

# **Global Unichip Corp. and Subsidiaries**

**Consolidated Financial Statements for the  
Six Months Ended June 30, 2021 and 2020 and  
Independent Auditors' Review Report**

## INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders  
Global Unichip Corp.

### Introduction

We have reviewed the accompanying consolidated balance sheets of Global Unichip Corp. and its subsidiaries (collectively, the "Company") as of June 30, 2021 and 2020, the related consolidated statements of comprehensive income for the three months ended June 30, 2021 and 2020 and for the six months ended June 30, 2021 and 2020, the consolidated statements of changes in equity and cash flows for the six months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### Scope of Review

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

### Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects the consolidated financial position of the Company as of June 30, 2021 and 2020, its consolidated financial performance for the three months ended June 30, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the six months ended June 30, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

July 29, 2021

Notice to Readers

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

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

# GLOBAL UNICHIP CORP. AND SUBSIDIARIES

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

ASSETS	June 30, 2021 (Reviewed)		December 31, 2020 (Audited)		June 30, 2020 (Reviewed)		LIABILITIES AND EQUITY	June 30, 2021 (Reviewed)		December 31, 2020 (Audited)		June 30, 2020 (Reviewed)	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
CURRENT ASSETS							CURRENT LIABILITIES						
Cash and cash equivalents	\$ 4,531,472	38	\$ 3,896,753	40	\$ 3,179,715	36	Contract liabilities (Note 16)	\$ 4,510,587	38	\$ 2,381,778	24	\$ 1,870,495	22
Financial assets at fair value through profit or loss (Note 7)	2,131,729	18	730,000	7	-	-	Accounts payable	581,894	5	682,090	7	982,541	11
Contract assets (Note 16)	-	-	-	-	150,733	2	Payables to related parties (Note 27)	680,604	6	379,010	4	810,314	9
Accounts receivable, net (Notes 6 and 16)	1,171,979	10	1,137,071	12	1,219,361	14	Accrued employees' compensation and remuneration to directors (Note 23)	226,887	2	145,634	1	92,278	1
Receivables from related parties (Note 27)	15,317	-	37,371	-	46,910	1	Payables on machinery and equipment	-	-	4,171	-	495	-
Inventories (Note 8)	1,643,400	14	1,674,466	17	1,981,064	23	Current tax liabilities (Note 21)	74,332	-	95,526	1	2,658	-
Other financial assets	482	-	383	-	494	-	Lease liabilities - current (Notes 10, 24 and 27)	58,450	-	53,693	1	51,604	1
Other current assets (Notes 12 and 27)	913,773	8	742,068	8	534,411	6	Accrued expenses and other current liabilities (Notes 13 and 27)	909,711	8	1,150,230	12	767,915	9
Total current assets	10,408,152	88	8,218,112	84	7,112,688	82	Total current liabilities	7,042,465	59	4,892,132	50	4,578,300	53
NON-CURRENT ASSETS							NON-CURRENT LIABILITIES						
Property, plant and equipment (Note 9)	645,640	6	778,354	8	892,190	10	Deferred income tax liabilities (Note 21)	81,756	1	63,100	1	55,986	1
Right-of-use assets (Note 10)	278,824	2	238,263	3	245,225	3	Lease liabilities - non-current (Notes 10, 24 and 27)	230,914	2	189,398	2	197,597	2
Intangible assets (Note 11)	458,748	4	443,885	5	392,460	5	Other long-term payables (Note 13)	125,599	1	74,921	1	71,580	1
Deferred income tax assets (Note 21)	7,627	-	20,285	-	18,678	-	Net defined benefit liabilities (Note 14)	36,126	-	36,320	-	31,933	-
Refundable deposits (Note 27)	28,628	-	24,713	-	25,026	-	Guarantee deposits (Note 24)	2,902	-	2,957	-	3,036	-
Pledged time deposits (Note 28)	22,200	-	22,200	-	22,200	-	Total non-current liabilities	477,297	4	366,696	4	360,132	4
Total non-current assets	1,441,667	12	1,527,700	16	1,595,779	18	Total liabilities	7,519,762	63	5,258,828	54	4,938,432	57
							EQUITY (Note 15)						
TOTAL	\$11,849,819	100	\$ 9,745,812	100	\$ 8,708,467	100	Share capital	1,340,119	12	1,340,119	14	1,340,119	15
							Capital surplus	32,641	-	32,618	-	32,618	-
							Retained earnings						
							Appropriated as legal reserve	910,172	8	825,628	8	825,628	10
							Appropriated as special reserve	22,153	-	20,745	-	20,745	-
							Unappropriated earnings	2,061,606	17	2,290,027	24	1,580,092	18
							Others	(36,634)	-	(22,153)	-	(29,167)	-
							Total equity	4,330,057	37	4,486,984	46	3,770,035	43
							TOTAL	\$11,849,819	100	\$ 9,745,812	100	\$ 8,708,467	100

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

# GLOBAL UNICHIP CORP. AND SUBSIDIARIES

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

	Three Months Ended June 30				Six Months Ended June 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
NET REVENUE (Notes 16 and 27)	\$ 3,300,837	100	\$ 2,926,798	100	\$ 6,613,028	100	\$ 6,096,665	100
COST OF REVENUE (Notes 23 and 27)	<u>2,250,061</u>	<u>68</u>	<u>2,153,312</u>	<u>74</u>	<u>4,419,412</u>	<u>67</u>	<u>4,558,676</u>	<u>75</u>
GROSS PROFIT	<u>1,050,776</u>	<u>32</u>	<u>773,486</u>	<u>26</u>	<u>2,193,616</u>	<u>33</u>	<u>1,537,989</u>	<u>25</u>
OPERATING EXPENSES								
Sales and marketing (Notes 23 and 27)	66,243	2	58,609	2	132,752	2	118,284	2
General and administrative (Notes 23 and 27)	90,732	3	70,395	2	184,171	3	139,105	2
Research and development (Notes 23 and 27)	660,361	20	584,666	20	1,309,332	20	1,147,106	19
Expected credit impairment gain (Note 6)	<u>-</u>	<u>-</u>	<u>(154)</u>	<u>-</u>	<u>(19,921)</u>	<u>(1)</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>817,336</u>	<u>25</u>	<u>713,516</u>	<u>24</u>	<u>1,606,334</u>	<u>24</u>	<u>1,404,495</u>	<u>23</u>
INCOME FROM OPERATIONS	<u>233,440</u>	<u>7</u>	<u>59,970</u>	<u>2</u>	<u>587,282</u>	<u>9</u>	<u>133,494</u>	<u>2</u>
NON-OPERATING INCOME AND EXPENSES								
Interest income (Note 17)	3,165	-	3,064	-	5,887	-	7,563	-
Other income (Notes 10 and 18)	52,700	1	5,346	-	71,236	1	60,167	1
Other gains and losses (Note 19)	(13,134)	-	(12,639)	-	(19,164)	-	(14,735)	-
Finance costs (Notes 20 and 27)	<u>(1,170)</u>	<u>-</u>	<u>(926)</u>	<u>-</u>	<u>(2,389)</u>	<u>-</u>	<u>(1,897)</u>	<u>-</u>
Total non-operating income and expenses	<u>41,561</u>	<u>1</u>	<u>(5,155)</u>	<u>-</u>	<u>55,570</u>	<u>1</u>	<u>51,098</u>	<u>1</u>
INCOME BEFORE INCOME TAX	275,001	8	54,815	2	642,852	10	184,592	3
INCOME TAX EXPENSE (Note 21)	<u>55,299</u>	<u>2</u>	<u>18,054</u>	<u>1</u>	<u>115,261</u>	<u>2</u>	<u>49,089</u>	<u>1</u>
NET INCOME	219,702	6	36,761	1	527,591	8	135,503	2
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that may be reclassified subsequently to profit or loss								
Exchange differences on translation of foreign operations (Note 15)	<u>(7,671)</u>	<u>-</u>	<u>(6,903)</u>	<u>-</u>	<u>(14,481)</u>	<u>-</u>	<u>(8,422)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 212,031</u>	<u>6</u>	<u>\$ 29,858</u>	<u>1</u>	<u>\$ 513,110</u>	<u>8</u>	<u>\$ 127,081</u>	<u>2</u>
EARNINGS PER SHARE (Note 22)								
Basic earnings per share	<u>\$ 1.64</u>		<u>\$ 0.27</u>		<u>\$ 3.94</u>		<u>\$ 1.01</u>	
Diluted earnings per share	<u>\$ 1.64</u>		<u>\$ 0.27</u>		<u>\$ 3.93</u>		<u>\$ 1.01</u>	

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

# GLOBAL UNICHIP CORP. AND SUBSIDIARIES

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

	Share Capital - Common Stock		Capital Surplus	Retained Earnings				Others	Total Equity
	Share (In Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Foreign Currency Translation Reserve	
BALANCE, JANUARY 1, 2020	134,011	\$ 1,340,119	\$ 32,578	\$ 762,708	\$ 8,636	\$ 2,189,678	\$ 2,961,022	\$ (20,745)	\$ 4,312,974
Appropriation and distribution of prior year's earnings									
Legal reserve	-	-	-	62,920	-	(62,920)	-	-	-
Special reserve	-	-	-	-	12,109	(12,109)	-	-	-
Cash dividends to shareholders - NT\$5.00 per share	-	-	-	-	-	(670,060)	(670,060)	-	(670,060)
Total	-	-	-	62,920	12,109	(745,089)	(670,060)	-	(670,060)
Dividends from claims extinguished by prescription	-	-	40	-	-	-	-	-	40
Net income for the six months ended June 30, 2020	-	-	-	-	-	135,503	135,503	-	135,503
Other comprehensive income for the six months ended June 30, 2020, net of income tax	-	-	-	-	-	-	-	(8,422)	(8,422)
Total comprehensive income for the six months ended June 30, 2019	-	-	-	-	-	135,503	135,503	(8,422)	127,081
BALANCE, JUNE 30, 2020	<u>134,011</u>	<u>\$ 1,340,119</u>	<u>\$ 32,618</u>	<u>\$ 825,628</u>	<u>\$ 20,745</u>	<u>\$ 1,580,092</u>	<u>\$ 2,426,465</u>	<u>\$ (29,167)</u>	<u>\$ 3,770,035</u>
BALANCE, JANUARY 1, 2021	134,011	\$ 1,340,119	\$ 32,618	\$ 825,628	\$ 20,745	\$ 2,290,027	\$ 3,136,400	\$ (22,153)	\$ 4,486,984
Appropriation and distribution of prior year's earnings									
Legal reserve	-	-	-	84,544	-	(84,544)	-	-	-
Special reserve	-	-	-	-	1,408	(1,408)	-	-	-
Cash dividends to shareholders - NT\$5.00 per share	-	-	-	-	-	(670,060)	(670,060)	-	(670,060)
Total	-	-	-	84,544	1,408	(756,012)	(670,060)	-	(670,060)
Dividends from claims extinguished by prescription	-	-	23	-	-	-	-	-	23
Net income for the six months ended June 30, 2021	-	-	-	-	-	527,591	527,591	-	527,591
Other comprehensive income (loss) for the six months ended June 30, 2021, net of income tax	-	-	-	-	-	-	-	(14,481)	(14,481)
Total comprehensive income (loss) for the six months ended June 30, 2021	-	-	-	-	-	527,591	527,591	(14,481)	513,110
BALANCE, JUNE 30, 2021	<u>134,011</u>	<u>\$ 1,340,119</u>	<u>\$ 32,641</u>	<u>\$ 910,172</u>	<u>\$ 22,153</u>	<u>\$ 2,061,606</u>	<u>\$ 2,993,931</u>	<u>\$ (36,634)</u>	<u>\$ 4,330,057</u>

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

# GLOBAL UNICHIP CORP. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Six Months Ended June 30	
	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 642,852	\$ 184,592
Adjustments for:		
Depreciation	184,818	183,706
Amortization	149,349	152,115
Expected credit impairment gain	(19,921)	-
Gain on financial assets at fair value through profit or loss	(1,729)	(1,288)
Finance costs	2,389	1,897
Interest income	(5,887)	(7,563)
Loss (gain) on foreign exchange, net	2,188	(779)
Gain on lease modification	(456)	-
Changes in operating assets and liabilities:		
Contract assets	-	174,232
Accounts receivable (including related parties)	7,067	152,040
Inventories	31,066	(202,580)
Other financial assets	-	(170)
Other current assets	(162,137)	(19,702)
Contract liabilities	2,128,809	761,453
Accounts payable (including related parties)	188,950	289,176
Accrued employees' compensation and remuneration to directors	81,253	11,587
Accrued expenses and other current liabilities	(207,050)	39,697
Net defined benefit liabilities	(194)	(171)
Cash generated from operations	3,021,367	1,718,242
Income tax paid	(102,101)	(82,108)
Net cash generated from operating activities	2,919,266	1,636,134
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of:		
Financial assets at fair value through profit or loss	(1,800,000)	(1,680,000)
Property, plant and equipment	(23,843)	(122,385)
Intangible assets	(149,253)	(172,399)
Proceeds from disposal of:		
Financial assets at fair value through profit or loss	400,000	1,681,288
Refundable deposits paid	(5,910)	(6,945)
Refundable deposits refunded	1,045	2,622
Interest received	5,788	7,581
Net cash used in investing activities	(1,572,173)	(290,238)

(Continued)

# GLOBAL UNICHIP CORP. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Six Months Ended June 30	
	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES		
Guarantee deposits received	\$ 22	\$ 4
Guarantee deposits refunded	(13)	(6)
Repayment of the principal portion of lease liabilities	(26,464)	(28,038)
Cash dividends paid	(670,060)	(670,060)
Interest paid	(2,389)	(1,897)
Dividends from claims extinguished by prescription reclassified to capital surplus	<u>23</u>	<u>40</u>
Net cash used in financing activities	<u>(698,881)</u>	<u>(699,957)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(13,493)</u>	<u>(7,852)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	634,719	638,087
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>3,896,753</u>	<u>2,541,628</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 4,531,472</u>	<u>\$ 3,179,715</u>

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

(Concluded)



# GLOBAL UNICHIP CORP. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 30, 2021 AND 2020

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

(Reviewed, Not Audited)

### 1. GENERAL

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

### 2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were agreed by the Audit Committee and reported to the Board of Directors for issue on July 29, 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. 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 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)
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 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 6)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 7)

(Continued)

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 8)
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
	(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.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 8: Except that deferred taxes will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

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

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

Significant accounting policies are summarized as follows:

## Statement of Compliance

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

## Basis of Preparation

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

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

## Basis of Consolidation

### Principles for preparing consolidated financial statements

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

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

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

### The subsidiaries in the consolidated financial statements and relevant information

Name of Investor	Name of Investee	Main Businesses and Products	Establishment and Operating Location	Percentage of Ownership			Remark
				June 30, 2021	December 31, 2020	June 30, 2020	
GUC	Global Unichip Corp.-NA (GUC-NA)	Products consulting, design and technical support service	U.S.A.	100%	100%	100%	Note
	Global Unichip Japan Co., Ltd. (GUC-Japan)	Products consulting, design and technical support service	Japan	100%	100%	100%	Note
	Global Unichip Corp. Europe B.V. (GUC-Europe)	Products consulting, design and technical support service	Netherlands	100%	100%	100%	Note
	Global Unichip Corp. Korea (GUC-Korea)	Products consulting, design and technical support service	Korea	100%	100%	100%	Note
	Global Unichip (Nanjing) Ltd. (GUC-Nanjing)	Products consulting, design and technical support service	Nanjing, China	100%	100%	100%	Note
	Global Unichip (Shanghai) Company, Limited (GUC-Shanghai)	Products consulting, design and technical support service	Shanghai, China	100%	100%	100%	Note

Note: The subsidiaries are not significant subsidiaries, their financial statements have not been reviewed or audited, except for GUC-NA and GUC-NJ.

## **Foreign Currencies**

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

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

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

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

Current assets include:

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

Current liabilities include:

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

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

## **Cash Equivalents**

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

## **Financial Instruments**

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

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

### **Financial Assets**

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

#### **a. Measurement category**

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

##### **1) Financial assets at FVTPL**

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

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

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

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

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

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

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

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

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

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

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

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

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

c. **Derecognition of financial assets**

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

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

**Financial Liabilities and Equity Instruments**

a. **Classification as debt or equity**

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

b. **Equity instruments**

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

c. **Financial liabilities**

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

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

d. **Derecognition of financial liabilities**

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

**Inventories**

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

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

### **Property, Plant and Equipment**

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

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

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

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

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

### **Leases**

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

#### **a. The Company as lessor**

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

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

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

#### **b. The Company as lessee**

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

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

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

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

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

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

### **Intangible Assets**

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

Software	2 to 5 years
Patents	Economic lives of the patents

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

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

### **Impairment of Tangible and Intangible Assets**

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

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

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



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

## **Revenue Recognition**

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

### Revenue from sale of goods

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

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

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

## **Retirement Benefits**

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

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

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

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

## **Taxation**

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

### Current tax

According to the Income Tax Law, an additional income tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings. Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

### Deferred tax

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

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

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

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

### Current tax and deferred tax for the period

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

### **Government Grants**

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

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

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

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

## **CRITICAL ACCOUNTING JUDGMENTS**

### **Revenue Recognition**

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

The Company also records a provision for estimated future allowance in the same period the related revenue is recorded. Provision for estimated sales allowance is generally made and adjusted based on management judgement, 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 probability of default and loss given default. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience, existing market conditions as well as forward looking estimates at the end of each reporting period. Please refer to Note 6 for the details of the key assumptions and inputs used. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

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

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

### **Valuation of Inventory**

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

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

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

In determining a lessee's incremental borrowing rate used in discounting lease payments, a risk-free rate for the same currency and relevant duration is selected as a reference rate, and the lessee's credit spread

adjustments and lease specific adjustments (such as asset type, secured position, etc.) are also taken into account.

## 6. ACCOUNTS RECEIVABLE, NET

	June 30, 2021	December 31, 2020	June 30, 2020
At amortized cost accounts receivable			
Gross carrying amount	\$ 1,171,979	\$ 1,156,992	\$ 1,239,282
Less: Allowance for credit loss	<u>-</u>	<u>(19,921)</u>	<u>(19,921)</u>
	<u>\$ 1,171,979</u>	<u>\$ 1,137,071</u>	<u>\$ 1,219,361</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

	June 30, 2021	December 31, 2020	June 30, 2020
No past due	\$ 1,083,170	\$ 1,098,680	\$ 1,140,655
Past due			
Past due within 1-30 days	88,809	24,149	58,309
Past due within 31-60 days	-	15,738	21,149
Past due over 180 days	-	18,425	19,169
Less: Loss allowance	<u>-</u>	<u>(19,921)</u>	<u>(19,921)</u>
	<u>\$ 1,171,979</u>	<u>\$ 1,137,071</u>	<u>\$ 1,219,361</u>

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

	<u>Six Months Ended June 30</u>	
	2021	2020
Balance at January 1	\$ 19,921	\$ 19,921
Add: Net remeasurement of credit loss allowance	<u>(19,921)</u>	<u>-</u>
Balance at June 30	<u>\$ -</u>	<u>\$ 19,921</u>

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

	June 30, 2021	December 31, 2020	June 30, 2020
Financial assets mandatorily classified as at FVTPL			
Non-derivative financial assets			
Mutual funds	\$ 2,131,729	\$ 730,000	\$ -

## 8. INVENTORIES

	June 30, 2021	December 31, 2020	June 30, 2020
Finished goods	\$ 41,179	\$ 122,300	\$ 89,315
Work in process	1,398,260	1,380,771	1,700,676
Raw materials	<u>203,961</u>	<u>171,395</u>	<u>191,073</u>
	<u>\$ 1,643,400</u>	<u>\$ 1,674,466</u>	<u>\$ 1,981,064</u>

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

	Three Months Ended June 30		Six Months Ended June 30	
	2021	2020	2021	2020
Reversal of write-down of inventories	\$ 61,749	\$ 127	\$ 53,178	\$ 7,567

## 9. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery and Equipment	Research and Development Equipment	Transportation Equipment	Office Equipment	Miscellaneous Equipment	Total
<u>Cost</u>							
Balance at January 1, 2021	\$ 242,923	\$ 56,136	\$ 1,560,939	\$ 1,375	\$ 29,450	\$ 429,300	\$ 2,320,123
Additions	-	-	17,034	-	756	1,882	19,672
Disposals	-	-	(2,197)	-	-	(231)	(2,428)
Effect of exchange rate changes	-	-	(218)	-	(220)	(1,039)	(1,477)
Balance at June 30, 2021	<u>\$ 242,923</u>	<u>\$ 56,136</u>	<u>\$ 1,575,558</u>	<u>\$ 1,375</u>	<u>\$ 29,986</u>	<u>\$ 429,912</u>	<u>\$ 2,335,890</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2021	\$ 78,096	\$ 14,608	\$ 1,106,091	\$ 689	\$ 23,897	\$ 318,388	\$ 1,541,769
Depreciation	2,383	3,956	128,015	133	1,168	16,313	151,968
Disposals	-	-	(2,197)	-	-	(231)	(2,428)
Effect of exchange rate changes	-	-	(154)	-	(140)	(765)	(1,059)
Balance at June 30, 2021	<u>\$ 80,479</u>	<u>\$ 18,564</u>	<u>\$ 1,231,755</u>	<u>\$ 822</u>	<u>\$ 24,925</u>	<u>\$ 333,705</u>	<u>\$ 1,690,250</u>
Carrying amount at January 1, 2021	<u>\$ 164,827</u>	<u>\$ 41,528</u>	<u>\$ 454,848</u>	<u>\$ 686</u>	<u>\$ 5,553</u>	<u>\$ 110,912</u>	<u>\$ 778,354</u>
Carrying amount at June 30, 2021	<u>\$ 162,444</u>	<u>\$ 37,572</u>	<u>\$ 343,803</u>	<u>\$ 553</u>	<u>\$ 5,061</u>	<u>\$ 96,207</u>	<u>\$ 645,640</u>
<u>Cost</u>							
Balance at January 1, 2020	\$ 242,923	\$ 24,741	\$ 1,506,119	\$ 1,375	\$ 29,728	\$ 430,306	\$ 2,235,192
Additions	-	31,395	27,769	-	1,454	3,420	64,038
Disposals	-	-	(4,939)	-	-	-	(4,939)
Effect of exchange rate changes	-	-	(134)	-	(179)	(698)	(1,011)
Balance at June 30, 2020	<u>\$ 242,923</u>	<u>\$ 56,136</u>	<u>\$ 1,528,815</u>	<u>\$ 1,375</u>	<u>\$ 31,003</u>	<u>\$ 433,028</u>	<u>\$ 2,293,280</u>

(Continued)

	Buildings	Machinery and Equipment	Research and Development Equipment	Transportation Equipment	Office Equipment	Miscellaneous Equipment	Total
<u>Accumulated depreciation</u>							
Balance at January 1, 2020	\$ 73,330	\$ 8,560	\$ 847,771	\$ 424	\$ 23,338	\$ 299,282	\$ 1,252,705
Depreciation	2,383	2,093	131,650	132	1,155	16,514	153,927
Disposals	-	-	(4,939)	-	-	-	(4,939)
Effect of exchange rate changes	-	-	(68)	-	(92)	(443)	(603)
Balance at June 30, 2020	<u>\$ 75,713</u>	<u>\$ 10,653</u>	<u>\$ 974,414</u>	<u>\$ 556</u>	<u>\$ 24,401</u>	<u>\$ 315,353</u>	<u>\$ 1,401,090</u>
Carrying amount at January 1, 2020	<u>\$ 169,593</u>	<u>\$ 16,181</u>	<u>\$ 658,348</u>	<u>\$ 951</u>	<u>\$ 6,390</u>	<u>\$ 131,024</u>	<u>\$ 982,487</u>
Carrying amount at June 30, 2020	<u>\$ 167,210</u>	<u>\$ 45,483</u>	<u>\$ 554,401</u>	<u>\$ 819</u>	<u>\$ 6,602</u>	<u>\$ 117,675</u>	<u>\$ 892,190</u>

(Concluded)

## 10. LEASE ARRANGEMENTS

### a. Right-of-use assets

	Land	Buildings	Transportation Equipment	Total
<u>Cost</u>				
Balance at January 1, 2021	\$ 58,995	\$ 288,970	\$ 4,957	\$ 352,922
Additions	-	77,957	-	77,957
Lease modification	-	(14,720)	-	(14,720)
Effect of exchange rate changes	-	(6,112)	-	(6,112)
Balance at June 30, 2021	<u>\$ 58,995</u>	<u>\$ 346,095</u>	<u>\$ 4,957</u>	<u>\$ 410,047</u>
<u>Accumulated depreciation</u>				
Balance at January 1, 2021	\$ 3,225	\$ 109,013	\$ 2,421	\$ 114,659
Depreciation	806	31,435	609	32,850
Lease modification	-	(14,157)	-	(14,157)
Effect of exchange rate changes	-	(2,129)	-	(2,129)
Balance at June 30, 2021	<u>\$ 4,031</u>	<u>\$ 124,162</u>	<u>\$ 3,030</u>	<u>\$ 131,223</u>
Carrying amounts at January 1, 2021	<u>\$ 55,770</u>	<u>\$ 179,957</u>	<u>\$ 2,536</u>	<u>\$ 238,263</u>
Carrying amounts at June 30, 2021	<u>\$ 54,964</u>	<u>\$ 221,933</u>	<u>\$ 1,927</u>	<u>\$ 278,824</u>
<u>Cost</u>				
Balance at January 1, 2020	\$ 58,995	\$ 239,159	\$ 4,957	\$ 303,111
Additions	-	27,346	-	27,346
Effect of exchange rate changes	-	(1,002)	-	(1,002)
Balance at June 30, 2020	<u>\$ 58,995</u>	<u>\$ 265,503</u>	<u>\$ 4,957</u>	<u>\$ 329,455</u>

(Continued)

	Land	Buildings	Transportation Equipment	Total
<u>Accumulated depreciation</u>				
Balance at January 1, 2020	\$ 1,612	\$ 51,968	\$ 1,204	\$ 54,784
Depreciation	807	28,363	609	29,779
Effect of exchange rate changes	<u>-</u>	<u>(333)</u>	<u>-</u>	<u>(333)</u>
Balance at June 30, 2020	<u>\$ 2,419</u>	<u>\$ 79,998</u>	<u>\$ 1,813</u>	<u>\$ 84,230</u>
Carrying amounts at January 1, 2020	<u>\$ 57,383</u>	<u>\$ 187,191</u>	<u>\$ 3,753</u>	<u>\$ 248,327</u>
Carrying amounts at June 30, 2020	<u>\$ 56,576</u>	<u>\$ 185,505</u>	<u>\$ 3,144</u>	<u>\$ 245,225</u> (Concluded)
	<b>Three Months Ended June 30</b>		<b>Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Income from the subleasing of right-of-use assets (presented in other income)	<u>\$ 75</u>	<u>\$ 74</u>	<u>\$ 149</u>	<u>\$ 149</u>

b. Lease liabilities

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Carrying amount</u>			
Current	<u>\$ 58,450</u>	<u>\$ 53,693</u>	<u>\$ 51,604</u>
Non-current	<u>\$ 230,914</u>	<u>\$ 189,398</u>	<u>\$ 197,597</u>

Range of discount rates for lease liabilities was as follows:

	June 30, 2021	December 31, 2020	June 30, 2020
Land	1.62%	1.62%	1.62%
Buildings	0.642%-4.75%	0.642%-4.75%	0.752%-4.75%
Transportation equipment	0.825%	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:

	June 30, 2021	December 31, 2020	June 30, 2020
Year 1	\$ 299	\$ 299	\$ 299
Year 2	149	299	299
Year 3	<u>-</u>	<u>-</u>	<u>149</u>
	<u>\$ 448</u>	<u>\$ 598</u>	<u>\$ 747</u>

e. Other lease information

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	2021	2020	2021	2020
Expenses relating to short-term leases	<u>\$ 1,366</u>	<u>\$ 1,616</u>	<u>\$ 2,652</u>	<u>\$ 3,623</u>
Expenses relating to low-value asset leases	<u>\$ 7</u>	<u>\$ 7</u>	<u>\$ 17</u>	<u>\$ 11</u>
Total cash outflow for leases			<u>\$ (31,564)</u>	<u>\$ (33,587)</u>

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

## 11. INTANGIBLE ASSETS

	Software	Patents	Total
<u>Cost</u>			
Balance at January 1, 2021	\$ 1,059,356	\$ 519	\$ 1,059,875
Additions	164,212	-	164,212
Effect of exchange rate changes	<u>(4)</u>	<u>-</u>	<u>(4)</u>
Balance at June 30, 2021	<u>\$ 1,223,564</u>	<u>\$ 519</u>	<u>\$ 1,224,083</u>

(Continued)



	Software	Patents	Total
<u>Accumulated amortization</u>			
Balance at January 1, 2021	\$ 615,510	\$ 480	\$ 615,990
Amortization	149,335	14	149,349
Effect of exchange rate changes	<u>(4)</u>	<u>-</u>	<u>(4)</u>
Balance at June 30, 2021	<u>\$ 764,841</u>	<u>\$ 494</u>	<u>\$ 765,335</u>
Carrying amount at January 1, 2021	<u>\$ 443,846</u>	<u>\$ 39</u>	<u>\$ 443,885</u>
Carrying amount at June 30, 2021	<u>\$ 458,723</u>	<u>\$ 25</u>	<u>\$ 458,748</u>
<u>Cost</u>			
Balance at January 1, 2020	\$ 930,730	\$ 519	\$ 931,249
Additions	132,529	-	132,529
Effect of exchange rate changes	<u>(5)</u>	<u>-</u>	<u>(5)</u>
Balance at June 30, 2020	<u>\$ 1,063,254</u>	<u>\$ 519</u>	<u>\$ 1,063,773</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2020	\$ 518,750	\$ 452	\$ 519,202
Amortization	152,101	14	152,115
Effect of exchange rate changes	<u>(4)</u>	<u>-</u>	<u>(4)</u>
Balance at June 30, 2020	<u>\$ 670,847</u>	<u>\$ 466</u>	<u>\$ 671,313</u>
Carrying amount at January 1, 2020	<u>\$ 411,980</u>	<u>\$ 67</u>	<u>\$ 412,047</u>
Carrying amount at June 30, 2020	<u>\$ 392,407</u>	<u>\$ 53</u>	<u>\$ 392,460</u>

(Concluded)

## 12. OTHER CURRENT ASSETS

	June 30, 2021	December 31, 2020	June 30, 2020
Prepayment for purchases	\$ 579,144	\$ 235,125	\$ 174,866
Prepaid license fees	235,610	359,389	233,808
VAT tax receivable	64,976	104,685	60,356
Prepaid expenses	33,118	30,736	46,897
Temporary payments	573	8,898	8,802
Prepaid income tax	352	3,235	3,323
Income tax receivable	<u>-</u>	<u>-</u>	<u>6,359</u>
	<u>\$ 913,773</u>	<u>\$ 742,068</u>	<u>\$ 534,411</u>

### 13. OTHER LIABILITIES

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Current</u>			
Payable for salaries and bonuses	\$ 238,196	\$ 323,839	\$ 145,938
License fees payable	173,473	206,942	160,944
Payable for royalties	23,251	10,431	72,744
Refund liabilities	621	621	621
Others	<u>474,170</u>	<u>608,397</u>	<u>387,668</u>
	<u>\$ 909,711</u>	<u>\$ 1,150,230</u>	<u>\$ 767,915</u>
<u>Non-current</u>			
License fees payable	<u>\$ 125,599</u>	<u>\$ 74,921</u>	<u>\$ 71,580</u>

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

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

### 14. RETIREMENT BENEFIT PLANS

#### a. Defined contribution plans

The pension mechanism under the Labor Pension Act is deemed a defined contribution retirement plan. Pursuant to the Act, GUC makes monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts. Furthermore, GUC-NA, GUC-Japan, GUC-Korea, GUC-Shanghai and GUC-Nanjing make monthly contributions at certain percentages of the salary of their employees. Accordingly, the Company recognized expenses of NT\$15,994 thousand and NT\$13,102 thousand in the consolidated statements of comprehensive income for the three months ended June 30, 2021 and 2020, respectively; and NT\$31,890 thousand and NT\$26,883 thousand in the consolidated statements of comprehensive income for the six months ended June 30, 2021 and 2020, respectively.

#### b. Defined benefit plans

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

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

GUC adopted the pension cost rate from the actuarial valuation as of December 31, 2020 and 2019 to determine and recognize pension expenses in general and administrative expenses of NT\$399 thousand and NT\$393 thousand in the consolidated statements of comprehensive income for the three months ended June 30, 2021 and 2020, respectively; and NT\$797 thousand and NT\$787 thousand in the consolidated statements of comprehensive income for the six months ended June 30, 2021 and 2020, respectively.

## 15. EQUITY

### a. Share capital

	June 30, 2021	December 31, 2020	June 30, 2020
Authorized	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>
Issued	<u>\$ 1,340,119</u>	<u>\$ 1,340,119</u>	<u>\$ 1,340,119</u>

As of June 30, 2021, December 31, 2020 and June 30, 2020 GUC is authorized to issue 150,000 thousand shares, with par value of \$10; each share is entitled to the right to vote and to receive dividends; a total of 134,011 thousand shares have been paid and issued.

### b. Capital surplus

	June 30, 2021	December 31, 2020	June 30, 2020
From merger	\$ 16,621	\$ 16,621	\$ 16,621
Additional paid-in capital	13,232	13,232	13,232
Donations	2,660	2,660	2,660
Dividends from claims extinguished by prescription	<u>128</u>	<u>105</u>	<u>105</u>
	<u>\$ 32,641</u>	<u>\$ 32,618</u>	<u>\$ 32,618</u>

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

### c. Retained earnings and dividend policy

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

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

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

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

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

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

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

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

d. Others

Changes in foreign currency translation reserve were as follows:

	<b>Three Months Ended June 30</b>		<b>Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Balance, beginning of period	\$ (28,963)	\$ (22,264)	\$ (22,153)	\$ (20,745)
Exchange differences on translation of foreign operations	<u>(7,671)</u>	<u>(6,903)</u>	<u>(14,481)</u>	<u>(8,422)</u>
Balance, end of period	\$ <u>(36,634)</u>	\$ <u>(29,167)</u>	\$ <u>(36,634)</u>	\$ <u>(29,167)</u>

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

## 16. NET REVENUE

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

	<b>Three Months Ended June 30</b>		<b>Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Revenue from customer contracts				
Net revenue from sale of goods	\$ 2,130,086	\$ 2,167,130	\$ 4,163,778	\$ 4,544,372
Net revenue from NRE service	<u>1,170,751</u>	<u>759,668</u>	<u>2,449,250</u>	<u>1,552,293</u>
	\$ <u>3,300,837</u>	\$ <u>2,926,798</u>	\$ <u>6,613,028</u>	\$ <u>6,096,665</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

	June 30, 2021	December 31, 2020	June 30, 2020	January 1, 2020
Accounts receivable	\$ 1,171,979	\$ 1,137,071	\$ 1,219,361	\$ 1,377,203
Contract assets - current	\$ -	\$ -	\$ 150,733	\$ 324,965
Contract liabilities - current	\$ 4,510,587	\$ 2,381,778	\$ 1,870,495	\$ 1,109,042

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.

In the six months ended June 30, 2021 and 2020, the Company recognized revenue of NT\$1,042,643 thousand and NT\$545,163 thousand, respectively from the beginning balance of contract liability.

b. Disaggregation of revenue from contracts with customers

Production	Three Months Ended June 30		Six Months Ended June 30	
	2021	2020	2021	2020
ASIC and wafer product	\$ 2,130,086	\$ 2,167,130	\$ 4,163,778	\$ 4,544,372
NRE	1,136,991	516,813	2,370,709	1,293,218
Others	33,760	242,855	78,541	259,075
	<u>\$ 3,300,837</u>	<u>\$ 2,926,798</u>	<u>\$ 6,613,028</u>	<u>\$ 6,096,665</u>

  

Region	Three Months Ended June 30		Six Months Ended June 30	
	2021	2020	2021	2020
China	\$ 1,128,163	\$ 586,964	\$ 1,845,453	\$ 1,264,757
Taiwan	803,545	655,013	1,496,608	1,186,825
United States	644,057	848,974	1,246,498	2,046,932
Korea	366,608	431,426	900,047	827,988
Japan	292,694	107,224	895,529	239,850
Europe	65,770	297,197	228,893	530,313
	<u>\$ 3,300,837</u>	<u>\$ 2,926,798</u>	<u>\$ 6,613,028</u>	<u>\$ 6,096,665</u>

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

Application Type	Three Months Ended June 30		Six Months Ended June 30	
	2021	2020	2021	2020
Digital Consumer	\$ 1,348,962	\$ 1,329,401	\$ 2,911,900	\$ 2,856,978
Networking	915,245	708,223	1,697,950	1,318,867
Industry	418,711	429,683	796,172	1,214,384
AI/ML	410,021	247,923	541,169	330,827
Others	207,898	211,568	665,837	375,609
	<u>\$ 3,300,837</u>	<u>\$ 2,926,798</u>	<u>\$ 6,613,028</u>	<u>\$ 6,096,665</u>

Customer Type	Three Months Ended June 30		Six Months Ended June 30	
	2021	2020	2021	2020
System House	\$ 2,076,603	\$ 1,971,104	\$ 4,483,145	\$ 4,131,219
Fabless	<u>1,224,234</u>	<u>955,694</u>	<u>2,129,883</u>	<u>1,965,446</u>
	<u>\$ 3,300,837</u>	<u>\$ 2,926,798</u>	<u>\$ 6,613,028</u>	<u>\$ 6,096,665</u>

Resolution	Three Months Ended June 30, 2021		Three Months Ended June 30, 2020	
	Net Revenue from NRE Service	Net Revenue from Sale of Goods	Net Revenue from NRE Service	Net Revenue from Sale of Goods
7-nanometer	\$ 217,218	\$ -	\$ 76,804	\$ -
16-nanometer	574,895	427,961	200,786	164,828
28-nanometer	244,842	409,917	186,979	784,659
40-nanometer and above	100,036	1,292,208	52,244	1,217,643
Others	<u>33,760</u>	<u>-</u>	<u>242,855</u>	<u>-</u>
	<u>\$ 1,170,751</u>	<u>\$ 2,130,086</u>	<u>\$ 759,668</u>	<u>\$ 2,167,130</u>

Resolution	Six Months Ended June 30, 2021		Six Months Ended June 30, 2020	
	Net Revenue from NRE Service	Net Revenue from Sale of Goods	Net Revenue from NRE Service	Net Revenue from Sale of Goods
7-nanometer	\$ 723,404	\$ -	\$ 138,326	\$ -
16-nanometer	1,051,064	768,369	392,887	277,434
28-nanometer	371,403	865,353	447,853	1,826,552
40-nanometer and above	224,838	2,530,056	314,152	2,440,386
Others	<u>78,541</u>	<u>-</u>	<u>259,075</u>	<u>-</u>
	<u>\$ 2,449,250</u>	<u>\$ 4,163,778</u>	<u>\$ 1,552,293</u>	<u>\$ 4,544,372</u>

## 17. INTEREST INCOME

	Three Months Ended June 30		Six Months Ended June 30	
	2021	2020	2021	2020
Bank deposits	<u>\$ 3,165</u>	<u>\$ 3,064</u>	<u>\$ 5,887</u>	<u>\$ 7,563</u>

## 18. OTHER INCOME

	Three Months Ended June 30		Six Months Ended June 30	
	2021	2020	2021	2020
Government grants	\$ 51,974	\$ 1,168	\$ 55,525	\$ 55,329
Past due over 2 years' contract liabilities transferred to income	-	3,528	13,376	3,528
Rental income	75	74	149	149
Other income	<u>651</u>	<u>576</u>	<u>2,186</u>	<u>1,161</u>
	<u>\$ 52,700</u>	<u>\$ 5,346</u>	<u>\$ 71,236</u>	<u>\$ 60,167</u>

## 19. OTHER GAINS AND LOSSES

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Gain on financial assets at fair value through profit or loss	\$ 914	\$ 845	\$ 1,729	\$ 1,288
Gain on lease modification	-	-	456	-
Foreign exchange loss net	<u>(14,048)</u>	<u>(13,484)</u>	<u>(21,349)</u>	<u>(16,023)</u>
	<u>\$ (13,134)</u>	<u>\$ (12,639)</u>	<u>\$ (19,164)</u>	<u>\$ (14,735)</u>

## 20. FINANCE COSTS

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Interest on lease liabilities	\$ 1,170	\$ 926	\$ 2,389	\$ 1,872
Interest on bank loans	<u>-</u>	<u>-</u>	<u>-</u>	<u>25</u>
	<u>\$ 1,170</u>	<u>\$ 926</u>	<u>\$ 2,389</u>	<u>\$ 1,897</u>

## 21. INCOME TAX

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

Income tax expense consisted of the following:

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Current income tax expense				
Current tax expense recognized in the current period	\$ 31,415	\$ (2,663)	\$ 84,156	\$ 15,244
Adjustments to income tax of prior years	<u>(215)</u>	<u>(447)</u>	<u>(209)</u>	<u>(447)</u>
	31,200	(3,110)	83,947	14,797
Deferred income tax expense				
Temporary differences	24,050	21,164	31,265	34,292
Effect of tax rate changes	<u>49</u>	<u>-</u>	<u>49</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 55,299</u>	<u>\$ 18,054</u>	<u>\$ 115,261</u>	<u>\$ 49,089</u>

### b. Income tax examination

The tax authorities have examined the income tax returns of GUC through 2019.

## 22. EARNINGS PER SHARE

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Basic EPS	\$ <u>1.64</u>	\$ <u>0.27</u>	\$ <u>3.94</u>	\$ <u>1.01</u>
Diluted EPS	\$ <u>1.64</u>	\$ <u>0.27</u>	\$ <u>3.93</u>	\$ <u>1.01</u>

EPS is computed as follows:

	<u>Amounts</u> <u>(Numerator)</u>	<u>Number of</u> <u>Shares</u> <u>(Denominator)</u> <u>(In Thousands)</u>	<u>EPS (NT\$)</u>
<u>Three months ended June 30, 2021</u>			
Basic EPS			
Net income available to common shareholders	\$ 219,702	134,011	<u>\$1.64</u>
Effect of dilutive potential common stock	<u>-</u>	<u>207</u>	
Diluted EPS			
Net income available to common shareholders (including effect of dilutive potential common stock)	<u>\$ 219,702</u>	<u>134,218</u>	<u>\$1.64</u>
<u>Three months ended June 30, 2020</u>			
Basic EPS			
Net income available to common shareholders	\$ 36,761	134,011	<u>\$0.27</u>
Effect of dilutive potential common stock	<u>-</u>	<u>67</u>	
Diluted EPS			
Net income available to common shareholders (including effect of dilutive potential common stock)	<u>\$ 36,761</u>	<u>134,078</u>	<u>\$0.27</u>
<u>Six months ended June 30, 2021</u>			
Basic EPS			
Net income available to common shareholders	\$ 527,591	134,011	<u>\$3.94</u>
Effect of dilutive potential common stock	<u>-</u>	<u>255</u>	
Diluted EPS			
Net income available to common shareholders (including effect of dilutive potential common stock)	<u>\$ 527,591</u>	<u>134,266</u>	<u>\$3.93</u>

(Continued)



	Amounts (Numerator)	Number of Shares (Denominator) (In Thousands)	EPS (NT\$)
<u>Six months ended June 30, 2020</u>			
Basic EPS			
Net income available to common shareholders	\$ 135,503	134,011	<u>\$1.01</u>
Effect of dilutive potential common stock	<u>-</u>	<u>130</u>	
Diluted EPS			
Net income available to common shareholders (including effect of dilutive potential common stock)	<u>\$ 135,503</u>	<u>134,141</u>	<u>\$1.01</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.

## 23. ADDITIONAL INFORMATION OF EXPENSES BY NATURE

Net income included the following items:

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	2021	2020	2021	2020
a. Depreciation expense				
Depreciation of property, plant and equipment				
Recognized in cost of revenue	\$ 2,431	\$ 1,680	\$ 4,879	\$ 2,990
Recognized in operating expenses	<u>73,436</u>	<u>75,391</u>	<u>147,089</u>	<u>150,937</u>
	<u>75,867</u>	<u>77,071</u>	<u>151,968</u>	<u>153,927</u>
Depreciation of right-of-use assets				
Recognized in cost of revenue	994	1,000	2,015	1,991
Recognized in operating expenses	<u>14,871</u>	<u>14,041</u>	<u>30,835</u>	<u>27,788</u>
	<u>15,865</u>	<u>15,041</u>	<u>32,850</u>	<u>29,779</u>
	<u>\$ 91,732</u>	<u>\$ 92,112</u>	<u>\$ 184,818</u>	<u>\$ 183,706</u>

		<b>Three Months Ended June 30</b>		<b>Six Months Ended June 30</b>	
		<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
b.	Amortization of intangible assets				
	Recognized in cost of revenue	\$ 59	\$ -	\$ 99	\$ -
	Recognized in operating expenses	<u>74,838</u>	<u>76,839</u>	<u>149,250</u>	<u>152,115</u>
		<u>\$ 74,897</u>	<u>\$ 76,839</u>	<u>\$ 149,349</u>	<u>\$ 152,115</u>
c.	Research and development costs expensed as incurred	<u>\$ 660,361</u>	<u>\$ 584,666</u>	<u>\$ 1,309,332</u>	<u>\$ 1,147,106</u>
d.	Employee benefits expense				
	Post-employment benefits (Note 14)				
	Defined contribution plans	\$ 15,994	\$ 13,102	\$ 31,890	\$ 26,883
	Defined benefit plans	<u>399</u>	<u>393</u>	<u>797</u>	<u>787</u>
		16,393	13,495	32,687	27,670
	Other employee benefits	<u>559,529</u>	<u>461,276</u>	<u>1,115,384</u>	<u>915,362</u>
		<u>\$ 575,922</u>	<u>\$ 474,771</u>	<u>\$ 1,148,071</u>	<u>\$ 943,032</u>
	Employee benefits expense summarized by function				
	Recognized in cost of revenue	\$ 53,490	\$ 40,214	\$ 109,115	\$ 80,461
	Recognized in operating expenses	<u>522,432</u>	<u>434,557</u>	<u>1,038,956</u>	<u>862,571</u>
		<u>\$ 575,922</u>	<u>\$ 474,771</u>	<u>\$ 1,148,071</u>	<u>\$ 943,032</u>
e.	Employees' compensation and remuneration to directors				

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

For the three months ended June 30, and for the six months ended June 30, 2021 and 2020, GUC accrued employees' compensation and remuneration to directors were made at the approved percentage of net income before tax and before deduction of the employees' compensation and remuneration to directors. The accrued amounts were as follows:

		<b>Three Months Ended June 30</b>		<b>Six Months Ended June 30</b>	
		<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	Employees' compensation	\$ 35,864	\$ 4,987	\$ 85,189	\$ 16,675
	Remuneration to directors	3,274	(189)	8,058	376

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

The employees' compensation and remuneration to directors of GUC in the amounts of NT\$133,640 thousand and NT\$11,994 thousand in cash for 2020, respectively, and in the amounts of NT\$75,228 thousand and NT\$5,463 thousand in cash for 2019, respectively, were approved by the Board of Directors in their meetings held on January 28, 2021 and February 6, 2020, respectively. The aforementioned approved amounts did not have any difference with the amounts recognized in the consolidated financial statements for the years ended December 31, 2020 and 2019, respectively.

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

## 24. CASH FLOW INFORMATION

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

	Balance as of January 1, 2021	Cash Flows	Non-cash Changes			Balance as of June 30, 2021
			Lease Additions	Lease Termination	Foreign Exchange Movement	
Guarantee deposits	\$ 2,957	\$ 9	\$ -	\$ -	\$ (64)	\$ 2,902
Lease liabilities	243,091	(26,464)	77,957	(1,019)	(4,201)	289,364

  

	Balance as of January 1, 2020	Cash Flows	Non-cash Changes			Balance as of June 30, 2020
			Lease Additions		Foreign Exchange Movement	
Guarantee deposits	\$ 3,075	\$ (2)	\$ -		\$ (37)	\$ 3,036
Lease liabilities	250,577	(28,038)	27,346		(684)	249,201

## 25. CAPITAL MANAGEMENT

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

## 26. FINANCIAL INSTRUMENTS

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

#### 1) Fair value hierarchy

June 30, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	\$ 2,131,729	\$ -	\$ -	\$ 2,131,729

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 June 30, 2020.

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

### b. Categories of financial instruments

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Financial assets</u>			
FVTPL			
Mandatorily classified as at FVTPL	\$ 2,131,729	\$ 730,000	\$ -
Amortized cost			
Cash and cash equivalents	4,531,472	3,896,753	3,179,715
Accounts receivable, net (including related parties)	1,187,296	1,174,442	1,266,271
Other financial assets	482	383	494
Refundable deposits	1,598	1,328	1,751
Pledged time deposits	22,200	22,200	22,200
	<u>\$ 7,874,777</u>	<u>\$ 5,825,106</u>	<u>\$ 4,470,431</u>
<u>Financial liabilities</u>			
Amortized cost			
Accounts payable (including related parties)	\$ 1,262,498	\$ 1,061,100	\$ 1,792,855
Payables on machinery and equipment	-	4,171	495
Accrued expenses and other current liabilities	483,594	612,556	448,988
Other long-term payables	299,072	281,863	232,524
Guarantee deposits	2,786	2,848	2,963
	<u>\$ 2,047,950</u>	<u>\$ 1,962,538</u>	<u>\$ 2,477,825</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 six months ended June 30, 2021 and 2020 would have decreased by NT\$8,820 thousand and increased by NT\$22,275 thousand, respectively.

e. Credit risk management

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

Business related credit risk

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

As of June 30, 2021, December 31, 2020 and June 30, 2020, the Company's ten largest customers accounted for 52%, 31% and 61% of accounts receivable, respectively.

Financial credit risk

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

f. Liquidity risk management

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

As of June 30, 2021, December 31, 2020 and June 30, 2020, the unused financing facilities of the Company amounted to NT\$1,600,000 thousand, NT\$1,600,000 thousand and NT\$1,100,000 thousand, respectively.

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

<b>Non-derivative Financial Liability</b>	<b>Less Than 1 Year</b>	<b>2-3 Years</b>	<b>4+ Years</b>	<b>Total</b>
<u>June 30, 2021</u>				
Accounts payable (including related parties)	\$ 1,262,498	\$ -	\$ -	\$ 1,262,498
Accrued expenses and other current liabilities	483,594	-	-	483,594
Lease liabilities	62,565	129,042	125,309	316,916
Other long-term payables	173,473	125,599	-	299,072
Guarantee deposits	-	-	2,786	2,786
	<u>\$ 1,982,130</u>	<u>\$ 254,641</u>	<u>\$ 128,095</u>	<u>\$ 2,364,866</u>

Additional information about the maturity analysis of lease liabilities:

	<b>Less than 4 Year</b>	<b>4-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>	<b>20+ Years</b>
Lease liabilities	<u>\$ 191,607</u>	<u>\$ 73,808</u>	<u>\$ 10,692</u>	<u>\$ 10,692</u>	<u>\$ 30,117</u>

<b>Non-derivative Financial Liability</b>	<b>Less Than 1 Year</b>	<b>2-3 Years</b>	<b>4+ Years</b>	<b>Total</b>
<u>December 31, 2020</u>				
Accounts payable (including related parties)	\$ 1,061,100	\$ -	\$ -	\$ 1,061,100
Payables on machinery and equipment	4,171	-	-	4,171
Accrued expenses and other current liabilities	612,556	-	-	612,556
Lease liabilities	56,593	106,365	102,968	265,926
Other long-term payables	206,942	74,921	-	281,863
Guarantee deposits	-	-	2,848	2,848
	<u>\$ 1,941,362</u>	<u>\$ 181,286</u>	<u>\$ 105,816</u>	<u>\$ 2,228,464</u>

Additional information about the maturity analysis of lease liabilities:

	<b>Less than 4 Year</b>	<b>4-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>	<b>20+ Years</b>
Lease liabilities	<u>\$ 162,958</u>	<u>\$ 50,398</u>	<u>\$ 10,692</u>	<u>\$ 10,692</u>	<u>\$ 31,186</u>

<b>Non-derivative Financial Liability</b>	<b>Less Than 1 Year</b>	<b>2-3 Years</b>	<b>4+ Years</b>	<b>Total</b>
<u>June 30, 2020</u>				
Accounts payable (including related parties)	\$ 1,792,855	\$ -	\$ -	\$ 1,792,855
Payables on machinery and equipment	495	-	-	495
Accrued expenses and other current liabilities	448,988	-	-	448,988
Lease liabilities	54,706	104,585	113,984	273,275
Other long-term payables	160,944	71,580	-	232,524
Guarantee deposits	<u>-</u>	<u>-</u>	<u>2,963</u>	<u>2,963</u>
	<u>\$ 2,457,988</u>	<u>\$ 176,165</u>	<u>\$ 116,947</u>	<u>\$ 2,751,100</u>

Additional information about the maturity analysis of lease liabilities:

	<b>Less than 4 Year</b>	<b>4-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>	<b>20+ Years</b>
Lease liabilities	<u>\$ 159,291</u>	<u>\$ 60,345</u>	<u>\$ 10,692</u>	<u>\$ 10,692</u>	<u>\$ 32,255</u>

g. Fair value of financial instruments

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

## 27. RELATED PARTY TRANSACTIONS

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

a. Related party name and category

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

b. Operating transactions

Line Item	Related Party Name and Category	Three Months Ended June 30		Six Months Ended June 30	
		2021	2020	2021	2020
Net revenue from sale	Investors with significant influence over the Company	<u>\$ 35,723</u>	<u>\$ 60,046</u>	<u>\$ 76,992</u>	<u>\$ 78,580</u>
Purchases	Investors with significant influence over the Company				
	TSMC	\$ 826,690	\$ 785,193	\$ 1,540,571	\$ 1,673,625
	TSMC-NA	<u>373,796</u>	<u>209,127</u>	<u>627,971</u>	<u>385,936</u>
		1,200,486	994,320	2,168,542	2,059,561
	Other related parties	<u>15,174</u>	<u>27,865</u>	<u>23,607</u>	<u>52,465</u>
		<u>\$ 1,215,660</u>	<u>\$ 1,022,185</u>	<u>\$ 2,192,149</u>	<u>\$ 2,112,026</u>
Manufacturing overhead	Investors with significant influence over the Company				
	TSMC	\$ 362,293	\$ 548,568	\$ 483,207	\$ 724,578
	TSMC-NA	118,090	41,899	230,900	182,107
	VisEra	<u>587</u>	<u>415</u>	<u>1,203</u>	<u>538</u>
		<u>\$ 480,970</u>	<u>\$ 590,882</u>	<u>\$ 715,310</u>	<u>\$ 907,223</u>
Operating expenses	Investors with significant influence over the Company	<u>\$ 2,561</u>	<u>\$ 3,803</u>	<u>\$ 6,152</u>	<u>\$ 6,367</u>

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

Line Item	Related Party Name and Category	June 30, 2021	December 31, 2020	June 30, 2020
Receivables from related parties	Investors with significant influence over the Company			
	TSMC	<u>\$ 15,317</u>	<u>\$ 37,371</u>	<u>\$ 46,910</u>
Other current assets	Investors with significant influence over the Company			
	TSMC	<u>\$ 334,580</u>	<u>\$ -</u>	<u>\$ -</u>
Refundable deposits	Investors with significant influence over the Company			
	VisEra	\$ 2,832	\$ 2,832	\$ 2,832
	TSMC-NA	<u>-</u>	<u>419</u>	<u>436</u>
		<u>\$ 2,832</u>	<u>\$ 3,251</u>	<u>\$ 3,268</u>

(Continued)



Line Item	Related Party Name and Category	June 30, 2021	December 31, 2020	June 30, 2020
Payables to related parties	Investors with significant influence over the Company			
	TSMC	\$ 460,452	\$ 317,199	\$ 707,728
	TSMC-NA	211,325	58,136	90,040
	VisEra	<u>249</u>	<u>234</u>	<u>133</u>
		672,026	375,569	797,901
	Other related parties	<u>8,578</u>	<u>3,441</u>	<u>12,413</u>
		<u>\$ 680,604</u>	<u>\$ 379,010</u>	<u>\$ 810,314</u>
Accrued expenses and other current liabilities	Investors with significant influence over the Company	<u>\$ -</u>	<u>\$ 1,057</u>	<u>\$ 130</u>

(Concluded)

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

c. Lease arrangements

Line Item	Related Party Name and Category	June 30, 2021	December 31, 2020	June 30, 2020
Lease liabilities - current	Investors with significant influence over the Company			
	VisEra	\$ 16,317	\$ 16,236	\$ 16,154
	TSMC-NA	<u>-</u>	<u>1,671</u>	<u>5,657</u>
		<u>\$ 16,317</u>	<u>\$ 17,907</u>	<u>\$ 21,811</u>
Lease liabilities - non-current	Investors with significant influence over the Company			
	VisEra	<u>\$ 58,416</u>	<u>\$ 66,595</u>	<u>\$ 74,734</u>

Line Item	Related Party Name and Category	Three Months Ended June 30		Six Months Ended June 30	
		2021	2020	2021	2020
Finance costs	Investors with significant influence over the Company				
	VisEra	\$ 194	\$ 234	\$ 398	\$ 479
	TSMC-NA	<u>-</u>	<u>50</u>	<u>4</u>	<u>113</u>
		<u>\$ 194</u>	<u>\$ 284</u>	<u>\$ 402</u>	<u>\$ 592</u>

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

d. Compensation of key management personnel:

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

	Three Months Ended June 30		Six Months Ended June 30	
	2021	2020	2021	2020
Short-term employee benefits	\$ 16,430	\$ 18,156	\$ 42,964	\$ 35,942
Post-employment benefits	<u>189</u>	<u>189</u>	<u>351</u>	<u>270</u>
	<u>\$ 16,619</u>	<u>\$ 18,345</u>	<u>\$ 43,315</u>	<u>\$ 36,212</u>

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

## 28. PLEDGED OR MORTGAGED ASSETS

As of June 30, 2021, December 31, 2020 and June 30, 2020 GUC provided pledged time deposits of NT\$20,000 thousand as collateral for customs clearance and also provided pledged time deposits of NT\$2,200 thousand as collateral for lease of a parcel of land from the Science Park Administration (SPA).

## 29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

GUC has entered into license agreements with several companies that own intellectual property rights. According to the agreements, GUC shall pay specific amounts of money to obtain licenses of their intellectual property rights or shall pay royalties at specific percentages of sales amount of identified products. Under the agreements, GUC shall pay at least US\$4,200 thousand, US\$4,200 thousand and US\$8,200 thousand to the counterparty in the period from from April 2020 to April 2023, from October 2020 to October 2023 and from March 2021 to March 2024, respectively.

Under the agreement, GUC shall pay at least US\$2,000 thousand to the counterparty in the period from January 2021 to January 2022.

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

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

(Unit: Foreign Currency in Thousands)

	Foreign Currency	Exchange Rate (Note)	Carrying Amount
<u>June 30, 2021</u>			
Monetary item - financial assets			
USD	\$ 74,606	27.86	\$ 2,078,518
Monetary item - financial liabilities			
USD	70,274	27.86	1,957,831
JPY	65,983	0.2521	16,634
RMB	3,134	4.3090	13,503

#### December 31, 2020

Monetary item - financial assets			
USD	82,639	28.48	2,353,564
Monetary item - financial liabilities			
USD	58,306	28.48	1,660,554
JPY	66,988	0.2763	18,509
RMB	3,077	4.377	13,468

#### June 30, 2020

Monetary item - financial assets			
USD	60,436	29.63	1,790,730
Monetary item - financial liabilities			
USD	66,898	29.63	1,982,188
JPY	66,999	0.2751	18,432
RMB	2,473	4.1910	10,364

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:

Three Months Ended June 30				
2021			2020	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
JPY	0.2558 (JPY:NTD)	\$ 299	0.2780 (JPY:NTD)	\$ (58)
KRW	0.02517 (KRW:NTD)	(1)	0.02472 (KRW:NTD)	(3)
EUR	33.7309 (EUR:NTD)	(27)	32.9042 (EUR:NTD)	(48)
RMB	4.3309 (RMB:NTD)	(51)	4.2119 (RMB:NTD)	1,022
USD	27.9768 (USD:NTD)	(9,430)	29.8945 (USD:NTD)	(16,344)
USD	1,107.5846 (USD:KRW)	(13)	1,204.8436 (USD:KRW)	(6)
USD	6.4684 (USD:RMB)	(4,825)	7.0925 (USD:RMB)	1,953
		<u>\$ (14,048)</u>		<u>\$ (13,484)</u>

Six Months Ended June 30				
2021		2020		
Foreign Currency	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
JPY	0.2618 (JPY:NTD)	\$ 1,928	0.2772 (JPY:NTD)	\$ (839)
EUR	33.9635 (EUR:NTD)	84	33.0606 (EUR:NTD)	(119)
KRW	0.02542 (KRW:NTD)	13	0.02509 (KRW:NTD)	(4)
RMB	4.3535 (RMB:NTD)	(19)	4.2607 (RMB:NTD)	1,199
USD	28.1715 (USD:NTD)	(21,935)	30.0006 (USD:NTD)	(19,125)
USD	1,103.9167 (USD:KRW)	(11)	1,192.9542 (USD:KRW)	40
USD	6.4806 (USD:RMB)	<u>(1,409)</u>	7.0242 (USD:RMB)	<u>2,825</u>
		<u>\$ (21,349)</u>		<u>\$ (16,023)</u>

### 31. OPERATING SEGMENT INFORMATION

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

### 32. ADDITIONAL DISCLOSURES

#### a. Significant transactions and b. Related information of reinvestment

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

- 11) Names, locations, and related information of investees over which the Company exercises significant influence (excluding information on investment in Mainland China): See Table 5 attached;

c. Information on investment in Mainland China

- 1) The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, net income (losses) of the investee, investment income (losses), ending balance, amount received as dividends from the investee, and the limitation on investee: See Table 6 attached.
  - 2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: See Table 4 attached.
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: See Table 7 attached.

**TABLE 1**

**GLOBAL UNICHIP CORP. AND SUBSIDIARIES**

**MARKETABLE SECURITIES HELD**  
**JUNE 30, 2021**  
**(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Holding Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2021				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
GUC	<u>Mutual funds</u>							
	Jih Sun Money Market Fund	-	Financial assets at fair value through profit or loss - current	48,801,508	\$ 730,617	-	\$ 730,617	
	Taishin 1699 Money Market Fund	-	Financial assets at fair value through profit or loss - current	27,846,440	380,480	-	380,480	
	Fuh Haw Money Market Fund	-	Financial assets at fair value through profit or loss - current	24,064,102	350,241	-	350,241	
	UPAMC James Bond Money Market Fund	-	Financial assets at fair value through profit or loss - current	13,054,458	220,059	-	220,059	
	Yuanta Wan Tai Money Market Fund	-	Financial assets at fair value through profit or loss - current	13,109,940	200,139	-	200,139	
	Taishin Ta-Chong Money Market Fund	-	Financial assets at fair value through profit or loss - current	10,473,032	150,145	-	150,145	
	Prudential Financial Money Market Fund	-	Financial assets at fair value through profit or loss - current	6,262,643	100,048	-	100,048	
	<u>Preferred stock</u>							
	eTopus Technology Inc.	-	Financial assets at fair value through profit or loss - non-current	1,515,151	-	3.0	-	

**TABLE 2**

**GLOBAL UNICHIP CORP. AND SUBSIDIARIES**

**MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
SIX MONTHS ENDED JUNE 30, 2021  
(Amounts in Thousands of New Taiwan Dollars)**

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Units	Amount	Units	Amount	Units	Amount	Carrying Amount	Gains on Disposal	Units	Amount
GUC	Jih Sun Money Market Fund	Financial assets at fair value through profit or loss	-	-	26,755,853	\$ 400,000	22,045,655	\$ 330,000	-	\$ -	\$ -	\$ -	48,801,508	\$ 730,617
	Fuh Haw Money Market Fund	Financial assets at fair value through profit or loss	-	-	3,437,844	50,000	48,113,841	700,000	27,487,583	400,000	399,897	103	24,064,102	350,241

**TABLE 3**

**GLOBAL UNICHIP CORP. AND SUBSIDIARIES**

**TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
SIX MONTHS ENDED JUNE 30, 2021  
(Amounts in Thousands of New Taiwan Dollars)**

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchases/ Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
GUC	TSMC	TSMC is an investor that accounts for its investment by using equity method	Purchases	\$ 1,541,220	70	30 days after monthly closing	Note 27	Note 27	\$ (400,589)	(32)	
	TSMC-NA	TSMC-NA is a subsidiary of TSMC	Purchases	627,971	29	30 days after invoice date and 30 days after monthly closing	Note 27	Note 27	(211,325)	(17)	



**TABLE 4**

**GLOBAL UNICHIP CORP. AND SUBSIDIARIES**

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS**  
**SIX MONTHS ENDED JUNE 30, 2021**  
**(Amounts in Thousands of New Taiwan Dollars)**

No.	Company Name	Counterparty	Nature of Relationship (Note 1)	Intercompany Transactions			
				Financial Statement Account	Amount	Terms (Note 2)	Percentage to Consolidated Net Revenue or Total Assets
0	GUC	GUC-NA	1	Operating expenses	\$ 114,863	-	2%
				Accrued expenses and other current liabilities	16,070	-	-
		GUC-Japan	1	Operating expenses	111,628	-	2%
				Accrued expenses and other current liabilities	16,634	-	-
		GUC-Europe	1	Operating expenses	15,607	-	-
				Accrued expenses and other current liabilities	2,395	-	-
		GUC-Korea	1	Operating expenses	3,670	-	-
				Accrued expenses and other current liabilities	600	-	-
		GUC-Shanghai	1	Operating expenses	42,611	-	1%
				Accrued expenses and other current liabilities	5,966	-	-
		GUC-Nanjing	1	Operating expenses	45,016	-	1%
				Accounts payable	78,621	-	1%
				Accrued expenses and other current liabilities	7,537	-	-

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

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

**TABLE 5**

**GLOBAL UNICHIP CORP. AND SUBSIDIARIES**

**NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)  
SIX MONTHS ENDED JUNE 30, 2021**

**(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 June 30, 2021			Net Income (Losses) of the Investee	Investment Income (Losses)	Note
				June 30, 2021 (Foreign Currencies in Thousands)	December 31, 2020 (Foreign Currencies in Thousands)	Shares	Percentage of Ownership (%)	Carrying Amount			
GUC	GUC-NA	U.S.A.	Products consulting, design and technical support service	\$ 40,268	\$ 40,268	800,000	100	\$ 132,240	\$ 3,930	\$ 3,930	
	GUC-Japan	Japan	Products consulting, design and technical support service	( US\$ 1,264)	( US\$ 1,264)	1,100	100	60,368	5,048	5,048	
	GUC-Europe	Netherlands	Products consulting, design and technical support service	( YEN 55,000)	( YEN 55,000)	-	100	12,198	774	774	
	GUC-Korea	Korea	Products consulting, design and technical support service	( EUR 200)	( EUR 200)	44,000	100	6,898	194	194	
				5,974	5,974						
				( KRW 222,545)	( KRW 222,545)						

TABLE 6

## GLOBAL UNICHIP CORP. AND SUBSIDIARIES

## INFORMATION ON INVESTMENT IN MAINLAND CHINA

SIX MONTHS ENDED JUNE 30, 2021

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

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (US\$ in Thousands)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2021 (US\$ in Thousands)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2021 (US\$ in Thousands)	Net Income (Losses) of the Investee	Percentage of Ownership	Investment Income (Losses)	Carrying Amount as of June 30, 2021	Accumulated Inward Remittance of Earnings as of June 30, 2021
					Outflow	Inflow						
GUC-Nanjing	Products consulting, design and technical support service	\$ 118,133 (US\$ 4,000)	(Note 1)	\$ 90,138 (US\$ 3,000)	\$ 27,995 (US\$ 1,000)	\$ -	\$ 118,133 (US\$ 4,000)	\$ 81,897	100%	\$ 81,897 (Note 2)	\$ 341,155	\$ -
GUC-Shanghai	Products consulting, design and technical support service	31,165 (US\$ 1,000)	(Note 1)	31,165 (US\$ 1,000)	-	-	31,165 (US\$ 1,000)	2,390	100%	2,390 (Note 3)	43,077	-

Accumulated Investment in Mainland China as of June 30, 2021 (US\$ in Thousands)	Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousands)	Upper Limit on Investment (US\$ in Thousands)
\$ 149,298 (US\$ 5,000)	\$ 207,998 (US\$ 7,000)	\$ 2,598,034 (Note 4)

Note 1: The Company invested the investee directly.

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

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

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

**TABLE 7**

**GLOBAL UNICHIP CORP. AND SUBSIDIARIES**

**INFORMATION OF MAJOR SHAREHOLDERS**  
**June 30, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Taiwan Semiconductor Manufacturing Co., Ltd.	46,687,859	34.83
SmallCap World Fund Inc.	6,965,000	5.19

- Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.
- Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor 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.