

# **Global Unichip Corp. and Subsidiaries**

**Consolidated Financial Statements for the  
Years Ended December 31, 2021 and 2020 and  
Independent Auditors' Report**

## **REPRESENTATION LETTER**

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2021 are the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements.” Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Consequently, Global Unichip Corp. and its subsidiaries do not prepare a separate set of consolidated financial statements.

Very truly yours,

GLOBAL UNICHIP CORP.

By

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DR. F. C. TSENG  
Chairman

January 26, 2022

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
Global Unichip Corp.

### Opinion

We have audited the accompanying consolidated financial statements of Global Unichip Corp. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Valuation of inventory

Due to the current rapid changes in technology and the high level of competition in the business environment, the prices of products are fluctuating quickly; consequently, the changes in the net realizable value of inventory could have a material impact on the financial statements. As of December 31, 2021 the carrying amount of inventory was NT\$2,788,572 thousand, which accounted for 19% of the total assets in the consolidated balance sheet. Please refer to Notes 4, 5 and 8 to the consolidated financial statements for the details of the information and accounting policy about inventory. The Company's primary business is rendering of services and producing and selling of products in the semiconductor industry. The rapid technological changes in the semiconductor industry require management to timely estimate possible loss on inventory that is expected to be scrapped or disposed of according to the Company's inventory control and accounting policy and the clients' demands. As uncertainty exists in management's judgment when determining loss on inventory, the valuation of inventory has been identified as a key audit matter.

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

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

### **Other Matter**

We have also audited the parent company only financial statements of Global Unichip Corp. as of and for the years ended December 31, 2021 and 2020 on which we have issued an unmodified opinion.

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

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

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

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

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2021, and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

January 26, 2022

#### Notice to Readers

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

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

# GLOBAL UNICHIP CORP. AND SUBSIDIARIES

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

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

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

# GLOBAL UNICHIP CORP. AND SUBSIDIARIES

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

|                                                                     | 2021                |           | 2020              |           |
|---------------------------------------------------------------------|---------------------|-----------|-------------------|-----------|
|                                                                     | Amount              | %         | Amount            | %         |
| NET REVENUE (Notes 16 and 27)                                       | \$ 15,107,915       | 100       | \$ 13,569,441     | 100       |
| COST OF REVENUE (Notes 23 and 27)                                   | <u>9,877,961</u>    | <u>65</u> | <u>9,498,564</u>  | <u>70</u> |
| GROSS PROFIT                                                        | <u>5,229,954</u>    | <u>35</u> | <u>4,070,877</u>  | <u>30</u> |
| OPERATING EXPENSES                                                  |                     |           |                   |           |
| Sales and marketing (Notes 23 and 27)                               | 279,373             | 2         | 266,020           | 2         |
| General and administrative (Notes 23 and 27)                        | 478,707             | 3         | 336,914           | 3         |
| Research and development (Notes 23 and 27)                          | 2,817,903           | 19        | 2,504,010         | 18        |
| Expected credit impairment gain (Note 6)                            | <u>(19,921)</u>     | <u>-</u>  | <u>-</u>          | <u>-</u>  |
| Total operating expenses                                            | <u>3,556,062</u>    | <u>24</u> | <u>3,106,944</u>  | <u>23</u> |
| INCOME FROM OPERATIONS                                              | <u>1,673,892</u>    | <u>11</u> | <u>963,933</u>    | <u>7</u>  |
| NON-OPERATING INCOME AND EXPENSES                                   |                     |           |                   |           |
| Interest income (Note 17)                                           | 14,082              | -         | 12,353            | -         |
| Other income (Notes 10 and 18)                                      | 90,505              | 1         | 67,683            | -         |
| Other gains and losses (Note 19)                                    | (32,551)            | -         | (38,781)          | -         |
| Finance costs (Notes 20 and 27)                                     | <u>(4,623)</u>      | <u>-</u>  | <u>(3,625)</u>    | <u>-</u>  |
| Total non-operating income and expenses                             | <u>67,413</u>       | <u>1</u>  | <u>37,630</u>     | <u>-</u>  |
| INCOME BEFORE INCOME TAX                                            | 1,741,305           | 12        | 1,001,563         | 7         |
| INCOME TAX EXPENSE (Note 21)                                        | <u>281,156</u>      | <u>2</u>  | <u>151,556</u>    | <u>1</u>  |
| NET INCOME                                                          | <u>1,460,149</u>    | <u>10</u> | <u>850,007</u>    | <u>6</u>  |
| OTHER COMPREHENSIVE INCOME (LOSS)                                   |                     |           |                   |           |
| Items that will not be reclassified subsequently to profit or loss  |                     |           |                   |           |
| Remeasurement of defined benefit plans (Note 14)                    | 2,551               | -         | (4,569)           | -         |
| Items that may be reclassified subsequently to profit or loss       |                     |           |                   |           |
| Exchange differences on translation of foreign operations (Note 15) | <u>(16,318)</u>     | <u>-</u>  | <u>(1,408)</u>    | <u>-</u>  |
| Other comprehensive income (loss) for the year, net of income tax   | <u>(13,767)</u>     | <u>-</u>  | <u>(5,977)</u>    | <u>-</u>  |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR                             | <u>\$ 1,446,382</u> | <u>10</u> | <u>\$ 844,030</u> | <u>6</u>  |
| EARNINGS PER SHARE (Note 22)                                        |                     |           |                   |           |
| Basic earnings per share                                            | <u>\$ 10.90</u>     |           | <u>\$ 6.34</u>    |           |
| Diluted earnings per share                                          | <u>\$ 10.86</u>     |           | <u>\$ 6.32</u>    |           |

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

# GLOBAL UNICHIP CORP. AND SUBSIDIARIES

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

|                                                              | <u>Share Capital - Common Stock</u> |                     |                        | <u>Retained Earnings</u> |                        |                                |                     | <u>Others</u>                               |                     |
|--------------------------------------------------------------|-------------------------------------|---------------------|------------------------|--------------------------|------------------------|--------------------------------|---------------------|---------------------------------------------|---------------------|
|                                                              | <u>Share</u>                        | <u>Amount</u>       | <u>Capital Surplus</u> | <u>Legal Reserve</u>     | <u>Special Reserve</u> | <u>Unappropriated Earnings</u> | <u>Total</u>        | <u>Foreign Currency Translation Reserve</u> | <u>Total Equity</u> |
|                                                              | <u>(In Thousands)</u>               |                     |                        |                          |                        |                                |                     |                                             |                     |
| BALANCE, JANUARY 1, 2020                                     | 134,011                             | \$ 1,340,119        | \$ 32,578              | \$ 762,708               | \$ 8,636               | \$ 2,189,678                   | \$ 2,961,022        | \$ (20,745)                                 | \$ 4,312,974        |
| Appropriation and distribution of prior year's earnings      |                                     |                     |                        |                          |                        |                                |                     |                                             |                     |
| Legal reserve                                                | -                                   | -                   | -                      | 62,920                   | -                      | (62,920)                       | -                   | -                                           | -                   |
| Special reserve                                              | -                                   | -                   | -                      | -                        | 12,109                 | (12,109)                       | -                   | -                                           | -                   |
| Cash dividends to shareholders - NT\$5.00 per share          | -                                   | -                   | -                      | -                        | -                      | (670,060)                      | (670,060)           | -                                           | (670,060)           |
| Total                                                        | -                                   | -                   | -                      | 62,920                   | 12,109                 | (745,089)                      | (670,060)           | -                                           | (670,060)           |
| Dividends from claims extinguished by prescription           | -                                   | -                   | 40                     | -                        | -                      | -                              | -                   | -                                           | 40                  |
| Net income in 2020                                           | -                                   | -                   | -                      | -                        | -                      | 850,007                        | 850,007             | -                                           | 850,007             |
| Other comprehensive income (loss) in 2020, net of income tax | -                                   | -                   | -                      | -                        | -                      | (4,569)                        | (4,569)             | (1,408)                                     | (5,977)             |
| Total comprehensive income (loss) in 2020                    | -                                   | -                   | -                      | -                        | -                      | 845,438                        | 845,438             | (1,408)                                     | 844,030             |
| BALANCE, DECEMBER 31, 2020                                   | 134,011                             | 1,340,119           | 32,618                 | 825,628                  | 20,745                 | 2,290,027                      | 3,136,400           | (22,153)                                    | 4,486,984           |
| 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 in 2021                                           | -                                   | -                   | -                      | -                        | -                      | 1,460,149                      | 1,460,149           | -                                           | 1,460,149           |
| Other comprehensive income (loss) in 2021, net of income tax | -                                   | -                   | -                      | -                        | -                      | 2,551                          | 2,551               | (16,318)                                    | (13,767)            |
| Total comprehensive income (loss) in 2021                    | -                                   | -                   | -                      | -                        | -                      | 1,462,700                      | 1,462,700           | (16,318)                                    | 1,446,382           |
| BALANCE, DECEMBER 31, 2021                                   | <u>134,011</u>                      | <u>\$ 1,340,119</u> | <u>\$ 32,641</u>       | <u>\$ 910,172</u>        | <u>\$ 22,153</u>       | <u>\$ 2,996,715</u>            | <u>\$ 3,929,040</u> | <u>\$ (38,471)</u>                          | <u>\$ 5,263,329</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)

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

(Continued)

# GLOBAL UNICHIP CORP. AND SUBSIDIARIES

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

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

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

(Concluded)

# GLOBAL UNICHIP CORP. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

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### 1. GENERAL

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

### 2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

| <b>New IFRSs</b>                                                                                                         | <b>Effective Date<br/>Announced by IASB (Note 1)</b> |
|--------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|
| Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture” | To be determined by IASB                             |
| IFRS 17 “Insurance Contracts”                                                                                            | January 1, 2023                                      |
| Amendments to IFRS 17                                                                                                    | January 1, 2023                                      |
| Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”                              | January 1, 2023                                      |
| Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”                                            | January 1, 2023                                      |
| Amendments to IAS 1 “Disclosure of Accounting Policies”                                                                  | January 1, 2023 (Note 2)                             |
| Amendments to IAS 8 “Definition of Accounting Estimates”                                                                 | January 1, 2023 (Note 3)                             |
| Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”                  | January 1, 2023 (Note 4)                             |

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

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

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

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

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Significant accounting policies are summarized as follows:

### Statement of Compliance

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

### Basis of Preparation

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

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

### Basis of Consolidation

#### Principles for preparing consolidated financial statements

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

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

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

#### The subsidiaries in the consolidated financial statements

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

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

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

## **Foreign Currencies**

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

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

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

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

Current assets include:

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

Current liabilities include:

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

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

## **Cash Equivalents**

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

## **Financial Instruments**

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

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

### **Financial Assets**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

c. **Derecognition of financial assets**

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

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

**Financial Liabilities and Equity Instruments**

a. **Classification as debt or equity**

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

b. **Equity instruments**

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

c. **Financial liabilities**

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

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

d. **Derecognition of financial liabilities**

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

**Inventories**

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

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

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

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

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

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

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

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

### **Leases**

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

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

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

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

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

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

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

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

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

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

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

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

### **Intangible Assets**

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

|          |                               |
|----------|-------------------------------|
| Software | 2 to 5 years                  |
| Patents  | Economic lives of the patents |

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

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

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

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

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

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

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

## **Revenue Recognition**

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

### Revenue from sale of goods

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

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

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

## **Retirement Benefits**

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

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

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

## **Taxation**

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

### Current tax

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

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

### Deferred tax

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

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

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

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

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

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

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

#### **Government Grants**

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

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

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

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

## **CRITICAL ACCOUNTING JUDGMENTS**

### **Revenue Recognition**

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

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

## **KEY SOURCES OF ESTIMATION AND UNCERTAINTY**

### **Impairment of Financial Assets**

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

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

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

### **Valuation of Inventory**

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

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

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

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

## 6. ACCOUNTS RECEIVABLE, NET

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

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

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

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

### Aging analysis of accounts receivable

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

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

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

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

|                                                     | December 31  |            |
|-----------------------------------------------------|--------------|------------|
|                                                     | 2021         | 2020       |
| Financial assets mandatorily classified as at FVTPL |              |            |
| Non-derivative financial assets                     |              |            |
| Mutual funds                                        | \$ 2,130,000 | \$ 730,000 |

## 8. INVENTORIES

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

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

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

## 9. PROPERTY, PLANT AND EQUIPMENT

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

## 10. LEASE ARRANGEMENTS

### a. Right-of-use assets

|                                                                                  | Land             | Buildings         | Transportation<br>Equipment    | Total             |
|----------------------------------------------------------------------------------|------------------|-------------------|--------------------------------|-------------------|
| <u>Cost</u>                                                                      |                  |                   |                                |                   |
| Balance at January 1, 2021                                                       | \$ 58,995        | \$ 288,970        | \$ 4,957                       | \$ 352,922        |
| Additions                                                                        | -                | 95,339            | 341                            | 95,680            |
| Lease expired                                                                    | -                | (1,437)           | (478)                          | (1,915)           |
| Lease modification                                                               | -                | (14,719)          | (1,345)                        | (16,064)          |
| Effect of exchange rate changes                                                  | -                | (10,069)          | -                              | (10,069)          |
| Balance at December 31, 2021                                                     | <u>\$ 58,995</u> | <u>\$ 358,084</u> | <u>\$ 3,475</u>                | <u>\$ 420,554</u> |
| <u>Accumulated depreciation</u>                                                  |                  |                   |                                |                   |
| Balance at January 1, 2021                                                       | \$ 3,225         | \$ 109,013        | \$ 2,421                       | \$ 114,659        |
| Depreciation                                                                     | 1,613            | 63,251            | 1,108                          | 65,972            |
| Lease expired                                                                    | -                | (1,437)           | (478)                          | (1,915)           |
| Lease modification                                                               | -                | (14,156)          | (797)                          | (14,953)          |
| Effect of exchange rate changes                                                  | -                | (3,566)           | -                              | (3,566)           |
| Balance at December 31, 2021                                                     | <u>\$ 4,838</u>  | <u>\$ 153,105</u> | <u>\$ 2,254</u>                | <u>\$ 160,197</u> |
| Carrying amount at<br>December 31, 2021                                          | <u>\$ 54,157</u> | <u>\$ 204,979</u> | <u>\$ 1,221</u>                | <u>\$ 260,357</u> |
| <u>Cost</u>                                                                      |                  |                   |                                |                   |
| Balance at January 1, 2020                                                       | \$ 58,995        | \$ 239,159        | \$ 4,957                       | \$ 303,111        |
| Additions                                                                        | -                | 48,815            | -                              | 48,815            |
| Effect of exchange rate changes                                                  | -                | 996               | -                              | 996               |
| Balance at December 31, 2020                                                     | <u>\$ 58,995</u> | <u>\$ 288,970</u> | <u>\$ 4,957</u>                | <u>\$ 352,922</u> |
| <u>Accumulated depreciation</u>                                                  |                  |                   |                                |                   |
| Balance at January 1, 2020                                                       | \$ 1,612         | \$ 51,968         | \$ 1,204                       | \$ 54,784         |
| Depreciation                                                                     | 1,613            | 57,155            | 1,217                          | 59,985            |
| Effect of exchange rate changes                                                  | -                | (110)             | -                              | (110)             |
| Balance at December 31, 2020                                                     | <u>\$ 3,225</u>  | <u>\$ 109,013</u> | <u>\$ 2,421</u>                | <u>\$ 114,659</u> |
| Carrying amount at<br>December 31, 2020                                          | <u>\$ 55,770</u> | <u>\$ 179,957</u> | <u>\$ 2,536</u>                | <u>\$ 238,263</u> |
|                                                                                  |                  |                   | <u>Years Ended December 31</u> |                   |
|                                                                                  |                  |                   | <u>2021</u>                    | <u>2020</u>       |
| Income from the subleasing of right-of-use assets (presented in<br>other income) |                  |                   | <u>\$ 299</u>                  | <u>\$ 299</u>     |

b. Lease liabilities

|                        | <b>December 31</b> |             |
|------------------------|--------------------|-------------|
|                        | <b>2021</b>        | <b>2020</b> |
| <u>Carrying amount</u> |                    |             |
| Current                | \$ 61,223          | \$ 53,693   |
| Non-current            | \$ 210,004         | \$ 189,398  |

Range of discount rates for lease liabilities was as follows:

|                          | <b>December 31</b> |              |
|--------------------------|--------------------|--------------|
|                          | <b>2021</b>        | <b>2020</b>  |
| Land                     | 1.62%              | 1.62%        |
| Buildings                | 0.589%-4.75%       | 0.642%-4.75% |
| Transportation equipment | 0.589%-0.825%      | 0.825%       |

c. Material leasing activities and terms

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

d. Subleases

The other sublease transaction is set out below.

Sublease of right-of-use assets

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

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

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

e. Other lease information

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

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

## 11. INTANGIBLE ASSETS

|                                      | Software            | Patents       | Total               |
|--------------------------------------|---------------------|---------------|---------------------|
| <u>Cost</u>                          |                     |               |                     |
| Balance at January 1, 2021           | \$ 1,059,356        | \$ 519        | \$ 1,059,875        |
| Additions                            | 175,172             | -             | 175,172             |
| Disposals                            | (185,319)           | -             | (185,319)           |
| Effect of exchange rate changes      | (2)                 | -             | (2)                 |
| Balance at December 31, 2021         | <u>\$ 1,049,207</u> | <u>\$ 519</u> | <u>\$ 1,049,726</u> |
| <u>Accumulated amortization</u>      |                     |               |                     |
| Balance at January 1, 2021           | \$ 615,510          | \$ 480        | \$ 615,990          |
| Amortization                         | 301,140             | 29            | 301,169             |
| Disposals                            | (185,319)           | -             | (185,319)           |
| Effect of exchange rate changes      | (2)                 | -             | (2)                 |
| Balance at December 31, 2021         | <u>\$ 731,329</u>   | <u>\$ 509</u> | <u>\$ 731,838</u>   |
| Carrying amount at December 31, 2021 | <u>\$ 317,878</u>   | <u>\$ 10</u>  | <u>\$ 317,888</u>   |
| <u>Cost</u>                          |                     |               |                     |
| Balance at January 1, 2020           | \$ 930,730          | \$ 519        | \$ 931,249          |
| Additions                            | 338,659             | -             | 338,659             |
| Disposals                            | (210,037)           | -             | (210,037)           |
| Effect of exchange rate changes      | 4                   | -             | 4                   |
| Balance at December 31, 2020         | <u>\$ 1,059,356</u> | <u>\$ 519</u> | <u>\$ 1,059,875</u> |
| <u>Accumulated amortization</u>      |                     |               |                     |
| Balance at January 1, 2020           | \$ 518,750          | \$ 452        | \$ 519,202          |
| Amortization                         | 306,793             | 28            | 306,821             |
| Disposals                            | (210,037)           | -             | (210,037)           |
| Effect of exchange rate changes      | 4                   | -             | 4                   |
| Balance at December 31, 2020         | <u>\$ 615,510</u>   | <u>\$ 480</u> | <u>\$ 615,990</u>   |
| Carrying amount at December 31, 2020 | <u>\$ 443,846</u>   | <u>\$ 39</u>  | <u>\$ 443,885</u>   |

## 12. OTHER CURRENT ASSETS

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

## 13. OTHER LIABILITIES

|                                  | December 31         |                     |
|----------------------------------|---------------------|---------------------|
|                                  | 2021                | 2020                |
| <u>Current</u>                   |                     |                     |
| Payable for salaries and bonuses | \$ 547,693          | \$ 323,839          |
| License fees payable             | 272,893             | 206,942             |
| Payable for royalties            | 23,336              | 10,431              |
| Refund liabilities               | -                   | 621                 |
| Others                           | <u>610,749</u>      | <u>608,397</u>      |
|                                  | <u>\$ 1,454,671</u> | <u>\$ 1,150,230</u> |
| <u>Non-current</u>               |                     |                     |
| License fees payable             | <u>\$ 53,687</u>    | <u>\$ 74,921</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\$64,055 thousand and NT\$53,860 thousand in the consolidated statements of comprehensive income for the years ended December 31, 2021 and 2020, respectively.

b. Defined benefit plans

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

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

|                                             | <b>December 31</b> |                  |
|---------------------------------------------|--------------------|------------------|
|                                             | <b>2021</b>        | <b>2020</b>      |
| Present value of defined benefit obligation | \$ 78,457          | \$ 78,670        |
| Fair value of plan assets                   | <u>(45,069)</u>    | <u>(42,350)</u>  |
| Net defined benefit liabilities             | <u>\$ 33,388</u>   | <u>\$ 36,320</u> |

Movements in net defined benefit liabilities were as follows:

|                                                     | <b>Present Value<br/>of the Defined<br/>Benefit<br/>Obligation</b> | <b>Fair Value of<br/>the Plan Assets</b> | <b>Net Defined<br/>Benefit<br/>Liabilities</b> |
|-----------------------------------------------------|--------------------------------------------------------------------|------------------------------------------|------------------------------------------------|
| Balance at January 1, 2020                          | <u>\$ 72,709</u>                                                   | <u>\$ (40,605)</u>                       | <u>\$ 32,104</u>                               |
| Service cost                                        |                                                                    |                                          |                                                |
| Current service cost                                | 1,342                                                              | -                                        | 1,342                                          |
| Net interest expense (income)                       | <u>545</u>                                                         | <u>(312)</u>                             | <u>233</u>                                     |
| Recognized in profit or loss                        | <u>1,887</u>                                                       | <u>(312)</u>                             | <u>1,575</u>                                   |
| Remeasurement                                       |                                                                    |                                          |                                                |
| Return on plan assets                               | -                                                                  | (1,295)                                  | (1,295)                                        |
| Actuarial loss - changes in demographic assumptions | 1,010                                                              | -                                        | 1,010                                          |
| Actuarial loss - changes in financial assumptions   | 3,953                                                              | -                                        | 3,953                                          |
| Actuarial loss - experience adjustments             | <u>901</u>                                                         | <u>-</u>                                 | <u>901</u>                                     |
| Recognized in other comprehensive (income) loss     | <u>5,864</u>                                                       | <u>(1,295)</u>                           | <u>4,569</u>                                   |
| Contributions from the employer                     | <u>-</u>                                                           | <u>(1,928)</u>                           | <u>(1,928)</u>                                 |
| Benefits paid                                       | <u>(1,790)</u>                                                     | <u>1,790</u>                             | <u>-</u>                                       |
| Balance at December 31, 2020                        | <u>78,670</u>                                                      | <u>(42,350)</u>                          | <u>36,320</u>                                  |
| Service cost                                        |                                                                    |                                          |                                                |
| Current service cost                                | 1,471                                                              | -                                        | 1,471                                          |
| Net interest expense (income)                       | <u>275</u>                                                         | <u>(152)</u>                             | <u>123</u>                                     |
| Recognized in profit or loss                        | <u>1,746</u>                                                       | <u>(152)</u>                             | <u>1,594</u>                                   |

(Continued)

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

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

|                                     | <b>Years Ended December 31</b> |                 |
|-------------------------------------|--------------------------------|-----------------|
|                                     | <b>2021</b>                    | <b>2020</b>     |
| General and administrative expenses | <u>\$ 1,594</u>                | <u>\$ 1,575</u> |

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

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

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

|                                  | <b>December 31</b> |             |
|----------------------------------|--------------------|-------------|
|                                  | <b>2021</b>        | <b>2020</b> |
| Discount rate                    | 0.65%              | 0.35%       |
| Expected rate of salary increase | 3.00%              | 3.00%       |
| Turnover rate                    | 1.90%              | 2.00%       |

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

|                                  | <b>December 31</b> |                   |
|----------------------------------|--------------------|-------------------|
|                                  | <b>2021</b>        | <b>2020</b>       |
| Discount rate                    |                    |                   |
| 0.25% increase                   | <u>\$ (2,370)</u>  | <u>\$ (2,555)</u> |
| 0.25% decrease                   | <u>\$ 2,469</u>    | <u>\$ 2,669</u>   |
| Expected rate of salary increase |                    |                   |
| 0.25% increase                   | <u>\$ 2,401</u>    | <u>\$ 2,587</u>   |
| 0.25% decrease                   | <u>\$ (2,317)</u>  | <u>\$ (2,492)</u> |
| Turnover rate                    |                    |                   |
| 10% increase                     | <u>\$ (450)</u>    | <u>\$ (595)</u>   |
| 10% decrease                     | <u>\$ 461</u>      | <u>\$ 609</u>     |

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

|                                                          | <b>December 31</b> |                 |
|----------------------------------------------------------|--------------------|-----------------|
|                                                          | <b>2021</b>        | <b>2020</b>     |
| The expected contributions to the plan for the next year | <u>\$ 2,090</u>    | <u>\$ 2,037</u> |
| The average duration of the defined benefit obligation   | 12 years           | 13 years        |

The maturity analysis of undiscounted pension benefit is as follows:

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

## 15. EQUITY

### a. Share capital

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

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

b. Capital surplus

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

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

c. Retained earnings and dividend policy

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

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

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

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

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

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

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

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

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

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

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

d. Others

Changes in foreign currency translation reserve were as follows:

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

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

## 16. NET REVENUE

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

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

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

a. Contract balances

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

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

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

b. Disaggregation of revenue from contracts with customers

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

  

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

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

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

  

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

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

## 17. INTEREST INCOME

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

## 18. OTHER INCOME

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

## 19. OTHER GAINS AND LOSSES

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

## 20. FINANCE COSTS

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

## 21. INCOME TAX

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

Income tax expense consisted of the following:

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

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

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

### b. Deferred income tax

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

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

(Continued)

|                                                                   | <b>December 31</b> |                                   |
|-------------------------------------------------------------------|--------------------|-----------------------------------|
|                                                                   | <b>2021</b>        | <b>2020</b>                       |
| <u>Deferred income tax liabilities</u>                            |                    |                                   |
| Temporary differences                                             |                    |                                   |
| Share of profit of subsidiaries accounted for using equity method | \$ (91,332)        | \$ (62,521)                       |
| Others                                                            | <u>(215)</u>       | <u>(579)</u>                      |
|                                                                   | <u>\$ (91,547)</u> | <u>\$ (63,100)</u><br>(Concluded) |

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

Year ended December 31, 2021

|                                                              | <b>Balance,<br/>Beginning<br/>of Year</b> | <b>Recognized in<br/>Profit or Loss</b> | <b>Effect of<br/>Exchange Rate<br/>Changes</b> | <b>Balance,<br/>End of Year</b> |
|--------------------------------------------------------------|-------------------------------------------|-----------------------------------------|------------------------------------------------|---------------------------------|
| <u>Deferred income tax assets</u>                            |                                           |                                         |                                                |                                 |
| Temporary differences                                        |                                           |                                         |                                                |                                 |
| Write-down of inventory                                      | \$ 13,077                                 | \$ (7,711)                              | \$ -                                           | \$ 5,366                        |
| Allowance for credit loss in excess of amount allowed by law | 1,598                                     | (1,598)                                 | -                                              | -                               |
| Refund liability                                             | 124                                       | (124)                                   | -                                              | -                               |
| Others                                                       | <u>5,486</u>                              | <u>3,522</u>                            | <u>-</u>                                       | <u>9,008</u>                    |
|                                                              | <u>\$ 20,285</u>                          | <u>\$ (5,911)</u>                       | <u>\$ -</u>                                    | <u>\$ 14,374</u>                |

Year ended December 31, 2020

|                                                              | <b>Balance,<br/>Beginning<br/>of Year</b> | <b>Recognized in<br/>Profit or Loss</b> | <b>Effect of<br/>Exchange Rate<br/>Changes</b> | <b>Balance,<br/>End of Year</b> |
|--------------------------------------------------------------|-------------------------------------------|-----------------------------------------|------------------------------------------------|---------------------------------|
| <u>Deferred income tax assets</u>                            |                                           |                                         |                                                |                                 |
| Temporary differences                                        |                                           |                                         |                                                |                                 |
| Write-down of inventory                                      | \$ 29,768                                 | \$ (16,691)                             | \$ -                                           | \$ 13,077                       |
| Allowance for credit loss in excess of amount allowed by law | 1,106                                     | 492                                     | -                                              | 1,598                           |
| Refund liability                                             | 124                                       | -                                       | -                                              | 124                             |
| Others                                                       | <u>7,812</u>                              | <u>(2,326)</u>                          | <u>-</u>                                       | <u>5,486</u>                    |
|                                                              | <u>\$ 38,810</u>                          | <u>\$ (18,525)</u>                      | <u>\$ -</u>                                    | <u>\$ 20,285</u>                |

Year ended December 31, 2021

|                                                                         | <b>Balance,<br/>Beginning<br/>of Year</b> | <b>Recognized in<br/>Profit or Loss</b> | <b>Effect of<br/>Exchange Rate<br/>Changes</b> | <b>Balance,<br/>End of Year</b> |
|-------------------------------------------------------------------------|-------------------------------------------|-----------------------------------------|------------------------------------------------|---------------------------------|
| <u>Deferred income tax liabilities</u>                                  |                                           |                                         |                                                |                                 |
| Temporary differences                                                   |                                           |                                         |                                                |                                 |
| Share of profit of subsidiaries<br>accounted for using equity<br>method | \$ (62,521)                               | \$ (28,811)                             | \$ -                                           | \$ (91,332)                     |
| Others                                                                  | <u>(579)</u>                              | <u>348</u>                              | <u>16</u>                                      | <u>(215)</u>                    |
|                                                                         | <u>\$ (63,100)</u>                        | <u>\$ (28,463)</u>                      | <u>\$ 16</u>                                   | <u>\$ (91,547)</u>              |

Year ended December 31, 2020

|                                                                         | <b>Balance,<br/>Beginning<br/>of Year</b> | <b>Recognized in<br/>Profit or Loss</b> | <b>Effect of<br/>Exchange Rate<br/>Changes</b> | <b>Balance,<br/>End of Year</b> |
|-------------------------------------------------------------------------|-------------------------------------------|-----------------------------------------|------------------------------------------------|---------------------------------|
| <u>Deferred income tax liabilities</u>                                  |                                           |                                         |                                                |                                 |
| Temporary differences                                                   |                                           |                                         |                                                |                                 |
| Share of profit of subsidiaries<br>accounted for using equity<br>method | \$ (41,127)                               | \$ (21,394)                             | \$ -                                           | \$ (62,521)                     |
| Others                                                                  | <u>(699)</u>                              | <u>2</u>                                | <u>118</u>                                     | <u>(579)</u>                    |
|                                                                         | <u>\$ (41,826)</u>                        | <u>\$ (21,392)</u>                      | <u>\$ 118</u>                                  | <u>\$ (63,100)</u>              |

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

As of December 31, 2021 and 2020, the aggregate deductible temporary differences for which no deferred income tax assets have been recognized amounted to NT\$7,694 thousand and NT\$4,431 thousand, respectively.

- d. Income tax examination

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

## 22. EARNINGS PER SHARE

|             | <u>Years Ended December 31</u> |               |
|-------------|--------------------------------|---------------|
|             | <b>2021</b>                    | <b>2020</b>   |
| Basic EPS   | <u>\$10.90</u>                 | <u>\$6.34</u> |
| Diluted EPS | <u>\$10.86</u>                 | <u>\$6.32</u> |

EPS is computed as follows:

|                                                                                                         | Amounts<br>(Numerator) | Number of<br>Shares<br>(Denominator)<br>(In Thousands) | EPS (NT\$)     |
|---------------------------------------------------------------------------------------------------------|------------------------|--------------------------------------------------------|----------------|
| <u>Year ended December 31, 2021</u>                                                                     |                        |                                                        |                |
| Basic EPS                                                                                               |                        |                                                        |                |
| Net income available to common shareholders                                                             | \$ 1,460,149           | 134,011                                                | <u>\$10.90</u> |
| Effect of dilutive potential common stock                                                               | <u>-</u>               | <u>488</u>                                             |                |
| Diluted EPS                                                                                             |                        |                                                        |                |
| Net income available to common shareholders<br>(including effect of dilutive potential<br>common stock) | <u>\$ 1,460,149</u>    | <u>134,499</u>                                         | <u>\$10.86</u> |
| <u>Year ended December 31, 2020</u>                                                                     |                        |                                                        |                |
| Basic EPS                                                                                               |                        |                                                        |                |
| Net income available to common shareholders                                                             | \$ 850,007             | 134,011                                                | <u>\$6.34</u>  |
| Effect of dilutive potential common stock                                                               | <u>-</u>               | <u>426</u>                                             |                |
| Diluted EPS                                                                                             |                        |                                                        |                |
| Net income available to common shareholders<br>(including effect of dilutive potential<br>common stock) | <u>\$ 850,007</u>      | <u>134,437</u>                                         | <u>\$6.32</u>  |

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

## 23. ADDITIONAL INFORMATION OF EXPENSES BY NATURE

Net income included the following items:

|                                               | <u>Years Ended December 31</u> |                   |
|-----------------------------------------------|--------------------------------|-------------------|
|                                               | 2021                           | 2020              |
| a. Depreciation expense                       |                                |                   |
| Depreciation of property, plant and equipment |                                |                   |
| Recognized in cost of revenue                 | \$ 11,784                      | \$ 7,833          |
| Recognized in operating expenses              | <u>292,674</u>                 | <u>303,092</u>    |
|                                               | <u>304,458</u>                 | <u>310,925</u>    |
| Depreciation of right-of-use assets           |                                |                   |
| Recognized in cost of revenue                 | 3,845                          | 4,006             |
| Recognized in operating expenses              | <u>62,127</u>                  | <u>55,979</u>     |
|                                               | <u>65,972</u>                  | <u>59,985</u>     |
|                                               | <u>\$ 370,430</u>              | <u>\$ 370,910</u> |

|                                                          | <b>Years Ended December 31</b> |                     |
|----------------------------------------------------------|--------------------------------|---------------------|
|                                                          | <b>2021</b>                    | <b>2020</b>         |
| b. Amortization of intangible assets                     |                                |                     |
| Recognized in cost of revenue                            | \$ 295                         | \$ -                |
| Recognized in operating expenses                         | <u>300,874</u>                 | <u>306,821</u>      |
|                                                          | <u>\$ 301,169</u>              | <u>\$ 306,821</u>   |
| c. Research and development costs expensed as incurred   | <u>\$ 2,817,903</u>            | <u>\$ 2,504,010</u> |
| d. Employee benefits expense                             |                                |                     |
| Post-employment benefits (Note 14)                       |                                |                     |
| Defined contribution plans                               | \$ 64,055                      | \$ 53,860           |
| Defined benefit plans                                    | <u>1,594</u>                   | <u>1,575</u>        |
|                                                          | 65,649                         | 55,435              |
| Other employee benefits                                  | <u>2,567,227</u>               | <u>2,092,396</u>    |
|                                                          | <u>\$ 2,632,876</u>            | <u>\$ 2,147,831</u> |
| Employee benefits expense summarized by function         |                                |                     |
| Recognized in cost of revenue                            | \$ 247,934                     | \$ 187,312          |
| Recognized in operating expenses                         | <u>2,384,942</u>               | <u>1,960,519</u>    |
|                                                          | <u>\$ 2,632,876</u>            | <u>\$ 2,147,831</u> |
| e. Employees' compensation and remuneration to directors |                                |                     |

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

For 2021 and 2020, GUC accrued employees' compensation and remuneration to directors; the accruals were approved in the meetings of the Board of Directors held on January 26, 2022 and January 28, 2021, respectively; the accruals were made at the approved percentage of net income before tax and before deduction of the employees' compensation and remuneration to directors. The accrued amounts were as follows:

|                           | <b>Years Ended December 31</b> |             |
|---------------------------|--------------------------------|-------------|
|                           | <b>2021</b>                    | <b>2020</b> |
| Employees' compensation   | \$ 271,773                     | \$ 133,640  |
| Remuneration to directors | 27,722                         | 11,994      |

The aforementioned approved amounts were the same as the amounts reported as expenses in 2021 and 2020.

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

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

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

## 24. CASH FLOW INFORMATION

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

|                    | Balance as of<br>January 1,<br>2021 | Cash Flows | Non-cash Changes   |                      |                                 | Balance as of<br>December 31,<br>2021 |
|--------------------|-------------------------------------|------------|--------------------|----------------------|---------------------------------|---------------------------------------|
|                    |                                     |            | Lease<br>Additions | Lease<br>Termination | Foreign<br>Exchange<br>Movement |                                       |
| Guarantee deposits | \$ 2,957                            | \$ 34      | \$ -               | \$ -                 | \$ (80)                         | \$ 2,911                              |
| Lease liabilities  | 243,091                             | (59,088)   | 95,680             | (1,573)              | (6,883)                         | 271,227                               |

|                    | Balance as of<br>January 1,<br>2020 | Cash Flows | Non-cash Changes   |                      |                                 | Balance as of<br>December 31,<br>2020 |
|--------------------|-------------------------------------|------------|--------------------|----------------------|---------------------------------|---------------------------------------|
|                    |                                     |            | Lease<br>Additions | Lease<br>Termination | Foreign<br>Exchange<br>Movement |                                       |
| Guarantee deposits | \$ 3,075                            | \$ 30      | \$ -               | \$ -                 | \$ (148)                        | \$ 2,957                              |
| Lease liabilities  | 250,577                             | (57,495)   | 48,815             | -                    | 1,194                           | 243,091                               |

## 25. CAPITAL MANAGEMENT

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

## 26. FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

December 31, 2021

|                           | Level 1            | Level 2     | Level 3     | Total              |
|---------------------------|--------------------|-------------|-------------|--------------------|
| Financial assets at FVTPL |                    |             |             |                    |
| Mutual funds              | <u>\$2,130,000</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$2,130,000</u> |

December 31, 2020

|                           | Level 1           | Level 2     | Level 3     | Total             |
|---------------------------|-------------------|-------------|-------------|-------------------|
| Financial assets at FVTPL |                   |             |             |                   |
| Mutual funds              | \$ <u>730,000</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>730,000</u> |

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

b. Categories of financial instruments

|                                                      | <u>December 31</u>  |                     |
|------------------------------------------------------|---------------------|---------------------|
|                                                      | <u>2021</u>         | <u>2020</u>         |
| <u>Financial assets</u>                              |                     |                     |
| FVTPL                                                |                     |                     |
| Mandatorily classified as at FVTPL                   | \$ 2,130,000        | \$ 730,000          |
| Amortized cost                                       |                     |                     |
| Cash and cash equivalents                            | 5,587,232           | 3,896,753           |
| Accounts receivable, net (including related parties) | 1,513,050           | 1,174,442           |
| Other financial assets                               | 782                 | 383                 |
| Refundable deposits                                  | 24,458              | 1,328               |
| Pledged time deposits                                | <u>22,200</u>       | <u>22,200</u>       |
|                                                      | <u>\$ 9,277,722</u> | <u>\$ 5,825,106</u> |
| <u>Financial liabilities</u>                         |                     |                     |
| Amortized cost                                       |                     |                     |
| Accounts payable (including related parties)         | \$ 1,849,685        | \$ 1,061,100        |
| Payables on machinery and equipment                  | 3,820               | 4,171               |
| Accrued expenses and other current liabilities       | 748,203             | 612,556             |
| Other long-term payables                             | 176,040             | 281,863             |
| Guarantee deposits                                   | <u>2,768</u>        | <u>2,848</u>        |
|                                                      | <u>\$ 2,780,516</u> | <u>\$ 1,962,538</u> |

c. Financial risk management objectives and policies

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

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

d. Market risk

Foreign currency risk

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

The Company's sensitivity analysis to foreign currency risk mainly focuses on the foreign currency monetary items at the end of the reporting period. Assuming a 10% strengthening of New Taiwan Dollars against the relevant currencies, the net income before tax for the years ended December 31, 2021 and 2020 would have increased by NT\$41,287 thousand and decreased by NT\$65,864 thousand, respectively.

e. Credit risk management

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

Business related credit risk

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

As of December 31, 2021 and 2020, the Company's ten largest customers accounted for 58% and 31% of accounts receivable, respectively.

Financial credit risk

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

f. Liquidity risk management

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

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

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

| <b>Non-derivative Financial Liabilities</b>    | <b>Less Than<br/>1 Year</b> | <b>2-3 Years</b>  | <b>4+ Years</b>   | <b>Total</b>        |
|------------------------------------------------|-----------------------------|-------------------|-------------------|---------------------|
| <u>December 31, 2021</u>                       |                             |                   |                   |                     |
| Accounts payable (including related parties)   | \$ 1,849,685                | \$ -              | \$ -              | \$ 1,849,685        |
| Payables on machinery and equipment            | 3,820                       | -                 | -                 | 3,820               |
| Accrued expenses and other current liabilities | 748,203                     | -                 | -                 | 748,203             |
| Lease liabilities                              | 64,931                      | 125,243           | 106,403           | 296,577             |
| Other long-term payables                       | 122,353                     | 53,687            | -                 | 176,040             |
| Guarantee deposits                             | -                           | -                 | 2,768             | 2,768               |
|                                                | <u>\$ 2,788,992</u>         | <u>\$ 178,930</u> | <u>\$ 109,171</u> | <u>\$ 3,077,093</u> |

Additional information about the maturity analysis of lease liabilities:

|                   | <b>Less than<br/>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>\$ 190,174</u>           | <u>\$ 55,971</u>  | <u>\$ 10,692</u>   | <u>\$ 10,692</u>   | <u>\$ 29,048</u> |

| <b>Non-derivative Financial Liabilities</b>    | <b>Less Than<br/>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<br/>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> |

g. Fair value of financial instruments

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

## 27. RELATED PARTY TRANSACTIONS

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

### a. Related party name and category

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

### b. Operating transactions

| Line Item              | Related Party Name and Category                       | Years Ended December 31 |              |
|------------------------|-------------------------------------------------------|-------------------------|--------------|
|                        |                                                       | 2021                    | 2020         |
| Net revenue from sale  | Investors with significant influence over the Company | \$ 218,235              | \$ 228,500   |
| Purchases              | Investors with significant influence over the Company |                         |              |
|                        | TSMC                                                  | \$ 3,850,703            | \$ 3,271,489 |
|                        | TSMC-NA                                               | 1,332,553               | 1,007,193    |
|                        |                                                       | 5,183,256               | 4,278,682    |
|                        | Other related parties                                 | 53,240                  | 68,136       |
|                        |                                                       | \$ 5,236,496            | \$ 4,346,818 |
| Manufacturing overhead | Investors with significant influence over the Company |                         |              |
|                        | TSMC                                                  | \$ 1,706,918            | \$ 1,816,286 |
|                        | TSMC-NA                                               | 411,195                 | 421,575      |
|                        | VisEra                                                | 1,587                   | 1,712        |
|                        |                                                       | \$ 2,119,700            | \$ 2,239,573 |
| Operating expenses     | Investors with significant influence over the Company | \$ 11,274               | \$ 14,804    |

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

| Line Item                        | Related Party Name and Category                       | December 31 |           |
|----------------------------------|-------------------------------------------------------|-------------|-----------|
|                                  |                                                       | 2021        | 2020      |
| Receivables from related parties | Investors with significant influence over the Company |             |           |
|                                  | TSMC                                                  | \$ 5,500    | \$ 37,371 |

(Continued)

| Line Item                                      | Related Party Name and Category                                                    | December 31                  |                             |
|------------------------------------------------|------------------------------------------------------------------------------------|------------------------------|-----------------------------|
|                                                |                                                                                    | 2021                         | 2020                        |
| Other current assets                           | Investors with significant influence over the Company<br>TSMC                      | \$ 725,936                   | \$ -                        |
| Refundable deposits                            | Investors with significant influence over the Company<br>VisEra<br>TSMC-NA         | \$ 2,832<br>-                | \$ 2,832<br>419             |
|                                                |                                                                                    | <u>\$ 2,832</u>              | <u>\$ 3,251</u>             |
| Payables to related parties                    | Investors with significant influence over the Company<br>TSMC<br>TSMC-NA<br>VisEra | \$ 391,150<br>205,986<br>258 | \$ 317,199<br>58,136<br>234 |
|                                                | Other related parties                                                              | 597,394<br><u>11,899</u>     | 375,569<br><u>3,441</u>     |
|                                                |                                                                                    | <u>\$ 609,293</u>            | <u>\$ 379,010</u>           |
| Accrued expenses and other current liabilities | Investors with significant influence over the Company                              | \$ -                         | \$ 1,057                    |

(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                                            | December 31      |                    |
|---------------------------------|----------------------------------------------------------------------------|------------------|--------------------|
|                                 |                                                                            | 2021             | 2020               |
| Lease liabilities - current     | Investors with significant influence over the Company<br>VisEra<br>TSMC-NA | \$ 16,399<br>-   | \$ 16,236<br>1,671 |
|                                 |                                                                            | <u>\$ 16,399</u> | <u>\$ 17,907</u>   |
| Lease liabilities - non-current | Investors with significant influence over the Company<br>VisEra            | \$ 50,196        | \$ 66,595          |

(Continued)

| Line Item        | Related Party Name and Category                       | December 31   |                 |
|------------------|-------------------------------------------------------|---------------|-----------------|
|                  |                                                       | 2021          | 2020            |
| Interest expense | Investors with significant influence over the Company |               |                 |
|                  | VisEra                                                | \$ 756        | \$ 918          |
|                  | TSMC-NA                                               | <u>4</u>      | <u>171</u>      |
|                  |                                                       | <u>\$ 760</u> | <u>\$ 1,089</u> |
|                  |                                                       |               | (Concluded)     |

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

d. Compensation of key management personnel:

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

|                              | Years Ended December 31 |                  |
|------------------------------|-------------------------|------------------|
|                              | 2021                    | 2020             |
| Short-term employee benefits | \$ 116,971              | \$ 74,477        |
| Post-employment benefits     | <u>687</u>              | <u>648</u>       |
|                              | <u>\$ 117,658</u>       | <u>\$ 75,125</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 December 31, 2021 and 2020, GUC provided pledged time deposits of NT\$20,000 thousand as collateral for customs clearance and also provided pledged time deposits of NT\$2,200 thousand as collateral for lease of a parcel of land from the Science Park Administration (SPA).

## 29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

Under the agreement, GUC shall pay at least US\$1,500 thousand to the counterparty in the period from July 2021 to June 2023.

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

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

(Unit: Foreign Currency in Thousands)

|                                       | Foreign<br>Currency | Exchange Rate<br>(Note) | Carrying<br>Amount |
|---------------------------------------|---------------------|-------------------------|--------------------|
| <u>December 31, 2021</u>              |                     |                         |                    |
| Monetary item - financial assets      |                     |                         |                    |
| USD                                   | \$ 73,957           | 27.68                   | \$ 2,047,121       |
| Monetary item - financial liabilities |                     |                         |                    |
| USD                                   | 87,568              | 27.68                   | 2,423,890          |
| JPY                                   | 77,554              | 0.2405                  | 18,652             |
| RMB                                   | 3,424               | 4.344                   | 14,873             |
| <u>December 31, 2020</u>              |                     |                         |                    |
| Monetary item - financial assets      |                     |                         |                    |
| USD                                   | 82,639              | 28.48                   | 2,353,564          |
| Monetary item - financial liabilities |                     |                         |                    |
| USD                                   | 58,306              | 28.48                   | 1,660,554          |
| JPY                                   | 66,988              | 0.2763                  | 18,509             |
| RMB                                   | 3,077               | 4.377                   | 13,468             |

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

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

| Years Ended December 31 |                      |                                        |                      |                                        |
|-------------------------|----------------------|----------------------------------------|----------------------|----------------------------------------|
| 2021                    |                      |                                        | 2020                 |                                        |
| Foreign Currency        | Exchange Rate        | Net Foreign<br>Exchange Gain<br>(Loss) | Exchange Rate        | Net Foreign<br>Exchange Gain<br>(Loss) |
| JPY                     | 0.2554 (JPY:NTD)     | \$ 2,428                               | 0.2769 (JPY:NTD)     | \$ (443)                               |
| EUR                     | 33.1566 (EUR:NTD)    | 159                                    | 33.7084 (EUR:NTD)    | (278)                                  |
| KRW                     | 0.02471 (KRW:NTD)    | 15                                     | 0.02529 (KRW:NTD)    | (16)                                   |
| RMB                     | 4.3413 (RMB:NTD)     | (290)                                  | 4.2816 (RMB:NTD)     | 113                                    |
| USD                     | 28.0088 (USD:NTD)    | (36,973)                               | 29.5491 (USD:NTD)    | (39,613)                               |
| USD                     | 1,130.9918 (USD:KRW) | (7)                                    | 1,165.8161 (USD:KRW) | (45)                                   |
| USD                     | 6.4615 (USD:RMB)     | (2,137)                                | 6.9284 (USD:RMB)     | (1,301)                                |
|                         |                      | <u>\$ (36,805)</u>                     |                      | <u>\$ (41,583)</u>                     |

### 31. OPERATING SEGMENT INFORMATION

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

a. Geographic information

|               | <b>Non-current Assets</b> |                     |
|---------------|---------------------------|---------------------|
|               | <b>December 31</b>        |                     |
|               | <b>2021</b>               | <b>2020</b>         |
| Taiwan        | \$ 1,021,781              | \$ 1,387,190        |
| United States | 69,930                    | 8,283               |
| Europe        | 21,346                    | 26,836              |
| Japan         | 20,199                    | 17,552              |
| China         | 7,455                     | 19,835              |
| Korea         | <u>1,925</u>              | <u>806</u>          |
|               | <u>\$ 1,142,636</u>       | <u>\$ 1,460,502</u> |

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

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

|            | <b>Years Ended December 31</b> |          |               |          |
|------------|--------------------------------|----------|---------------|----------|
|            | <b>2021</b>                    |          | <b>2020</b>   |          |
|            | <b>Amount</b>                  | <b>%</b> | <b>Amount</b> | <b>%</b> |
| Customer A | \$ 1,616,924                   | 11       | (Note)        | -        |
| Customer B | (Note)                         | -        | \$ 1,497,659  | 11       |

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

## 32. ADDITIONAL DISCLOSURES

a. Significant transactions and b. Related information of reinvestment

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

- 9) Information about the derivative instruments transaction: None;
  - 10) Others: Intercompany relationships and significant intercompany transactions: See Table 4 attached;
  - 11) Names, locations, and related information of investees over which the Company exercises significant influence (excluding information on investment in Mainland China): See Table 5 attached;
- c. Information on investment in Mainland China
- 1) The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, net income (losses) of the investee, investment income (losses), ending balance, amount received as dividends from the investee, and the limitation on investee: See Table 6 attached.
  - 2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: See Table 4 attached.
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: See Table 7 attached.

**TABLE 1****GLOBAL UNICHIP CORP. AND SUBSIDIARIES****MARKETABLE SECURITIES HELD****DECEMBER 31, 2021****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

| Holding Company Name | Marketable Securities Type and Name    | Relationship with the Company | Financial Statement Account                                         | December 31, 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     | 48,708,556        | \$ 730,000      | -                           | \$ 730,000 |      |
|                      | Taishin 1699 Money Market Fund         | -                             | Financial assets at fair value through profit or loss - current     | 27,780,621        | 380,000         | -                           | 380,000    |      |
|                      | Fuh Haw Money Market Fund              | -                             | Financial assets at fair value through profit or loss - current     | 24,030,374        | 350,000         | -                           | 350,000    |      |
|                      | UPAMC James Bond Money Market Fund     | -                             | Financial assets at fair value through profit or loss - current     | 13,039,123        | 220,000         | -                           | 220,000    |      |
|                      | Yuanta Wan Tai Money Market Fund       | -                             | Financial assets at fair value through profit or loss - current     | 13,089,862        | 200,000         | -                           | 200,000    |      |
|                      | Taishin Ta-Chong Money Market Fund     | -                             | Financial assets at fair value through profit or loss - current     | 10,452,670        | 150,000         | -                           | 150,000    |      |
|                      | Prudential Financial Money Market Fund | -                             | Financial assets at fair value through profit or loss - current     | 6,253,283         | 100,000         | -                           | 100,000    |      |
|                      | <u>Preferred stock</u>                 |                               |                                                                     |                   |                 |                             |            |      |
|                      | eTopus Technology Inc.                 | -                             | Financial assets at fair value through profit or loss - non-current | 1,515,151         | -               | 3.0                         | -          |      |

GLOBAL UNICHIP CORP. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

| Company Name | Type and Name of Marketable Securities | Financial Statement Account                           | Counterparty | Relationship | Beginning Balance |            | Acquisition |              | Disposal   |            |                 |                   | Ending Balance |            |
|--------------|----------------------------------------|-------------------------------------------------------|--------------|--------------|-------------------|------------|-------------|--------------|------------|------------|-----------------|-------------------|----------------|------------|
|              |                                        |                                                       |              |              | Units             | Amount     | Units       | Amount       | Units      | Amount     | 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 | 70,754,211  | \$ 1,060,000 | 48,801,508 | \$ 731,393 | \$ 730,000      | \$ 1,393          | 48,708,556     | \$ 730,000 |
|              | Taishin 1699 Money Market Fund         | Financial assets at fair value through profit or loss | -            | -            | 20,518,984        | 280,000    | 35,108,077  | 480,000      | 27,846,440 | 380,900    | 380,000         | 900               | 27,780,621     | 380,000    |
|              | Fuh Haw Money Market Fund              | Financial assets at fair value through profit or loss | -            | -            | 3,437,844         | 50,000     | 72,144,215  | 1,050,000    | 51,551,685 | 750,491    | 750,000         | 491               | 24,030,374     | 350,000    |
|              | UPAMC James Bond Money Market fund     | Financial assets at fair value through profit or loss | -            | -            | -                 | -          | 26,093,581  | 440,000      | 13,054,458 | 220,259    | 220,000         | 259               | 13,039,123     | 220,000    |
|              | Yuanta Wan Tai Money Market Fund       | Financial assets at fair value through profit or loss | -            | -            | -                 | -          | 26,199,802  | 400,000      | 13,109,940 | 200,307    | 200,000         | 307               | 13,089,862     | 200,000    |
|              | Taishin Ta-Chong Money Market Fund     | Financial assets at fair value through profit or loss | -            | -            | -                 | -          | 20,925,702  | 300,000      | 10,473,032 | 150,292    | 150,000         | 292               | 10,452,670     | 150,000    |

**TABLE 3**

**GLOBAL UNICHIP CORP. AND SUBSIDIARIES**

**TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 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/<br>Sales | Amount     | % to<br>Total | Payment Terms                                                | Unit Price           | Payment Terms | Ending<br>Balance                   | % to<br>Total |      |
| GUC          | TSMC          | TSMC is an investor that accounts for its investment by using equity method | Sales               | \$ 218,235 | 1             | 30 days after monthly closing                                | Note 27              | Note 27       | \$ 5,500                            | -             |      |
|              | TSMC-NA       | TSMC-NA is a subsidiary of TSMC                                             | Purchases           | 3,851,351  | 73            | 30 days after monthly closing                                | Note 27              | Note 27       | (391,150)                           | (21)          |      |
|              |               |                                                                             | Purchases           | 1,332,553  | 25            | 30 days after invoice date and 30 days after monthly closing | Note 27              | Note 27       | (205,986)                           | (11)          |      |

**TABLE 4**

**GLOBAL UNICHIP CORP. AND SUBSIDIARIES**

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Amounts in Thousands of New Taiwan Dollars)**

| No. | Company Name | Counterparty | Nature of Relationship<br>(Note 1) | Intercompany Transactions                      |            |                   |                                                              |
|-----|--------------|--------------|------------------------------------|------------------------------------------------|------------|-------------------|--------------------------------------------------------------|
|     |              |              |                                    | Financial Statement Account                    | Amount     | Terms<br>(Note 2) | Percentage to<br>Consolidated Net Revenue<br>or Total Assets |
| 0   | GUC          | GUC-NA       | 1                                  | Operating expenses                             | \$ 230,341 | -                 | 2%                                                           |
|     |              |              |                                    | Accrued expenses and other current liabilities | 15,421     | -                 | -                                                            |
|     |              | GUC-Japan    | 1                                  | Operating expenses                             | 230,339    | -                 | 2%                                                           |
|     |              |              |                                    | Accrued expenses and other current liabilities | 18,652     | -                 | -                                                            |
|     |              | GUC-Europe   | 1                                  | Operating expenses                             | 32,294     | -                 | -                                                            |
|     |              |              |                                    | Accrued expenses and other current liabilities | 2,373      | -                 | -                                                            |
|     |              | GUC-Korea    | 1                                  | Operating expenses                             | 7,048      | -                 | -                                                            |
|     |              |              |                                    | Accrued expenses and other current liabilities | 488        | -                 | -                                                            |
|     |              | GUC-Shanghai | 1                                  | Operating expenses                             | 87,609     | -                 | 1%                                                           |
|     |              |              |                                    | Accrued expenses and other current liabilities | 5,930      | -                 | -                                                            |
|     |              | GUC-Nanjing  | 1                                  | Manufacturing overhead                         | 532,997    | -                 | 4%                                                           |
|     |              |              |                                    | Operating expenses                             | 103,719    | -                 | 1%                                                           |
|     |              |              |                                    | Accrued expenses and other current liabilities | 8,942      | -                 | -                                                            |

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)  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

| Investor Company | Investee Company | Location    | Main Businesses and Products                              | Original Investment Amount                             |                                                        | Balance as of December 31, 2021 |                             |                 | Net Income (Losses) of the Investee | Investment Income (Losses) | Note |
|------------------|------------------|-------------|-----------------------------------------------------------|--------------------------------------------------------|--------------------------------------------------------|---------------------------------|-----------------------------|-----------------|-------------------------------------|----------------------------|------|
|                  |                  |             |                                                           | December 31, 2021<br>(Foreign Currencies in Thousands) | December 31, 2020<br>(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<br>( US\$ 1,264)                             | \$ 40,268<br>( US\$ 1,264)                             | 800,000                         | 100                         | \$ 135,704      | \$ 8,275                            | \$ 8,275                   |      |
|                  | GUC-Japan        | Japan       | Products consulting, design and technical support service | 15,393<br>( YEN 55,000)                                | 15,393<br>( YEN 55,000)                                | 1,100                           | 100                         | 63,070          | 10,722                              | 10,722                     |      |
|                  | GUC-Europe       | Netherlands | Products consulting, design and technical support service | 8,109<br>( EUR 200)                                    | 8,109<br>( EUR 200)                                    | -                               | 100                         | 12,275          | 1,552                               | 1,552                      |      |
|                  | GUC- Korea       | Korea       | Products consulting, design and technical support service | 5,974<br>( KRW 222,545)                                | 5,974<br>( KRW 222,545)                                | 44,000                          | 100                         | 6,695           | 388                                 | 388                        |      |

TABLE 6

## GLOBAL UNICHIP CORP. AND SUBSIDIARIES

## INFORMATION ON INVESTMENT IN MAINLAND CHINA

FOR THE YEAR ENDED DECEMBER 31, 2021

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

| Investee Company | Main Businesses and Products                              | Total Amount of Paid-in Capital (US\$ in Thousands) | Method of Investment | Accumulated Outflow of Investment from Taiwan as of January 1, 2021 (US\$ in Thousands) | Investment Flows          |        | Accumulated Outflow of Investment from Taiwan as of December 31, 2021 (US\$ in Thousands) | Net Income (Losses) of the Investee | Percentage of Ownership | Investment Income (Losses) | Carrying Amount as of December 31, 2021 | Accumulated Inward Remittance of Earnings as of December 31, 2021 |
|------------------|-----------------------------------------------------------|-----------------------------------------------------|----------------------|-----------------------------------------------------------------------------------------|---------------------------|--------|-------------------------------------------------------------------------------------------|-------------------------------------|-------------------------|----------------------------|-----------------------------------------|-------------------------------------------------------------------|
|                  |                                                           |                                                     |                      |                                                                                         | Outflow                   | Inflow |                                                                                           |                                     |                         |                            |                                         |                                                                   |
| GUC-Nanjing      | Products consulting, design and technical support service | \$ 118,133<br>(US\$ 4,000)                          | (Note 1)             | \$ 90,138<br>(US\$ 3,000)                                                               | \$ 27,995<br>(US\$ 1,000) | \$ -   | \$ 118,133<br>(US\$ 4,000)                                                                | \$ 118,496                          | 100%                    | \$ 118,496<br>(Note 2)     | \$ 380,507                              | \$ -                                                              |
| GUC-Shanghai     | Products consulting, design and technical support service | 31,165<br>(US\$ 1,000)                              | (Note 1)             | 31,165<br>(US\$ 1,000)                                                                  | -                         | -      | 31,165<br>(US\$ 1,000)                                                                    | 4,622                               | 100%                    | 4,622<br>(Note 3)          | 45,670                                  | -                                                                 |

| Accumulated Investment in Mainland China as of December 31, 2021 (US\$ in Thousands) | Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousands) | Upper Limit on Investment (US\$ in Thousands) |
|--------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|-----------------------------------------------|
| \$ 149,298<br>(US\$ 5,000)                                                           | \$ 207,998<br>(US\$ 7,000)                                                       | \$ 3,157,997<br>(Note 4)                      |

Note 1: The Company invested the investee directly.

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

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

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

**TABLE 7**

**GLOBAL UNICHIP CORP. AND SUBSIDIARIES**

**INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 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.                     | 7,626,000        | 5.69                        |

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