilities (Note 22)	92,619	1	73,064	1
Other current assets (Note 13)	<u>709,814</u>	<u>8</u>	<u>464,689</u>	<u>6</u>	Lease liabilities - current (Notes 11, 25 and 28)	34,718	-	29,413	-
Total current assets	<u>7,514,595</u>	<u>80</u>	<u>6,285,666</u>	<u>76</u>	Accrued expenses and other current liabilities (Notes 14 and 28)	<u>1,162,253</u>	<u>12</u>	<u>742,407</u>	<u>9</u>
NON-CURRENT ASSETS					Total current liabilities	<u>4,625,004</u>	<u>49</u>	<u>3,636,710</u>	<u>44</u>
Investments accounted for using equity method (Note 9)	488,190	5	382,627	5	NON-CURRENT LIABILITIES				
Property, plant and equipment (Note 10)	759,457	8	961,415	12	Deferred income tax liabilities (Note 22)	62,521	1	41,127	1
Right-of-use-assets (Note 11)	183,867	2	174,807	2	Lease liabilities - non-current (Notes 11, 25 and 28)	150,874	1	146,222	2
Intangible assets (Note 12)	443,866	5	411,954	5	Other long-term payables (Note 14)	74,921	1	112,877	1
Deferred income tax assets (Note 22)	20,008	-	38,744	-	Net defined benefit liabilities (Note 15)	36,320	-	32,104	-
Refundable deposits (Note 28)	7,289	-	7,599	-	Guarantee deposits (Note 25)	<u>2,848</u>	-	<u>2,998</u>	-
Pledged time deposits (Note 29)	<u>22,200</u>	<u>-</u>	<u>22,200</u>	<u>-</u>	Total non-current liabilities	<u>327,484</u>	<u>3</u>	<u>335,328</u>	<u>4</u>
Total non-current assets	<u>1,924,877</u>	<u>20</u>	<u>1,999,346</u>	<u>24</u>	Total liabilities	<u>4,952,488</u>	<u>52</u>	<u>3,972,038</u>	<u>48</u>
TOTAL	<u>\$ 9,439,472</u>	<u>100</u>	<u>\$ 8,285,012</u>	<u>100</u>	EQUITY (Note 16)				
					Share capital	1,340,119	14	1,340,119	16
					Capital surplus	32,618	1	32,578	-
					Retained earnings				
					Appropriated as legal reserve	825,628	9	762,708	9
					Appropriated as special reserve	20,745	-	8,636	-
					Unappropriated earnings	2,290,027	24	2,189,678	27
					Others	(22,153)	-	(20,745)	-
					Total equity	<u>4,486,984</u>	<u>48</u>	<u>4,312,974</u>	<u>52</u>
					TOTAL	<u>\$ 9,439,472</u>	<u>100</u>	<u>\$ 8,285,012</u>	<u>100</u>

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)

	2020		2019	
	Amount	%	Amount	%
NET REVENUE (Notes 17 and 28)	\$ 13,448,967	100	\$ 10,710,068	100
COST OF REVENUE (Notes 24 and 28)	<u>9,729,398</u>	<u>72</u>	<u>7,545,721</u>	<u>70</u>
GROSS PROFIT	<u>3,719,569</u>	<u>28</u>	<u>3,164,347</u>	<u>30</u>
OPERATING EXPENSES				
Sales and marketing (Notes 24 and 28)	276,807	2	298,212	3
General and administrative (Notes 24 and 28)	329,057	2	297,233	3
Research and development (Notes 24 and 28)	2,220,774	17	1,903,320	18
Expected credit loss (Note 6)	<u>-</u>	<u>-</u>	<u>19,921</u>	<u>-</u>
Total operating expenses	<u>2,826,638</u>	<u>21</u>	<u>2,518,686</u>	<u>24</u>
INCOME FROM OPERATIONS	<u>892,931</u>	<u>7</u>	<u>645,661</u>	<u>6</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 18)	10,810	-	24,786	-
Other income (Notes 11 and 19)	7,777	-	7,044	-
Other gains and losses (Note 20)	(37,435)	-	(6,552)	-
Finance costs (Notes 21 and 28)	(2,154)	-	(2,202)	-
Share of profit of subsidiaries	<u>106,971</u>	<u>-</u>	<u>92,180</u>	<u>1</u>
Total non-operating income and expenses	<u>85,969</u>	<u>-</u>	<u>115,256</u>	<u>1</u>
INCOME BEFORE INCOME TAX	978,900	7	760,917	7
INCOME TAX EXPENSE (Note 22)	<u>128,893</u>	<u>1</u>	<u>127,450</u>	<u>1</u>
NET INCOME	<u>850,007</u>	<u>6</u>	<u>633,467</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)	(4,569)	-	(4,263)	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations (Note 16)	<u>(1,408)</u>	<u>-</u>	<u>(12,109)</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(5,977)</u>	<u>-</u>	<u>(16,372)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 844,030</u>	<u>6</u>	<u>\$ 617,095</u>	<u>6</u>
EARNINGS PER SHARE (Note 23)				
Basic earnings per share	<u>\$ 6.34</u>		<u>\$ 4.73</u>	
Diluted earnings per share	<u>\$ 6.32</u>		<u>\$ 4.71</u>	

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

GLOBAL UNICHIP CORP.

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

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

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

GLOBAL UNICHIP CORP.

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

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

(Continued)

GLOBAL UNICHIP CORP.

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

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

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

GLOBAL UNICHIP CORP.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. GENERAL

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

2. APPROVAL OF FINANCIAL STATEMENTS

The parent company only financial statements were approved and authorized by the Audit Committee and the Board of Directors for issue on January 28, 2021.

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

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

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

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

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB

(Continued)

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Significant accounting policies are summarized as follows:

Statement of Compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis of Preparation

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

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

When preparing these parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using equity method, the share of profit or loss of subsidiaries and the related equity items, as appropriate, in these parent company only financial statements.

Foreign Currencies

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

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

Classification of Current and Non-current Assets and Liabilities

Current assets include:

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

Current liabilities include:

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

c. Liabilities for which the Company does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

Cash Equivalents

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

Financial Instruments

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

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

Financial Assets

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

a. Measurement category

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

1) Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, and any dividends, interest earned and remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 27: Financial Instruments.

2) Financial assets at amortized cost

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

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

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

b. Impairment of financial assets and contract assets

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

The Company always recognizes lifetime Expected Credit Losses (ECLs) for trade receivables. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

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

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

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

c. Derecognition of financial assets

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

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

Financial Liabilities and Equity Instruments

a. Classification as debt or equity

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

b. Equity instruments

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

c. Financial liabilities

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

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

d. Derecognition of financial liabilities

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

Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process. Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made on an item-by-item basis, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and necessary selling costs. Inventories are recorded at the weighted-average cost on the balance sheet date.

Investments Accounted for Using Equity Method

The Company uses the equity method to account for its investments in subsidiaries. A subsidiary is the entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes its share of the changes in the equity items of the subsidiary.

Profits or losses resulting from downstream transactions with subsidiaries are eliminated in full in the parent company only financial statements. Profits and losses resulting from upstream transactions with subsidiaries and transactions between subsidiaries are recognized in the parent company only financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

Property, Plant and Equipment

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

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

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

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

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

Leases

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

a. The Company as lessor

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

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

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

b. The Company as lessee

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

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

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

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

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

Intangible Assets

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

Software	2 to 5 years
Patents	Economic lives of the patents

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

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

Impairment of Tangible and Intangible Assets

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

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

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

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

Revenue Recognition

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

Revenue from sale of goods

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

Rendering of Non-Recurring Engineering (NRE) services

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

Retirement Benefits

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

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

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

Taxation

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

Current tax

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

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

Deferred tax

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

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

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and

assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current tax and deferred tax for the period

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

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

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

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

CRITICAL ACCOUNTING JUDGMENTS

Revenue Recognition

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

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

KEY SOURCES OF ESTIMATION AND UNCERTAINTY

Impairment of Financial Assets

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

Realization of Deferred Income Tax Assets

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which those deferred tax assets can be utilized. Assessment of the realizability of deferred tax assets requires the Company's subjective judgment and estimation, including the future revenue growth and profitability, tax holidays, the amount of tax credits that can be utilized and feasible tax planning

strategies. Any changes in the global economic environment, the industry trends and relevant laws and regulations could result in significant adjustments to deferred tax assets.

Valuation of Inventory

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

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

Lessees' Incremental Borrowing Rates

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

6. ACCOUNTS RECEIVABLE, NET

	December 31	
	2020	2019
At amortized cost accounts receivable		
Gross carrying amount	\$ 1,155,850	\$ 1,397,124
Less: Allowance for credit loss	<u>(19,921)</u>	<u>(19,921)</u>
	<u>\$ 1,135,929</u>	<u>\$ 1,377,203</u>

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

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

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

Aging analysis of accounts receivable

	December 31	
	2020	2019
No past due	\$ 1,097,538	\$ 1,261,142
Past due		
Past due within 1-30 days	24,149	112,515
Past due within 31-60 days	15,738	4,072
Past due over 180 days	18,425	19,395
Less: Loss allowance	<u>(19,921)</u>	<u>(19,921)</u>
	<u><u>\$ 1,135,929</u></u>	<u><u>\$ 1,377,203</u></u>

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

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

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

8. INVENTORIES

	December 31	
	2020	2019
Finished goods	\$ 122,300	\$ 85,663
Work in process	1,163,910	1,244,852
Raw materials	<u>171,395</u>	<u>447,969</u>
	<u><u>\$ 1,457,605</u></u>	<u><u>\$ 1,778,484</u></u>

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

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

9. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

The carrying amount and percentage of ownership of subsidiaries accounted for by using the equity method were as follows:

Name of Investee	Main Businesses and Products	Establishment and Operating Location	Carrying Amount		Percentage of Ownership	
			December 31 2020	December 31 2019	December 31 2020	December 31 2019
Global Unichip (Nanjing) Ltd. (GUC-Nanjing)	Products consulting, design and technical support service	Nanjing, China	\$ 235,564	\$ 150,997	100%	100%
Global Unichip Corp.-NA (GUC-NA)	Products consulting, design and technical support service	U.S.A.	131,222	128,110	100%	100%
Global Unichip Japan Co., Ltd. (GUC-Japan)	Products consulting, design and technical support service	Japan	60,843	50,925	100%	100%
Global Unichip (Shanghai) Company, Limited (GUC-Shanghai)	Products consulting, design and technical support service	Shanghai, China	41,356	35,735	100%	100%
Global Unichip Corp. Europe B.V. (GUC-Europe)	Products consulting, design and technical support service	Netherlands	12,088	10,156	100%	100%
Global Unichip Corp. Korea (GUC-Korea)	Products consulting, design and technical support service	Korea	7,117	6,704	100%	100%
			<u>\$ 488,190</u>	<u>\$ 382,627</u>		

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

10. PROPERTY, PLANT AND EQUIPMENT

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

11. LEASE ARRANGEMENTS

a. Right-of-use assets

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

	Years Ended December 31	
	2020	2019
Income from the subleasing of right-of-use assets (presented in other income)	\$ 299	\$ 299

b. Lease liabilities

<u>Carrying amount</u>	December 31	
	2020	2019
Current	\$ 34,718	\$ 29,413
Non-current	<u>\$ 150,874</u>	<u>\$ 146,222</u>

Range of discount rates for lease liabilities was as follows:

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

c. Material leasing activities and terms

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

d. Subleases

The other sublease transaction is set out below.

Sublease of right-of-use assets

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

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

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

e. Other lease information

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

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

13. OTHER CURRENT ASSETS

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

14. OTHER LIABILITIES

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

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

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

15. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The pension mechanism under the Labor Pension Act is deemed a defined contribution retirement plan. Pursuant to the Act, the Company makes monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts. Accordingly, the Company recognized expenses of NT\$47,618 thousand and NT\$45,706 thousand in the parent company only statements of comprehensive income for the years ended December 31, 2020 and 2019, respectively.

b. Defined benefit plans

The Company has a defined benefit plan under the Labor Standards Act, which provides benefits based on an employee's length of service and average monthly salary of the last six months prior to retirement. The Company contributes an amount equal to 2% of salaries paid each month to a pension fund (the Fund), which is administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the Committee's name in the Bank of Taiwan. Before the end of each year, the Company assesses the balance in the Fund. If the amount of the balance in the Fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The Fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); as such, the Company has no right to influence the investment policy and strategy.

The amounts included in the parent company only balance sheets in respect of the Company's defined benefit plans were as follows

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

Movements in net defined benefit liabilities were as follows:

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

(Continued)

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

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

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

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

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

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

	December 31	
	2020	2019
Discount rate	0.35%	0.75%
Expected rate of salary increase	3.00%	3.00%
Turnover rate	2.00%	2.44%

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

	December 31	
	2020	2019
Discount rate		
0.25% increase	<u>\$ (2,555)</u>	<u>\$ (2,432)</u>
0.25% decrease	<u>\$ 2,669</u>	<u>\$ 2,539</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 2,587</u>	<u>\$ 2,472</u>
0.25% decrease	<u>\$ (2,492)</u>	<u>\$ (2,381)</u>
Turnover rate		
10% increase	<u>\$ (595)</u>	<u>\$ (705)</u>
10% decrease	<u>\$ 609</u>	<u>\$ 720</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	
	2020	2019
The expected contributions to the plan for the next year	<u>\$ 2,037</u>	<u>\$ 2,053</u>
The average duration of the defined benefit obligation	13 years	13 years

The maturity analysis of undiscounted pension benefit is as follows:

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

16. EQUITY

a. Share capital

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

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

b. Capital surplus

	December 31	
	2020	2019
From merger	\$ 16,621	\$ 16,621
Additional paid-in capital	13,232	13,232
Donations	2,660	2,660
Dividends from claims extinguished by prescription	<u>105</u>	<u>65</u>
	<u><u>\$ 32,618</u></u>	<u><u>\$ 32,578</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 the Company's paid-in capital. The capital surplus from dividends from claims extinguished by prescription may be used to offset a deficit.

c. Retained earnings and dividend policy

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

- 1) Legal reserve at 10% of the remaining profit;
- 2) Special reserve in accordance with the resolution in the shareholders' meeting;
- 3) Any balance remaining shall be allocated to shareholders according to the resolution in the shareholders' meeting.

The Articles of Incorporation provide the policy about employee' compensation and remuneration to directors; refer to Note 24.

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

The appropriation for legal reserve shall be made until the reserve equals the Company's paid-in capital. The reserve may be used to offset a deficit, or be distributed as dividends and bonuses to the extent that the portion exceeds 25% of the paid-in capital if the Company incurs no loss.

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

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

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

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

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

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

d. Others

Changes in foreign currency translation reserve were as follows:

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

The exchange differences on translation of foreign operation's net assets from its functional currency to 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:

	Years Ended December 31	
	2020	2019
Revenue from customer contracts		
Net revenue from sale of goods	\$ 8,524,887	\$ 7,188,728
Net revenue from NRE service	<u>4,924,080</u>	<u>3,521,340</u>
	<u><u>\$ 13,448,967</u></u>	<u><u>\$ 10,710,068</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

	December 31, 2020	December 31, 2019	January 1, 2019
Accounts receivable	<u>\$ 1,135,929</u>	<u>\$ 1,377,203</u>	<u>\$ 903,168</u>
Contract assets - current	<u>\$ -</u>	<u>\$ 324,965</u>	<u>\$ 56,976</u>
Contract liabilities - current	<u>\$ 2,346,503</u>	<u>\$ 1,109,042</u>	<u>\$ 869,174</u>

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

For the years ended December 31, 2020 and 2019, the Company recognized revenue of NT\$1,031,673 thousand and NT\$756,052 thousand, respectively, from the beginning balance of contract liability.

b. Disaggregation of revenue from contracts with customers

Production	Years Ended December 31	
	2020	2019
ASIC and wafer product	\$ 8,524,887	\$ 7,188,728
NRE	4,493,858	3,205,782
Others	<u>430,222</u>	<u>315,558</u>
	<u><u>\$ 13,448,967</u></u>	<u><u>\$ 10,710,068</u></u>

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

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

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

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

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

18. INTEREST INCOME

	Years Ended December 31	
	2020	2019
Bank deposits	\$ 10,810	\$ 24,786

19. OTHER INCOME

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

20. OTHER GAINS AND LOSSES

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

21. FINANCE COSTS

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

22. INCOME TAX

a. Income tax expense recognized in profit or loss

Income tax expense consisted of the following:

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

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

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

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

b. Deferred income tax

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

	December 31	
	2020	2019
<u>Deferred income tax assets</u>		
Temporary differences		
Write-down of inventory	\$ 13,077	\$ 29,768
Allowance for credit loss in excess of amount allowed by law	1,598	1,106
Provisions	124	124
Others	<u>5,209</u>	<u>7,746</u>
	<u>\$ 20,008</u>	<u>\$ 38,744</u>

Deferred income tax liabilities

Temporary differences		
Share of profit of subsidiaries accounted for using equity method	<u>\$ (62,521)</u>	<u>\$ (41,127)</u>

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

Year ended December 31, 2020

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

Year ended December 31, 2019

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

Year ended December 31, 2020

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

Year ended December 31, 2019

	Balance, Beginning of Year	Recognized in Profit or Loss	Balance, End of Year
<u>Deferred income tax liabilities</u>			
Temporary differences			
Share of profit of subsidiaries accounted for using equity method	\$ (22,141)	\$ (18,986)	\$ (41,127)

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

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

d. Information about tax exemption

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

Tax-exemption Period

Construction and expansion of 2009 2016 to 2020

e. Income tax examination

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

23. EARNINGS PER SHARE

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

EPS is computed as follows:

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

Year ended December 31, 2020

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> </u>	<u>426</u>

Diluted EPS	\$ 850,007	134,437	\$6.32
Net income available to common shareholders (including effect of dilutive potential common stock)	<u>850,007</u>	<u>134,437</u>	(Continued)

	Amounts (Numerator)	Number of Shares (Denominator) (In Thousands)	EPS (NT\$)
<u>Year ended December 31, 2019</u>			
Basic EPS			
Net income available to common shareholders	\$ 633,467	134,011	<u>\$4.73</u>
Effect of dilutive potential common stock	<u>—</u>	<u>377</u>	
Diluted EPS			
Net income available to common shareholders (including effect of dilutive potential common stock)	<u>\$ 633,467</u>	<u>134,388</u>	<u>\$4.71</u> (Concluded)

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

24. ADDITIONAL INFORMATION OF EXPENSES BY NATURE

Net income included the following items:

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

	Years Ended December 31	
	2020	2019
d. Employee benefits expense		
Post-employment benefits (Note 15)		
Defined contribution plans	\$ 47,618	\$ 45,706
Defined benefit plans	<u>1,575</u>	<u>1,518</u>
	49,193	47,224
Other employee benefits	<u>1,632,113</u>	<u>1,404,704</u>
	<u><u>\$ 1,681,306</u></u>	<u><u>\$ 1,451,928</u></u>
Employee benefits expense summarized by function		
Recognized in cost of revenue	\$ 187,312	\$ 166,265
Recognized in operating expenses	<u>1,493,994</u>	<u>1,285,663</u>
	<u><u>\$ 1,681,306</u></u>	<u><u>\$ 1,451,928</u></u>

e. Employees' compensation and remuneration to directors

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

For 2020 and 2019, the Company accrued employees' compensation and remuneration to directors; the accruals were approved in the meetings of the Board of Directors held on January 28, 2021 and February 6, 2020, respectively; the accruals were made at the approved percentage of net income before tax and before deduction of the employees' compensation and remuneration to directors. The accrued amounts were as follows:

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

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

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

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

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

25. CASH FLOW INFORMATION

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

	Balance as of January 1, 2020	Cash Flows	Non-cash Changes			Balance as of December 31, 2020
			Lease Additions	Lease Decrease	Foreign Exchange Movement	
Guarantee deposits	\$ 2,998	\$ -	\$ -	\$ -	\$ (150)	\$ 2,848
Lease liabilities	175,635	(34,821)	44,778	-	-	185,592
	Balance as of January 1, 2019	Cash Flows	Non-cash Changes			Balance as of December 31, 2019
			Lease Additions	Lease Decrease	Foreign Exchange Movement	
Guarantee deposits	\$ 3,072	\$ -	\$ -	\$ -	\$ (74)	\$ 2,998
Lease liabilities	202,346	(33,809)	8,117	(1,019)	-	175,635

26. CAPITAL MANAGEMENT

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

27. FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

December 31, 2020

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

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

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

b. Categories of financial instruments

	December 31	
	2020	2019
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 730,000	\$ -
Amortized cost		
Cash and cash equivalents	3,443,560	2,298,887
Accounts receivable, net (including related parties)	1,173,300	1,418,311
Other financial assets	316	330
Refundable deposits	1,230	1,598
Pledged time deposits	<u>22,200</u>	<u>22,200</u>
	<u><u>\$ 5,370,606</u></u>	<u><u>\$ 3,741,326</u></u>
<u>Financial liabilities</u>		
Amortized cost		
Accounts payable (including related parties)	\$ 839,106	\$ 1,543,569
Payables on machinery and equipment	4,171	58,524
Accrued expenses and other current liabilities	639,122	338,279
Other long-term payables	281,863	273,456
Guarantee deposits	<u>2,848</u>	<u>2,998</u>
	<u><u>\$ 1,767,110</u></u>	<u><u>\$ 2,216,826</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, 2020 and 2019 would have decreased by NT\$83,892 thousand and NT\$96,452 thousand, respectively.

e. Credit risk management

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

Business related credit risk

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

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

Financial credit risk

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

f. Liquidity risk management

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

As of December 31, 2020 and 2019, the unused financing facilities of the Company amounted to NT\$1,600,000 thousand.

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

Non-derivative Financial Liabilities	Less Than 1 Year	2-3 Years	4+ Years	Total
<u>December 31, 2020</u>				
Accounts payable (including related parties)	\$ 839,106	\$ -	\$ -	\$ 839,106
Payables on machinery and equipment	4,171	-	-	4,171
Accrued expenses and other current liabilities	639,122	-	-	639,122
Lease liabilities	36,656	83,394	85,638	205,688
Other long-term payables	206,942	74,921	-	281,863
Guarantee deposits	-	-	2,848	2,848
	<u>\$ 1,725,997</u>	<u>\$ 158,315</u>	<u>\$ 88,486</u>	<u>\$ 1,972,798</u>

Additional information about the maturity analysis of lease liabilities:

	Less than 4 Year	4-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 120,050</u>	<u>\$ 33,068</u>	<u>\$ 10,692</u>	<u>\$ 10,692</u>	<u>\$ 31,186</u>
Non-derivative Financial Liabilities					
	Less Than 1 Year	2-3 Years	4+ Years		Total
<u>December 31, 2019</u>					
Accounts payable (including related parties)	\$ 1,543,569	\$ -	\$ -	\$ -	\$ 1,543,569
Payables on machinery and equipment	58,524	-	-	-	58,524
Accrued expenses and other current liabilities	338,279	-	-	-	338,279
Lease liabilities	31,361	64,235	101,524		197,120
Other long-term payables	160,579	112,877	-		273,456
Guarantee deposits	<u>-</u>	<u>-</u>	<u>2,998</u>		<u>2,998</u>
	<u>\$ 2,132,312</u>	<u>\$ 177,112</u>	<u>\$ 104,522</u>		<u>\$ 2,413,946</u>

Additional information about the maturity analysis for lease liabilities:

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

g. Fair value of financial instruments

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

28. RELATED PARTY TRANSACTIONS

Besides information disclosed elsewhere in the other notes, details of transactions between the Company and its related parties are disclosed below:

a. Related party name and category

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

(Continued)

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

(Concluded)

b. Operating transactions

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

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

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

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

c. Lease arrangements

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

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

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

d. Compensation of key management personnel:

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

	Years Ended December 31	
	2020	2019
Short-term employee benefits	\$ 74,014	\$ 60,628
Post-employment benefits	<u>648</u>	<u>436</u>
	<u>\$ 74,662</u>	<u>\$ 61,064</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, 2020 and 2019 the Company provided pledged time deposits of NT\$20,000 thousand as collateral for customs clearance and also provided pledged time deposits of NT\$2,200 thousand as collateral for lease of a parcel of land from the Science Park Administration (SPA).

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments

The Company has entered into license agreements with several companies that own intellectual property rights. According to the agreements, the Company shall pay specific amounts of money to obtain licenses of their intellectual property rights or shall pay royalties at specific percentages of sales amount of identified products. Under the agreements, the Company shall pay at least US\$5,000 thousand, US\$5,500 thousand, US\$4,200 thousand and US\$4,200 thousand to the counterparty in the period from May 2019 to April 2022, from May 2019 to October 2021, from April 2020 to April 2023 and from October 2020 to October 2023, respectively.

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

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

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

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

(Unit: Foreign Currency in Thousands)

	Foreign Currency (In Thousands)	Exchange Rate (Note)	Carrying Amount
<u>December 31, 2020</u>			
Monetary item - financial assets			
USD	\$ 81,408	28.48	\$ 2,318,488
Non-monetary item -financial assets			
RMB	63,267	4.377	276,920
USD	4,608	28.48	131,222
JPY	220,208	0.2763	60,843
EUR	345	35.02	12,088
KRW	269,182	0.02644	7,117
Monetary item - financial liabilities			
USD	50,744	28.48	1,445,192
JPY	66,988	0.2763	18,509
RMB	3,077	4.377	13,468

December 31, 2019

Monetary item - financial assets			
USD	93,055	29.98	2,789,790
Non-monetary item -financial assets			
RMB	43,452	4.2975	186,732
USD	4,273	29.98	128,110
JPY	184,510	0.2760	50,925
EUR	302	33.59	10,156
KRW	256,173	0.02617	6,704
Monetary item - financial liabilities			
USD	59,773	29.98	1,791,998
JPY	68,933	0.2760	19,026
RMB	2,781	4.2975	11,953

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

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

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

32. OPERATING SEGMENT INFORMATION

The Company operates in a single industry and viewed by the Company's chief operating decision-maker as one segment when reviewing information in order to allocate resources and assess performance. The basis for the measurement of the operating segment profit (loss), assets and liabilities is the same as that for the preparation of financial statements. Refer to the consolidated financial statements for the years ended December 31, 2020 and 2019.

33. ADDITIONAL DISCLOSURES

- a. Significant transactions and b. Related information of reinvestment
 - 1) Financing provided: None;
 - 2) Endorsements/guarantees provided: None;
 - 3) Marketable securities held (excluding investments in subsidiaries, associates and jointly controlled entities): See Table 1 attached;
 - 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: See Table 2 attached;
 - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None;
 - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None;
 - 7) Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: See Table 3 attached;
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None;
 - 9) Information about the derivative instruments transaction: None;

10) Names, locations, and related information of investees over which the Company exercises significant influence (excluding information on investment in Mainland China): See Table 4 attached;

c. Information on investment in Mainland China

- 1) The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, net income (losses) of the investee, investment income (losses), ending balance, amount received as dividends from the investee, and the limitation on investee: See Table 5 attached.
- 2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: See Table 6 attached.

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

TABLE 1**GLOBAL UNICHIP CORP.****MARKETABLE SECURITIES HELD****DECEMBER 31, 2020**

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

Holding Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2020				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	<u>Mutual funds</u>	-	Financial assets at fair value through profit or loss - current	26,755,853	\$ 400,000	-	\$ 400,000	
	Jih Sun Money Market Fund		Financial assets at fair value through profit or loss - current	20,518,984	280,000	-	280,000	
	Taishin 1699 Money Market Fund		Financial assets at fair value through profit or loss - current	3,437,844	50,000	-	50,000	
	<u>Preferred stock</u>	-	Financial assets at fair value through profit or loss - non-current	1,515,151	-	3.0	-	
	eTopus Technology Inc.							

TABLE 2**GLOBAL UNICHP CORP.**

**MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance		
					Units	Amount	Units	Amount	Units	Amount	Carrying Amount	Gains on Disposal	Units	Amount
The Company	Jih Sun Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	\$ -	89,815,348	\$ 1,340,000	63,059,495	\$ 941,323	\$ 940,000	\$ 1,323	26,755,853	\$ 400,000
	Taishin 1699 Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	91,788,329	1,250,000	71,269,345	971,037	970,000	1,037	20,518,984	280,000
	Fuh Haw Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	27,535,620	400,000	24,097,776	350,121	350,000	121	3,437,844	50,000
	UPAMC James Bond Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	20,837,266	350,000	20,837,266	350,210	350,000	210	-	-
	Yuanta Wan Tai Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	17,733,487	270,000	17,733,487	270,111	270,000	111	-	-

TABLE 3**GLOBAL UNICHIP CORP.****TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL****FOR THE YEAR ENDED DECEMBER 31, 2020**

(Amounts in Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Accounts Payable or Receivable		Note
			Purchases/ Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Company	TSMC	TSMC is an investor that accounts for its investment by using equity method	Purchases	\$ 3,265,893	75	30 days after monthly closing	Note 28	Note 28	\$ (102,549)	(12)	
	TSMC-NA	TSMC-NA is a subsidiary of TSMC	Sales	228,500	2	30 days after monthly closing	Note 28	Note 28	37,371	3	
			Purchases	1,007,193	23	30 days after invoice date and 30 days after monthly closing	Note 28	Note 28	(58,136)	(7)	

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, 2020**

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2020			Net Income (Losses) of the Investee	Investment Income (Losses)	Note
				December 31, 2020 (Foreign Currencies in Thousands)	December 31, 2019 (Foreign Currencies in Thousands)	Shares	Percentage of Ownership (%)	Carrying Amount			
The Company	GUC-NA	U.S.A.	Products consulting, design and technical support service	\$ 40,268 (US\$ 1,264)	\$ 40,268 (US\$ 1,264)	800,000	100	\$ 131,222	\$ 9,857	\$ 9,857	
	GUC-Japan	Japan	Products consulting, design and technical support service	15,393 (YEN 55,000)	15,393 (YEN 55,000)	1,100	100	60,843	9,881	9,881	
	GUC-Europe	Netherlands	Products consulting, design and technical support service	8,109 (EUR 200)	8,109 (EUR 200)	-	100	12,088	1,444	1,444	
	GUC- Korea	Korea	Products consulting, design and technical support service	5,974 (KRW222,545)	5,974 (KRW222,545)	44,000	100	7,117	328	328	

TABLE 5**GLOBAL UNICHIP CORP.**
INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (US\$ in Thousands)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2020 (US\$ in Thousands)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020 (US\$ in Thousands)	Net Income (Loss) of the Investee	Percentage of Ownership	Investment Income (Loss)	Carrying Amount as of December 31, 2020	Accumulated Inward Remittance of Earnings as of December 31, 2020
					Outflow	Inflow						
GUC-Nanjing	Products consulting, design and technical support service	\$ 90,138 (US\$ 3,000)	(Note 1)	\$ 90,138 (US\$ 3,000)	\$ -	\$ -	\$ 90,138 (US\$ 3,000)	\$ 80,594	100%	\$ 80,594 (Note 2)	\$ 235,564	\$ -
GUC-Shanghai	Products consulting, design and technical support service	31,165 (US\$ 1,000)	(Note 1)	31,165 (US\$ 1,000)	-	-	31,165 (US\$ 1,000)	4,867	100%	4,867 (Note 3)	41,356	-

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

Note 1: The Company invested the investee directly.

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

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

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

TABLE 6**GLOBAL UNICHIP CORP.**
SIGNIFICANT INTERCOMPANY TRANSACTIONS WITH INVESTEE IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020
(Amounts in Thousands of New Taiwan Dollars)

No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Intercompany Transactions			
				Financial Statement Account	Amount	Terms (Note 2)	Percentage to Net Revenue or Total Assets
0	The Company	GUC-Shanghai	1	Manufacturing overhead	\$ 45,150	-	-
				Operating expenses	30,909	-	-
		GUC-Nanjing	1	Accrued expenses and other current liabilities	7,677	-	-
			1	Manufacturing overhead	498,076	-	4%
				Operating expenses	15,911	-	-
				Accrued expenses and other current liabilities	5,791	-	-

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

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

TABLE 7**GLOBAL UNICHIP CORP. AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS**
DECEMBER 31, 2020

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

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

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

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STATEMENT 1

GLOBAL UNICHIP CORP.

STATEMENT OF CASH AND CASH EQUIVALENTS

DECEMBER 31, 2020

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

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

STATEMENT 2

GLOBAL UNICHIP CORP.

**STATEMENT OF ACCOUNTS RECEIVABLE, NET
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

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

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

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

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

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

GLOBAL UNICHIP CORP.**STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD****FOR THE YEAR ENDED DECEMBER 31, 2020**

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

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

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

STATEMENT 5

GLOBAL UNICHIP CORP.

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

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

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

STATEMENT 6

GLOBAL UNICHIP CORP.

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

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

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

GLOBAL UNICHIP CORP.

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

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

STATEMENT 8

GLOBAL UNICHIP CORP.

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

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

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

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

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

GLOBAL UNICHIP CORP.

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

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

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

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

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

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

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

Note 6: Compensation and Remuneration Policy

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