

Global Unichip Corp.

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Global Unichip Corp.

Opinion

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

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

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

Valuation of inventory

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

January 26, 2022

Notice to Readers

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

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

GLOBAL UNICHIP CORP.

PARENT COMPANY ONLY 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	\$ 5,009,975	34	\$ 3,443,560	37	Contract liabilities (Note 17)	\$ 5,313,950	36	\$ 2,346,503	25
Financial assets at fair value through profit or loss (Note 7)	2,130,000	14	730,000	8	Accounts payable	1,235,347	8	674,746	7
Accounts receivable, net (Notes 6 and 17)	1,507,550	10	1,135,929	12	Payables to related parties (Note 28)	609,293	4	164,360	2
Receivables from related parties (Note 28)	5,500	-	37,371	-	Accrued employees' compensation and remuneration to directors (Note 24)	299,495	2	145,634	2
Inventories (Note 8)	2,788,572	19	1,457,605	15	Payables on machinery and equipment	3,820	-	4,171	-
Other financial assets	686	-	316	-	Current tax liabilities (Note 22)	217,182	2	92,619	1
Other current assets (Notes 13 and 28)	<u>1,571,723</u>	<u>11</u>	<u>709,814</u>	<u>8</u>	Lease liabilities - current (Notes 11, 25 and 28)	33,229	-	34,718	-
					Accrued expenses and other current liabilities (Notes 14 and 28)	<u>1,463,008</u>	<u>10</u>	<u>1,162,253</u>	<u>12</u>
Total current assets	<u>13,014,006</u>	<u>88</u>	<u>7,514,595</u>	<u>80</u>	Total current liabilities	<u>9,175,324</u>	<u>62</u>	<u>4,625,004</u>	<u>49</u>
NON-CURRENT ASSETS					NON-CURRENT LIABILITIES				
Investments accounted for using equity method (Note 9)	643,921	5	488,190	5	Deferred income tax liabilities (Note 22)	91,332	1	62,521	1
Property, plant and equipment (Note 10)	546,301	4	759,457	8	Lease liabilities - non-current (Notes 11, 25 and 28)	126,736	1	150,874	1
Right-of-use-assets (Note 11)	157,592	1	183,867	2	Other long-term payables (Note 14)	53,687	-	74,921	1
Intangible assets (Note 12)	317,888	2	443,866	5	Net defined benefit liabilities (Note 15)	33,388	-	36,320	-
Deferred income tax assets (Note 22)	14,229	-	20,008	-	Guarantee deposits (Note 25)	<u>2,768</u>	<u>-</u>	<u>2,848</u>	<u>-</u>
Refundable deposits (Note 28)	30,427	-	7,289	-					
Pledged time deposits (Note 29)	<u>22,200</u>	<u>-</u>	<u>22,200</u>	<u>-</u>	Total non-current liabilities	<u>307,911</u>	<u>2</u>	<u>327,484</u>	<u>3</u>
Total non-current assets	<u>1,732,558</u>	<u>12</u>	<u>1,924,877</u>	<u>20</u>	Total liabilities	<u>9,483,235</u>	<u>64</u>	<u>4,952,488</u>	<u>52</u>
					EQUITY (Note 16)				
TOTAL	<u>\$ 14,746,564</u>	<u>100</u>	<u>\$ 9,439,472</u>	<u>100</u>	Share capital	1,340,119	9	1,340,119	14
					Capital surplus	32,641	-	32,618	1
					Retained earnings				
					Appropriated as legal reserve	910,172	6	825,628	9
					Appropriated as special reserve	22,153	-	20,745	-
					Unappropriated earnings	2,996,715	21	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>36</u>	<u>4,486,984</u>	<u>48</u>
					TOTAL	<u>\$ 14,746,564</u>	<u>100</u>	<u>\$ 9,439,472</u>	<u>100</u>

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

GLOBAL UNICHIP CORP.

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

	2021		2020	
	Amount	%	Amount	%
NET REVENUE (Notes 17 and 28)	\$ 14,983,822	100	\$ 13,448,967	100
COST OF REVENUE (Notes 24 and 28)	<u>9,827,087</u>	<u>66</u>	<u>9,729,398</u>	<u>72</u>
GROSS PROFIT	<u>5,156,735</u>	<u>34</u>	<u>3,719,569</u>	<u>28</u>
OPERATING EXPENSES				
Sales and marketing (Notes 24 and 28)	293,913	2	276,807	2
General and administrative (Notes 24 and 28)	469,480	3	329,057	2
Research and development (Notes 24 and 28)	2,858,203	19	2,220,774	17
Expected credit impairment gain (Note 6)	<u>(19,921)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>3,601,675</u>	<u>24</u>	<u>2,826,638</u>	<u>21</u>
INCOME FROM OPERATIONS	<u>1,555,060</u>	<u>10</u>	<u>892,931</u>	<u>7</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 18)	11,815	-	10,810	-
Other income (Notes 11 and 19)	33,861	-	7,777	-
Other gains and losses (Note 20)	(30,863)	-	(37,435)	-
Finance costs (Notes 21 and 28)	(1,951)	-	(2,154)	-
Share of profit of subsidiaries	<u>144,055</u>	<u>1</u>	<u>106,971</u>	<u>-</u>
Total non-operating income and expenses	<u>156,917</u>	<u>1</u>	<u>85,969</u>	<u>-</u>
INCOME BEFORE INCOME TAX	1,711,977	11	978,900	7
INCOME TAX EXPENSE (Note 22)	<u>251,828</u>	<u>1</u>	<u>128,893</u>	<u>1</u>
NET INCOME	<u>1,460,149</u>	<u>10</u>	<u>850,007</u>	<u>6</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans (Note 15)	2,551	-	(4,569)	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations (Note 16)	<u>(16,318)</u>	<u>-</u>	<u>(1,408)</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(13,767)</u>	<u>-</u>	<u>(5,977)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,446,382</u>	<u>10</u>	<u>\$ 844,030</u>	<u>6</u>
EARNINGS PER SHARE (Note 23)				
Basic earnings per share	<u>\$ 10.90</u>		<u>\$ 6.34</u>	
Diluted earnings per share	<u>\$ 10.86</u>		<u>\$ 6.32</u>	

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

GLOBAL UNICHIP CORP.

PARENT COMPANY ONLY 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</u>	<u>Special</u>	<u>Unappropriated</u>	<u>Total</u>	<u>Foreign</u>	<u>Total Equity</u>
	<u>(In Thousands)</u>			<u>Reserve</u>	<u>Reserve</u>	<u>Earnings</u>		<u>Currency</u>	
								<u>Translation</u>	
								<u>Reserve</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 parent company only financial statements.

GLOBAL UNICHIP CORP.

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

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,711,977	\$ 978,900
Adjustments for:		
Depreciation	329,553	337,384
Amortization	301,150	306,747
Expected credit impairment gain	(19,921)	-
Gain on financial assets at fair value through profit or loss	(3,792)	(2,802)
Finance costs	1,951	2,154
Interest income	(11,815)	(10,810)
Share of profit of subsidiaries	(144,055)	(106,971)
Loss (gain) on foreign exchange, net	9,212	(8,000)
Gain on lease modification	(6)	-
Changes in operating assets and liabilities:		
Contract assets	-	324,965
Accounts receivable (including related parties)	(319,829)	226,662
Inventories	(1,330,967)	320,879
Other current assets	(713,413)	(186,373)
Contract liabilities	2,967,447	1,237,461
Accounts payable (including related parties)	857,038	(745,588)
Accrued employees' compensation and remuneration to directors	153,861	64,943
Accrued expenses and other current liabilities	385,343	373,484
Net defined benefit liabilities	(381)	(353)
Cash generated from operations	4,173,353	3,112,682
Income tax paid	(92,674)	(68,486)
Net cash generated from operating activities	4,080,679	3,044,196
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Financial assets at fair value through profit or loss	(3,930,000)	(3,610,000)
Investments accounted for using equity method	(27,994)	-
Property, plant and equipment	(81,133)	(154,261)
Intangible assets	(290,024)	(322,203)
Proceeds from disposal of:		
Financial assets at fair value through profit or loss	2,533,792	2,882,802
Refundable deposits paid	(25,199)	(3,140)
Refundable deposits refunded	1,943	3,450
Interest received	11,444	10,824
Net cash used in investing activities	(1,807,171)	(1,192,528)
		(Continued)

GLOBAL UNICHIP CORP.

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

	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of the principal portion of lease liabilities	\$ (35,105)	\$ (34,821)
Cash dividends paid	(670,060)	(670,060)
Interest paid	(1,951)	(2,154)
Dividends from claims extinguished by prescription reclassified to capital surplus	<u>23</u>	<u>40</u>
Net cash used in financing activities	<u>(707,093)</u>	<u>(706,995)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,566,415	1,144,673
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,443,560</u>	<u>2,298,887</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 5,009,975</u>	<u>\$ 3,443,560</u>

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

GLOBAL UNICHIP CORP.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

1. GENERAL

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

2. APPROVAL OF FINANCIAL STATEMENTS

The parent company only financial statements were approved and authorized by the Audit Committee and the Board of Directors for issue on January 26, 2022.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Significant accounting policies are summarized as follows:

Statement of Compliance

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

Basis of Preparation

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

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

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

Foreign Currencies

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

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

Classification of Current and Non-current Assets and Liabilities

Current assets include:

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

Current liabilities include:

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

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

Cash Equivalents

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

Financial Instruments

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

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

Financial Assets

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

- a. Measurement category

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

1) Financial assets at FVTPL

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

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

2) Financial assets at amortized cost

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

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

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

b. Impairment of financial assets and contract assets

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

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

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

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

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

c. Derecognition of financial assets

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

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

Financial Liabilities and Equity Instruments

a. Classification as debt or equity

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

b. Equity instruments

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

c. Financial liabilities

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

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

d. Derecognition of financial liabilities

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

Inventories

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

Investments Accounted for Using Equity Method

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

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

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

Property, Plant and Equipment

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

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

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

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

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

Leases

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

a. The Company as lessor

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

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

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

b. The Company as lessee

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

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

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

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

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

Intangible Assets

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

Software	2 to 5 years
Patents	Economic lives of the patents

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

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

Impairment of Tangible and Intangible Assets

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

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

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

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

Revenue Recognition

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

Revenue from sale of goods

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

Rendering of Non-Recurring Engineering (NRE) services

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

Retirement Benefits

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

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

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

Taxation

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

Current tax

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

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

Deferred tax

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

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

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

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

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

Current tax and deferred tax for the period

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

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

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

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

CRITICAL ACCOUNTING JUDGMENTS

Revenue Recognition

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

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

KEY SOURCES OF ESTIMATION AND UNCERTAINTY

Impairment of Financial Assets

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

Realization of Deferred Income Tax Assets

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

and profitability, tax holidays, the amount of tax credits that can be utilized and feasible tax planning strategies. Any changes in the global economic environment, the industry trends and relevant laws and regulations could result in significant adjustments to deferred tax assets.

Valuation of Inventory

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

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

Lessees' Incremental Borrowing Rates

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

6. ACCOUNTS RECEIVABLE, NET

	December 31	
	2021	2020
At amortized cost		
Gross carrying amount	\$ 1,507,550	\$ 1,155,850
Less: Allowance for credit loss	<u>-</u>	<u>(19,921)</u>
	<u>\$ 1,507,550</u>	<u>\$ 1,135,929</u>

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

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

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

Aging analysis of accounts receivable

	December 31	
	2021	2020
No past due	\$ 1,454,821	\$ 1,097,538
Past due		
Past due within 1-30 days	52,729	24,149
Past due within 31-60 days	-	15,738
Past due over 180 days	-	18,425
Less: Loss allowance	<u>-</u>	<u>(19,921)</u>
	<u>\$ 1,507,550</u>	<u>\$ 1,135,929</u>

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

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

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

8. INVENTORIES

	December 31	
	2021	2020
Finished goods	\$ 159,667	\$ 122,300
Work in process	2,344,644	1,163,910
Raw materials	<u>284,261</u>	<u>171,395</u>
	<u>\$ 2,788,572</u>	<u>\$ 1,457,605</u>

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

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

9. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

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

Name of Investee	Main Businesses and Products	Establishment and Operating Location	Carrying Amount		Percentage of Ownership	
			December 31		December 31	
			2021	2020	2021	2020
Global Unichip (Nanjing) Ltd. (GUC-Nanjing)	Products consulting, design and technical support service	Nanjing, China	\$ 380,507	\$ 235,564	100%	100%
Global Unichip Corp.-NA (GUC-NA)	Products consulting, design and technical support service	U.S.A.	135,704	131,222	100%	100%
Global Unichip Japan Co., Ltd. (GUC-Japan)	Products consulting, design and technical support service	Japan	63,070	60,843	100%	100%
Global Unichip (Shanghai) Company, Limited (GUC-Shanghai)	Products consulting, design and technical support service	Shanghai, China	45,670	41,356	100%	100%
Global Unichip Corp. Europe B.V. (GUC-Europe)	Products consulting, design and technical support service	Netherlands	12,275	12,088	100%	100%
Global Unichip Corp. Korea (GUC-Korea)	Products consulting, design and technical support service	Korea	6,695	7,117	100%	100%
			<u>\$ 643,921</u>	<u>\$ 488,190</u>		

10. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery and Equipment	Research and Development Equipment	Transportation Equipment	Office Equipment	Miscellaneous Equipment	Total
<u>Cost</u>							
Balance at January 1, 2021	\$ 242,923	\$ 56,136	\$ 1,550,625	\$ 1,375	\$ 21,668	\$ 397,221	\$ 2,269,948
Additions	-	42,331	22,345	-	-	15,962	80,638
Disposals	-	-	(2,993)	-	-	(760)	(3,753)
Balance at December 31, 2021	<u>\$ 242,923</u>	<u>\$ 98,467</u>	<u>\$ 1,569,977</u>	<u>\$ 1,375</u>	<u>\$ 21,668</u>	<u>\$ 412,423</u>	<u>\$ 2,346,833</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2021	\$ 78,096	\$ 14,608	\$ 1,099,525	\$ 689	\$ 18,890	\$ 298,683	\$ 1,510,491
Depreciation	4,766	9,785	251,309	266	1,161	26,507	293,794
Disposals	-	-	(2,993)	-	-	(760)	(3,753)
Balance at December 31, 2021	<u>\$ 82,862</u>	<u>\$ 24,393</u>	<u>\$ 1,347,841</u>	<u>\$ 955</u>	<u>\$ 20,051</u>	<u>\$ 324,430</u>	<u>\$ 1,800,532</u>
Carrying amount at December 31, 2021	<u>\$ 160,061</u>	<u>\$ 74,074</u>	<u>\$ 222,136</u>	<u>\$ 420</u>	<u>\$ 1,617</u>	<u>\$ 87,993</u>	<u>\$ 546,301</u>
<u>Cost</u>							
Balance at January 1, 2020	\$ 242,923	\$ 24,741	\$ 1,496,503	\$ 1,375	\$ 22,664	\$ 392,500	\$ 2,180,706
Additions	-	31,395	60,054	-	-	8,259	99,708
Disposals	-	-	(5,932)	-	(996)	(3,538)	(10,466)
Balance at December 31, 2020	<u>\$ 242,923</u>	<u>\$ 56,136</u>	<u>\$ 1,550,625</u>	<u>\$ 1,375</u>	<u>\$ 21,668</u>	<u>\$ 397,221</u>	<u>\$ 2,269,948</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2020	\$ 73,330	\$ 8,560	\$ 842,906	\$ 424	\$ 18,724	\$ 275,347	\$ 1,219,291
Depreciation	4,766	6,048	262,551	265	1,162	26,874	301,666
Disposals	-	-	(5,932)	-	(996)	(3,538)	(10,466)
Balance at December 31, 2020	<u>\$ 78,096</u>	<u>\$ 14,608</u>	<u>\$ 1,099,525</u>	<u>\$ 689</u>	<u>\$ 18,890</u>	<u>\$ 298,683</u>	<u>\$ 1,510,491</u>
Carrying amount at December 31, 2020	<u>\$ 164,827</u>	<u>\$ 41,528</u>	<u>\$ 451,100</u>	<u>\$ 686</u>	<u>\$ 2,778</u>	<u>\$ 98,538</u>	<u>\$ 759,457</u>

11. LEASE ARRANGEMENTS

a. Right-of-use assets

	Land	Buildings	Transportation Equipment	Total
<u>Cost</u>				
Balance at January 1, 2021	\$ 58,995	\$ 190,126	\$ 4,957	\$ 254,078
Additions	-	9,691	341	10,032
Lease expired	-	(1,437)	(478)	(1,915)
Lease modification	-	-	(1,345)	(1,345)
Balance at December 31, 2021	<u>\$ 58,995</u>	<u>\$ 198,380</u>	<u>\$ 3,475</u>	<u>\$ 260,850</u>
<u>Accumulated depreciation</u>				
Balance at January 1, 2021	\$ 3,225	\$ 64,565	\$ 2,421	\$ 70,211
Depreciation	1,613	33,038	1,108	35,759
Lease expired	-	(1,437)	(478)	(1,915)
Lease modification	-	-	(797)	(797)
Balance at December 31, 2021	<u>\$ 4,838</u>	<u>\$ 96,166</u>	<u>\$ 2,254</u>	<u>\$ 103,258</u>
Carrying amount at December 31, 2021	<u>\$ 54,157</u>	<u>\$ 102,214</u>	<u>\$ 1,221</u>	<u>\$ 157,592</u>
<u>Cost</u>				
Balance at January 1, 2020	\$ 58,995	\$ 145,348	\$ 4,957	\$ 209,300
Additions	-	44,778	-	44,778
Balance at December 31, 2020	<u>\$ 58,995</u>	<u>\$ 190,126</u>	<u>\$ 4,957</u>	<u>\$ 254,078</u>
<u>Accumulated depreciation</u>				
Balance at January 1, 2020	\$ 1,612	\$ 31,677	\$ 1,204	\$ 34,493
Depreciation	<u>1,613</u>	<u>32,888</u>	<u>1,217</u>	<u>35,718</u>
Balance at December 31, 2020	<u>\$ 3,225</u>	<u>\$ 64,565</u>	<u>\$ 2,421</u>	<u>\$ 70,211</u>
Carrying amount at December 31, 2020	<u>\$ 55,770</u>	<u>\$ 125,561</u>	<u>\$ 2,536</u>	<u>\$ 183,867</u>
				Years Ended December 31
				2021 2020
Income from the subleasing of right-of-use assets (presented in other income)				<u>\$ 299 \$ 299</u>

b. Lease liabilities

	December 31	
	2021	2020
<u>Carrying amount</u>		
Current	\$ 33,229	\$ 34,718
Non-current	\$ 126,736	\$ 150,874

Range of discount rates for lease liabilities was as follows:

	December 31	
	2021	2020
Land	1.62%	1.62%
Buildings	0.589%-1.003%	0.642%-1.003%
Transportation equipment	0.589%-0.825%	0.825%

c. Material leasing activities and terms

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

d. Subleases

The other sublease transaction is set out below.

Sublease of right-of-use assets

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

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

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

e. Other lease information

	Years Ended December 31	
	2021	2020
Expenses relating to short-term leases	\$ 3,061	\$ 3,184
Expenses relating to low-value asset leases	\$ 4	\$ 13
Total cash outflow for leases	<u>\$ (40,301)</u>	<u>\$ (40,195)</u>

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

12. INTANGIBLE ASSETS

	Software	Patents	Total
<u>Cost</u>			
Balance at January 1, 2021	\$ 1,059,128	\$ 519	\$ 1,059,647
Additions	175,172	-	175,172
Disposals	<u>(185,319)</u>	<u>-</u>	<u>(185,319)</u>
Balance at December 31, 2021	<u>\$ 1,048,981</u>	<u>\$ 519</u>	<u>\$ 1,049,500</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2021	\$ 615,301	\$ 480	\$ 615,781
Amortization	301,121	29	301,150
Disposals	<u>(185,319)</u>	<u>-</u>	<u>(185,319)</u>
Balance at December 31, 2021	<u>\$ 731,103</u>	<u>\$ 509</u>	<u>\$ 731,612</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	\$ 930,506	\$ 519	\$ 931,025
Additions	338,659	-	338,659
Disposals	<u>(210,037)</u>	<u>-</u>	<u>(210,037)</u>
Balance at December 31, 2020	<u>\$ 1,059,128</u>	<u>\$ 519</u>	<u>\$ 1,059,647</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2020	\$ 518,619	\$ 452	\$ 519,071
Amortization	306,719	28	306,747
Disposals	<u>(210,037)</u>	<u>-</u>	<u>(210,037)</u>
Balance at December 31, 2020	<u>\$ 615,301</u>	<u>\$ 480</u>	<u>\$ 615,781</u>
Carrying amount at December 31, 2020	<u>\$ 443,827</u>	<u>\$ 39</u>	<u>\$ 443,866</u>

13. OTHER CURRENT ASSETS

	December 31	
	2021	2020
Prepayment for purchases	\$ 1,106,186	\$ 235,125
Prepaid license fees	326,812	359,389
VAT tax receivable	122,591	90,422
Prepaid expenses	<u>16,134</u>	<u>24,878</u>
	<u>\$ 1,571,723</u>	<u>\$ 709,814</u>

14. OTHER LIABILITIES

	December 31	
	2021	2020
<u>Current</u>		
Payable for salaries and bonuses	\$ 539,285	\$ 310,300
License fees payable	272,893	206,942
Payable for royalties	23,336	10,431
Refund liabilities	-	621
Others	<u>627,494</u>	<u>633,959</u>
	<u>\$ 1,463,008</u>	<u>\$ 1,162,253</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 the Company entered into for certain technology license and software.

15. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The pension mechanism under the Labor Pension Act is deemed a defined contribution retirement plan. Pursuant to the Act, the Company makes monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts. Accordingly, the Company recognized expenses of NT\$49,036 thousand and NT\$47,618 thousand in the parent company only statements of comprehensive income for the years ended December 31, 2021 and 2020, respectively.

b. Defined benefit plans

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

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

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

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2020	<u>\$ 72,709</u>	<u>\$ (40,605)</u>	<u>\$ 32,104</u>
Service cost			
Current service cost	1,342	-	1,342
Net interest expense (income)	<u>545</u>	<u>(312)</u>	<u>233</u>
Recognized in profit or loss	<u>1,887</u>	<u>(312)</u>	<u>1,575</u>
Remeasurement			
Return on plan assets	-	(1,295)	(1,295)
Actuarial loss - changes in demographic assumptions	1,010	-	1,010
Actuarial loss - changes in financial assumptions	3,953	-	3,953
Actuarial loss - experience adjustments	<u>901</u>	<u>-</u>	<u>901</u>
Recognized in other comprehensive (income) loss	<u>5,864</u>	<u>(1,295)</u>	<u>4,569</u>
Contributions from the employer	<u>-</u>	<u>(1,928)</u>	<u>(1,928)</u>
Benefits paid	<u>(1,790)</u>	<u>1,790</u>	<u>-</u>
Balance at December 31, 2020	<u>78,670</u>	<u>(42,350)</u>	<u>36,320</u>
Service cost			
Current service cost	1,471	-	1,471
Net interest expense (income)	<u>275</u>	<u>(152)</u>	<u>123</u>
Recognized in profit or loss	<u>1,746</u>	<u>(152)</u>	<u>1,594</u>
Remeasurement			
Return on plan assets	-	(592)	(592)
Actuarial loss - changes in demographic assumptions	444	-	444
Actuarial loss - changes in financial assumptions	(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>

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

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

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

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

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

	December 31	
	2021	2020
Discount rate	0.65%	0.35%
Expected rate of salary increase	3.00%	3.00%
Turnover rate	1.90%	2.00%

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

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

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

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

The maturity analysis of undiscounted pension benefit is as follows:

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

16. EQUITY

a. Share capital

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

b. Capital surplus

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

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

c. Retained earnings and dividend policy

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

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

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

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

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

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

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

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

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

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

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

d. Others

Changes in foreign currency translation reserve were as follows:

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

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

17. NET REVENUE

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

	Years Ended December 31	
	2021	2020
Revenue from customer contracts		
Net revenue from sale of goods	\$ 10,086,532	\$ 8,524,887
Net revenue from NRE service	<u>4,897,290</u>	<u>4,924,080</u>
	<u>\$ 14,983,822</u>	<u>\$ 13,448,967</u>

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

a. Contract balances

	December 31, 2021	December 31, 2020	January 1, 2020
Accounts receivable	<u>\$ 1,507,550</u>	<u>\$ 1,135,929</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>\$ 2,346,503</u>	<u>\$ 1,109,042</u>

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

For the years ended December 31, 2021 and 2020, the Company recognized revenue of NT\$2,063,171 thousand and NT\$1,031,673 thousand, respectively, from the beginning balance of contract liability.

b. Disaggregation of revenue from contracts with customers

	Years Ended December 31	
Production	2021	2020
ASIC and wafer product	\$ 10,086,532	\$ 8,524,887
NRE	4,584,610	4,493,858
Others	<u>312,680</u>	<u>430,222</u>
	<u>\$ 14,983,822</u>	<u>\$ 13,448,967</u>

Region	Years Ended December 31	
	2021	2020
China	\$ 5,430,072	\$ 2,927,261
United States	3,297,975	4,071,493
Taiwan	2,717,737	2,387,977
Japan	1,419,624	703,452
Korea	1,251,753	2,034,681
Europe	<u>866,661</u>	<u>1,324,103</u>
	<u>\$ 14,983,822</u>	<u>\$ 13,448,967</u>

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

Application Type	Years Ended December 31	
	2021	2020
Digital Consumer	\$ 5,985,740	\$ 6,555,633
Networking	3,464,961	2,878,801
AI/ML	2,620,115	1,475,312
Industry	1,873,791	1,812,677
Others	<u>1,039,215</u>	<u>726,544</u>
	<u>\$ 14,983,822</u>	<u>\$ 13,448,967</u>

Customer Type	Years Ended December 31	
	2021	2020
System House	\$ 9,975,284	\$ 8,983,036
Fabless	<u>5,008,538</u>	<u>4,465,931</u>
	<u>\$ 14,983,822</u>	<u>\$ 13,448,967</u>

Resolution	Year Ended December 31, 2021		Year Ended December 31, 2020	
	Net Revenue from NRE Service	Net Revenue from Sale of Goods	Net Revenue from NRE Service	Net Revenue from Sale of Goods
7-nanometer	\$ 1,500,628	\$ 1,408,826	\$ 1,188,995	\$ -
16-nanometer	1,847,422	1,963,278	1,804,882	990,233
28-nanometer	660,841	1,861,162	935,864	2,667,106
40-nanometer and above	575,719	4,853,266	564,117	4,867,548
Others	<u>312,680</u>	<u>-</u>	<u>430,222</u>	<u>-</u>
	<u>\$ 4,897,290</u>	<u>\$ 10,086,532</u>	<u>\$ 4,924,080</u>	<u>\$ 8,524,887</u>

18. INTEREST INCOME

	Years Ended December 31	
	2021	2020
Bank deposits	<u>\$ 11,815</u>	<u>\$ 10,810</u>

19. OTHER INCOME

	Years Ended December 31	
	2021	2020
Past due over 2 years' contract liabilities transferred to income	\$ 17,709	\$ 3,528
Rental income	299	299
Other income	<u>15,853</u>	<u>3,950</u>
	<u>\$ 33,861</u>	<u>\$ 7,777</u>

20. 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	6	-
Loss on foreign exchange, net	<u>(34,661)</u>	<u>(40,237)</u>
	<u>\$ (30,863)</u>	<u>\$ (37,435)</u>

21. FINANCE COSTS

	Years Ended December 31	
	2021	2020
Interest on lease liabilities	\$ 1,951	\$ 2,129
Interest on bank loans	<u>-</u>	<u>25</u>
	<u>\$ 1,951</u>	<u>\$ 2,154</u>

22. INCOME TAX

a. Income tax expense recognized in profit or loss

Income tax expense consisted of the following:

	Years Ended December 31	
	2021	2020
Current income tax expense		
Current tax expense recognized in the current period	\$ 217,448	\$ 93,937
Adjustments to income tax of prior years	<u>(210)</u>	<u>(5,174)</u>
	<u>217,238</u>	<u>88,763</u>
Deferred income tax expense		
Temporary differences	<u>34,590</u>	<u>40,130</u>
Income tax expense recognized in profit or loss	<u>\$ 251,828</u>	<u>\$ 128,893</u>

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

	Years Ended December 31	
	2021	2020
Income before tax	<u>\$ 1,711,977</u>	<u>\$ 978,900</u>
Income tax expense at the statutory rate	\$ 342,395	\$ 195,780
Tax effect of adjusting items:		
Nondeductible items in determining taxable income	2,835	451
Tax-exempt income	-	(28,236)
Investment tax credits used	(97,663)	(33,928)
Additional income tax expense on unappropriated earnings	4,471	-
Adjustments to income tax of prior years	<u>(210)</u>	<u>(5,174)</u>
Income tax expense recognized in profit or loss	<u>\$ 251,828</u>	<u>\$ 128,893</u>

b. Deferred income tax

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

	December 31	
	2021	2020
<u>Deferred income tax assets</u>		
Temporary differences		
Write-down of inventory	\$ 5,366	\$ 13,077
Allowance for credit loss in excess of amount allowed by law	-	1,598
Refund liability	-	124
Others	<u>8,863</u>	<u>5,209</u>
	<u>\$ 14,229</u>	<u>\$ 20,008</u>
<u>Deferred income tax liabilities</u>		
Temporary differences		
Share of profit of subsidiaries accounted for using equity method	<u>\$ (91,332)</u>	<u>\$ (62,521)</u>

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

Year ended December 31, 2021

	Balance, Beginning of Year	Recognized in Profit or Loss	Balance, End of Year
<u>Deferred income tax assets</u>			
Temporary differences			
Write-down of inventory	\$ 13,077	\$ (7,711)	\$ 5,366
Allowance for credit loss in excess of amount allowed by law	1,598	(1,598)	-
Refund liability	124	(124)	-
Others	<u>5,209</u>	<u>3,654</u>	<u>8,863</u>
	<u>\$ 20,008</u>	<u>\$ (5,779)</u>	<u>\$ 14,229</u>

Year ended December 31, 2020

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

Year ended December 31, 2021

	Balance, Beginning of Year	Recognized in Profit or Loss	Balance, End of Year
<u>Deferred income tax liabilities</u>			
Temporary differences			
Share of profit of subsidiaries accounted for using equity method	<u>\$ (62,521)</u>	<u>\$ (28,811)</u>	<u>\$ (91,332)</u>

Year ended December 31, 2020

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

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

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

d. Income tax examination

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

23. EARNINGS PER SHARE

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

EPS is computed as follows:

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

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

24. ADDITIONAL INFORMATION OF EXPENSES BY NATURE

Net income included the following items:

	Years Ended December 31	
	2021	2020
a. Depreciation expense		
Depreciation of property, plant and equipment		
Recognized in cost of revenue	\$ 11,784	\$ 7,833
Recognized in operating expenses	<u>282,010</u>	<u>293,833</u>
	<u>293,794</u>	<u>301,666</u>
Depreciation of right-of-use assets		
Recognized in cost of revenue	3,845	4,006
Recognized in operating expenses	<u>31,914</u>	<u>31,712</u>
	<u>35,759</u>	<u>35,718</u>
	<u>\$ 329,553</u>	<u>\$ 337,384</u>
b. Amortization of intangible assets		
Recognized in cost of revenue	\$ 295	\$ -
Recognized in operating expenses	<u>300,855</u>	<u>306,747</u>
	<u>\$ 301,150</u>	<u>\$ 306,747</u>
c. Research and development costs expensed as incurred	<u>\$ 2,858,203</u>	<u>\$ 2,220,774</u>
d. Employee benefits expense		
Post-employment benefits (Note 15)		
Defined contribution plans	\$ 49,036	\$ 47,618
Defined benefit plans	<u>1,594</u>	<u>1,575</u>
	50,630	49,193
Other employee benefits	<u>2,115,008</u>	<u>1,632,113</u>
	<u>\$ 2,165,638</u>	<u>\$ 1,681,306</u>
Employee benefits expense summarized by function		
Recognized in cost of revenue	\$ 247,934	\$ 187,312
Recognized in operating expenses	<u>1,917,704</u>	<u>1,493,994</u>
	<u>\$ 2,165,638</u>	<u>\$ 1,681,306</u>
e. Employees' compensation and remuneration to directors		

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

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

	Years Ended December 31	
	2021	2020
Employees' compensation	\$ 271,773	\$ 133,640
Remuneration to directors	27,722	11,994

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

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

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

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

25. CASH FLOW INFORMATION

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

	Balance as of January 1, 2021	Cash Flows	Non-cash Changes			Balance as of December 31, 2021
			Lease Additions	Lease Termination	Foreign Exchange Movement	
Guarantee deposits	\$ 2,848	\$ -	\$ -	\$ -	\$ (80)	\$ 2,768
Lease liabilities	185,592	(35,105)	10,032	(554)	-	159,965

	Balance as of January 1, 2020	Cash Flows	Non-cash Changes			Balance as of December 31, 2020
			Lease Additions	Lease Termination	Foreign Exchange Movement	
Guarantee deposits	\$ 2,998	\$ -	\$ -	\$ -	\$ (150)	\$ 2,848
Lease liabilities	175,635	(34,821)	44,778	-	-	185,592

26. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company are able to operate sustainability while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company engages in the semiconductor design services, which is closely tied with customer demand. Business is influenced by the cyclical nature of the semiconductor industry but not significantly. In consideration of the industry dynamics, the Company manages its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, capital asset purchases, research and development activities, dividend payments, debt service requirements and other business

requirements associated with its existing operations over the next 12 months. Through capital management, the Company is capable of coping with changes in the industry, striving for improvement, and ultimately creating shareholder value.

27. FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	\$ 2,130,000	\$ -	\$ -	\$ 2,130,000

December 31, 2020

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

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

b. Categories of financial instruments

	<u>December 31</u>	
	2021	2020
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 2,130,000	\$ 730,000
Amortized cost		
Cash and cash equivalents	5,009,975	3,443,560
Accounts receivable, net (including related parties)	1,513,050	1,173,300
Other financial assets	686	316
Refundable deposits	24,366	1,230
Pledged time deposits	22,200	22,200
	<u>\$ 8,700,277</u>	<u>\$ 5,370,606</u>
<u>Financial liabilities</u>		
Amortized cost		
Accounts payable (including related parties)	\$ 1,844,640	\$ 839,106
Payables on machinery and equipment	3,820	4,171
Accrued expenses and other current liabilities	766,049	639,122
Other long-term payables	176,040	281,863
Guarantee deposits	2,768	2,848
	<u>\$ 2,793,317</u>	<u>\$ 1,767,110</u>

c. Financial risk management objectives and policies

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

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

d. Market risk

Foreign currency risk

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

The Company's sensitivity analysis to foreign currency risk mainly focuses on the foreign currency monetary items at the end of the reporting period. Assuming a 10% strengthening of New Taiwan Dollars against the relevant currencies, the net income before tax for the years ended December 31, 2021 and 2020 would have increased by NT\$46,216 thousand and decreased by NT\$83,892 thousand, respectively.

e. Credit risk management

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

Business related credit risk

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

As of December 31, 2021 and 2020, the Company's ten largest customers accounted for 58% and 38% of accounts receivable, respectively.

Financial credit risk

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

f. Liquidity risk management

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

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

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

Non-derivative Financial Liabilities	Less Than 1 Year	2-3 Years	4+ Years	Total
<u>December 31, 2021</u>				
Accounts payable (including related parties)	\$ 1,844,640	\$ -	\$ -	\$ 1,844,640
Payables on machinery and equipment	3,820	-	-	3,820
Accrued expenses and other current liabilities	766,049	-	-	766,049
Lease liabilities	34,917	79,998	63,263	178,178
Other long-term payables	122,353	53,687	-	176,040
Guarantee deposits	-	-	2,768	2,768
	<u>\$ 2,771,779</u>	<u>\$ 133,685</u>	<u>\$ 66,031</u>	<u>\$ 2,971,495</u>

Additional information about the maturity analysis of lease liabilities:

	Less than 4 Year	4-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 114,915</u>	<u>\$ 12,831</u>	<u>\$ 10,692</u>	<u>\$ 10,692</u>	<u>\$ 29,048</u>

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

Additional information about the maturity analysis of lease liabilities:

	Less than 4 Year	4-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 120,050</u>	<u>\$ 33,068</u>	<u>\$ 10,692</u>	<u>\$ 10,692</u>	<u>\$ 31,186</u>

g. Fair value of financial instruments

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

28. RELATED PARTY TRANSACTIONS

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

a. Related party name and category

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

b. Operating transactions

Line Item	Related Party Name and Category	Years Ended December 31	
		2021	2020
Net revenue from sale	Investors with significant influence over the Company	\$ 218,235	\$ 228,500
Purchases	Investors with significant influence over the Company		
	TSMC	\$ 3,851,351	\$ 3,265,893
	TSMC-NA	1,332,553	1,007,193
		5,183,904	4,273,086
	Other related parties	53,240	68,136
		<u>\$ 5,237,144</u>	<u>\$ 4,341,222</u>
Manufacturing overhead	Subsidiaries		
	GUC-Nanjing	\$ 532,997	\$ 498,076
	Others	-	263,066
		532,997	761,142
	Investors with significant influence over the Company		
	TSMC	1,413,300	1,231,643
	TSMC-NA	340,521	312,425
	VisEra	1,587	1,712
		<u>\$ 2,288,405</u>	<u>\$ 2,306,922</u>

(Continued)

Line Item	Related Party Name and Category	Years Ended December 31	
		2021	2020
Operating expenses	Subsidiaries	\$ 691,350	\$ 353,505
	Investors with significant influence over the Company	<u>9,986</u>	<u>8,795</u>
		<u>\$ 701,336</u>	<u>\$ 362,300</u> (Concluded)

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

Line Item	Related Party Name and Category	December 31	
		2021	2020
Receivables from related parties	Investors with significant influence over the Company		
	TSMC	<u>\$ 5,500</u>	<u>\$ 37,371</u>
Other current assets	Investors with significant influence over the Company		
	TSMC	<u>\$ 725,936</u>	<u>\$ -</u>
Refundable deposits	Investors with significant influence over the Company		
	VisEra	<u>\$ 2,832</u>	<u>\$ 2,832</u>
Payables to related parties	Investors with significant influence over the Company		
	TSMC	\$ 391,150	\$ 102,549
	TSMC-NA	205,986	58,136
	VisEra	<u>258</u>	<u>234</u>
		597,394	160,919
	Other related parties	<u>11,899</u>	<u>3,441</u>
		<u>\$ 609,293</u>	<u>\$ 164,360</u>
Accrued expenses and other current liabilities	Subsidiaries	<u>\$ 51,806</u>	<u>\$ 60,173</u>

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

c. Lease arrangements

Line Item	Related Party Name and Category	December 31	
		2021	2020
Lease liabilities - current	Investors with significant influence over the Company VisEra	<u>\$ 16,399</u>	<u>\$ 16,236</u>
Lease liabilities - non-current	Investors with significant influence over the Company VisEra	<u>\$ 50,196</u>	<u>\$ 66,595</u>
Line Item	Related Party Name and Category	Years Ended December 31	
		2021	2020
Interest expense	Investors with significant influence over the Company VisEra	<u>\$ 756</u>	<u>\$ 918</u>

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

d. Compensation of key management personnel:

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

	Years Ended December 31	
	2021	2020
Short-term employee benefits	\$ 116,435	\$ 73,934
Post-employment benefits	<u>687</u>	<u>648</u>
	<u>\$ 117,122</u>	<u>\$ 74,582</u>

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

29. PLEDGED OR MORTGAGED ASSETS

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

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

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

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

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

	(Unit: Foreign Currency in Thousands)		
	Foreign Currency	Exchange Rate (Note)	Carrying Amount
<u>December 31, 2021</u>			
Monetary item - financial assets			
USD	\$ 72,023	27.68	\$ 1,993,600
Non-monetary item -financial assets			
RMB	98,107	4.344	426,177
USD	4,903	27.68	135,704
JPY	262,244	0.2405	63,070
EUR	392	31.32	12,275
KRW	284,892	0.02350	6,695
Monetary item - financial liabilities			
USD	87,415	27.68	2,419,651
JPY	77,554	0.2405	18,652
RMB	3,424	4.344	14,873
<u>December 31, 2020</u>			
Monetary item - financial assets			
USD	81,408	28.48	2,318,488
Non-monetary item -financial assets			
RMB	63,267	4.377	276,920
USD	4,608	28.48	131,222
JPY	220,208	0.2763	60,843
EUR	345	35.02	12,088
KRW	269,182	0.02644	7,117
Monetary item - financial liabilities			
USD	50,744	28.48	1,445,192
JPY	66,988	0.2763	18,509
RMB	3,077	4.377	13,468

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

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

	Years Ended December 31			
	2021		2020	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
JPY	0.2554 (JPY:NTD)	\$ 2,428	0.2769 (JPY:NTD)	\$ (443)
EUR	33.1566 (EUR:NTD)	159	33.7084 (EUR:NTD)	(278)
KRW	0.02471 (KRW:NTD)	15	0.02529 (KRW:NTD)	(16)
RMB	4.3413 (RMB:NTD)	(290)	4.2816 (RMB:NTD)	113
USD	28.0088 (USD:NTD)	<u>(36,973)</u>	29.5491 (USD:NTD)	<u>(39,613)</u>
		<u>\$ (34,661)</u>		<u>\$ (40,237)</u>

32. OPERATING SEGMENT INFORMATION

The Company operates in a single industry and viewed by the Company's chief operating decision maker as one segment when reviewing information in order to allocate resources and assess performance. The basis for the measurement of the operating segment profit (loss), assets and liabilities is the same as that for the preparation of financial statements. Refer to the consolidated financial statements for the years ended December 31, 2021 and 2020.

33. ADDITIONAL DISCLOSURES

a. Significant transactions and b. Related information of reinvestment

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

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

TABLE 1

GLOBAL UNICHIP CORP.

MARKETABLE SECURITIES HELD
DECEMBER 31, 2021
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2021				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	<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	-	

TABLE 2

GLOBAL UNICHIP CORP.

**MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 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
The Company	Jih Sun Money Market Fund	Financial assets at fair value through profit or loss	-	-	26,755,853	\$ 400,000	70,754,211	\$ 1,060,000	48,801,508	\$ 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.

**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/ Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Company	TSMC	TSMC is an investor that accounts for its investment by using equity method	Sales	\$ 218,235	1	30 days after monthly closing	Note 28	Note 28	\$ 5,500	-	
	TSMC-NA	TSMC-NA is a subsidiary of TSMC	Purchases	3,851,351	73	30 days after monthly closing	Note 28	Note 28	(391,150)	(21)	
			Purchases	1,332,553	25	30 days after invoice date and 30 days after monthly closing	Note 28	Note 28	(205,986)	(11)	

TABLE 4

GLOBAL UNICHIP CORP.

**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 (Foreign Currencies in Thousands)	December 31, 2020 (Foreign Currencies in Thousands)	Shares	Percentage of Ownership (%)	Carrying Amount			
The Company	GUC-NA	U.S.A.	Products consulting, design and technical support service	\$ 40,268 (US\$ 1,264)	\$ 40,268 (US\$ 1,264)	800,000	100	\$ 135,704	\$ 8,275	\$ 8,275	
	GUC-Japan	Japan	Products consulting, design and technical support service	15,393 (YEN 55,000)	15,393 (YEN 55,000)	1,100	100	63,070	10,722	10,722	
	GUC-Europe	Netherlands	Products consulting, design and technical support service	8,109 (EUR 200)	8,109 (EUR 200)	-	100	12,275	1,552	1,552	
	GUC- Korea	Korea	Products consulting, design and technical support service	5,974 (KRW222,545)	5,974 (KRW222,545)	44,000	100	6,695	388	388	

TABLE 5**GLOBAL UNICHIP CORP.****INFORMATION ON INVESTMENT IN MAINLAND CHINA****FOR THE YEAR ENDED DECEMBER 31, 2021****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (US\$ in Thousands)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2021 (US\$ in Thousands)	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 (US\$ 4,000)	(Note 1)	\$ 90,138 (US\$ 3,000)	\$ 27,995 (US\$ 1,000)	\$ -	\$ 118,133 (US\$ 4,000)	\$ 118,496	100%	\$ 118,496 (Note 2)	\$ 380,507	\$ -
GUC-Shanghai	Products consulting, design and technical support service	31,165 (US\$ 1,000)	(Note 1)	31,165 (US\$ 1,000)	-	-	31,165 (US\$ 1,000)	4,622	100%	4,622 (Note 3)	45,670	-

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 (US\$ 5,000)	\$ 207,998 (US\$ 7,000)	\$ 3,157,997 (Note 4)

Note 1: The Company invested the investee directly.

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

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

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

TABLE 6

GLOBAL UNICHIP CORP.

**SIGNIFICANT INTERCOMPANY TRANSACTIONS WITH INVESTEE IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2021
(Amounts in Thousands of New Taiwan Dollars)**

No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Intercompany Transactions			
				Financial Statement Account	Amount	Terms (Note 2)	Percentage to Net Revenue or Total Assets
0	The Company	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 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.

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GLOBAL UNICHIP CORP.**STATEMENT OF CASH AND CASH EQUIVALENTS****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Item	Description	Amount
Cash		
Cash in banks		
Time deposits	From 2021.6.18 to 2022.7.25, interest rates at 0.05%-0.765%	\$ 4,084,750
Checking accounts and demand deposits		509,306
Foreign currency deposits	Including US\$15,812 thousand @27.68, EUR4 thousand @31.32 JPY485 thousand @0.2405, and RMB6 thousand @4.344	437,959
Petty cash		<u>160</u>
		5,032,175
Less: Pledged time deposits	As collateral for customs clearance	20,000
	As collateral for leasing a parcel of land from the Science Park Administration (SPA).	<u>2,200</u>
Total		<u>\$ 5,009,975</u>

GLOBAL UNICHIP CORP.**STATEMENT OF ACCOUNTS RECEIVABLE, NET
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

Client Name	Amount
Client A	\$ 265,582
Client B	262,555
Client C	107,394
Client D	80,839
Others (Note)	<u>791,180</u>
Total	<u>\$ 1,507,550</u>

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

GLOBAL UNICHIP CORP.**STATEMENT OF INVENTORIES****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars)**

Item	Amount	
	Cost	Net Realizable Value (Note)
Finished goods	\$ 159,667	\$ 194,621
Work in process	2,344,644	3,240,283
Raw materials	<u>284,261</u>	<u>448,188</u>
Total	<u>\$ 2,788,572</u>	<u>\$ 3,883,092</u>

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

GLOBAL UNICHIP CORP.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2021

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

Investees	Balance, January 1, 2021		Additions in Investment		Share of Profit or Loss of Subsidiaries	Exchange Differences on Translation of Foreign Operations	Balance, December 31, 2021			Net Equity Value
	Shares	Amount	Shares	Amount			Shares	%	Amount	
GUC-Nanjing	-	\$ 235,564	-	\$ 27,994	\$ 118,496	\$ (1,547)	-	100	\$ 380,507	\$ 380,507
GUC-NA	800,000	131,222	-	-	8,275	(3,793)	800,000	100	135,704	135,704
GUC-Japan	1,100	60,843	-	-	10,722	(8,495)	1,100	100	63,070	63,070
GUC-Shanghai	-	41,356	-	-	4,622	(308)	-	100	45,670	45,670
GUC-Europe	-	12,088	-	-	1,552	(1,365)	-	100	12,275	12,275
GUC- Korea	44,000	<u>7,117</u>	-	<u>-</u>	<u>388</u>	<u>(810)</u>	44,000	100	<u>6,695</u>	<u>6,695</u>
Total		<u>\$ 488,190</u>		<u>\$ 27,994</u>	<u>\$ 144,055</u>	<u>\$ (16,318)</u>			<u>\$ 643,921</u>	<u>\$ 643,921</u>

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

GLOBAL UNICHIP CORP.**STATEMENT OF ACCOUNTS PAYABLE****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars)**

Vendor Name	Amount
Siliconware Precision Industries Co., Ltd.	\$ 420,536
King Yuan Electronics Co., Ltd.	166,424
Advanced Semiconductor Engineering, Inc.	139,723
Ardentec Corporation	101,787
Chunghwa Precision Test Tech. Co., Ltd.	73,850
Others (Note)	<u>333,027</u>
Total	<u>\$ 1,235,347</u>

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

GLOBAL UNICHIP CORP.**STATEMENT OF CONTRACT LIABILITIES****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars)**

Client Name	Amount
Client I	\$ 1,123,842
Client II	884,410
Client III	690,883
Client IV	344,306
Client V	304,277
Others (Note)	<u>1,966,232</u>
Total	<u>\$ 5,313,950</u>

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

GLOBAL UNICHIP CORP.**STATEMENT OF NET REVENUE****FOR THE YEAR ENDED DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Item	Quantity	Amount
ASIC and wafer product	159,546,134	\$ 10,086,532
NRE		4,584,610
Others		<u>312,680</u>
Total		<u>\$ 14,983,822</u>

GLOBAL UNICHIP CORP.**STATEMENT OF COST OF REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

Item	Amount
Raw materials, beginning of year	\$ 171,395
Raw material purchased	5,266,784
Raw materials, end of year	(284,261)
Others	<u>(17,030)</u>
Raw materials used	5,136,888
Manufacturing overhead	<u>5,908,328</u>
Manufacturing cost	11,045,216
Work in process, beginning of year	1,163,910
Work in process, end of year	<u>(2,344,644)</u>
Cost of finished goods	9,864,482
Finished goods, beginning of year	122,300
Finished goods, end of year	(159,667)
Others	<u>(28)</u>
Total	<u>\$ 9,827,087</u>

GLOBAL UNICHIP CORP.**STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

Item	Sales and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses
Professional service fee	\$ 171,858	\$ 53,009	\$ 594,644
Salaries	98,410	279,234	1,348,624
Depreciation	614	15,322	297,988
Repair and maintenance expense	35	29,550	34,760
Remuneration to directors	-	34,076	-
Amortization	-	8,376	292,479
Others (Note)	<u>22,996</u>	<u>49,913</u>	<u>289,708</u>
Total	<u>\$ 293,913</u>	<u>\$ 469,480</u>	<u>\$ 2,858,203</u>

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

GLOBAL UNICHIP CORP.

STATEMENT OF EMPLOYEE BENEFITS EXPENSES, DEPRECIATION AND AMORTIZATION BY FUNCTION
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)

	Year Ended December 31, 2021			Year Ended December 31, 2020		
	Classified as Cost of Revenue	Classified as Operating Expenses	Total	Classified as Cost of Revenue	Classified as Operating Expenses	Total
Employee benefits expenses (Note)						
Salaries	\$ 223,411	\$ 1,726,268	\$ 1,949,679	\$ 166,868	\$ 1,331,139	\$ 1,498,007
Labor and health insurance	11,924	74,745	86,669	8,617	65,788	74,405
Pension	6,421	44,209	50,630	6,012	43,181	49,193
Remuneration to directors	-	34,076	34,076	-	18,366	18,366
Others	<u>6,178</u>	<u>38,406</u>	<u>44,584</u>	<u>5,815</u>	<u>35,520</u>	<u>41,335</u>
	<u>\$ 247,934</u>	<u>\$ 1,917,704</u>	<u>\$ 2,165,638</u>	<u>\$ 187,312</u>	<u>\$ 1,493,994</u>	<u>\$ 1,681,306</u>
Depreciation	<u>\$ 15,629</u>	<u>\$ 313,924</u>	<u>\$ 329,553</u>	<u>\$ 11,839</u>	<u>\$ 325,545</u>	<u>\$ 337,384</u>
Amortization	<u>\$ 295</u>	<u>\$ 300,855</u>	<u>\$ 301,150</u>	<u>\$ -</u>	<u>\$ 306,747</u>	<u>\$ 306,747</u>

Note 1: For the years ended December 31, 2021 and 2020, the Company had 676 and 654 monthly average number of employees, respectively, which included 8 non-employee directors for both years.

Note 2: Average labor cost for the years ended December 31, 2021 and 2020 was NT\$3,191 thousand and NT\$2,574 thousand, respectively.

Note 3: Average amount of salary and bonus for the years ended December 31, 2021 and 2020 was NT\$2,919 thousand and NT\$2,319 thousand, respectively.

Note 4: The average salary and bonus increased by 26% year over year.

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

Note 6: Compensation and Remuneration Policy

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