

## **Global Unichip Corp. and Subsidiaries**

**Consolidated Financial Statements for the  
Nine Months Ended September 30, 2022 and 2021 and  
Independent Auditors' Review Report**

## INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders  
Global Unichip Corp.

### Introduction

We have reviewed the accompanying consolidated balance sheets of Global Unichip Corp. and its subsidiaries (collectively, the "Company") as of September 30, 2022 and 2021, the related consolidated statements of comprehensive income for the three months ended September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021, the consolidated statements of changes in equity and cash flows for the nine months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### Scope of Review

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

### Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects the consolidated financial position of the Company as of September 30, 2022 and 2021, its consolidated financial performance for the three months ended September 30, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

October 27, 2022

Notice to Readers

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

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

## GLOBAL UNICHIP CORP. AND SUBSIDIARIES

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

| ASSETS   | September 30, 2022<br>(Reviewed) |            | December 31, 2021<br>(Audited) |            | September 30, 2021<br>(Reviewed) |            | LIABILITIES AND EQUITY  | September 30, 2022<br>(Reviewed) |            | December 31, 2021<br>(Audited) |            | September 30, 2021<br>(Reviewed) |            |
|--|----------------------------------|------------|--------------------------------|------------|----------------------------------|------------|---|----------------------------------|------------|--------------------------------|------------|----------------------------------|------------|
|  | Amount                           | %          | Amount                         | %          | Amount                           | %          |   | Amount                           | %          | Amount                         | %          | Amount                           | %          |
| CURRENT ASSETS   |                                  |            |                                |            |                                  |            | CURRENT LIABILITIES   |                                  |            |                                |            |                                  |            |
| Cash and cash equivalents (Note 6)                             | \$ 5,128,384                     | 29         | \$ 5,587,232                   | 38         | \$ 4,375,186                     | 34         | Contract liabilities (Notes 17 and 28)                                  | \$ 5,519,538                     | 31         | \$ 5,313,950                   | 36         | \$ 4,799,931                     | 38         |
| Financial assets at fair value through profit or loss (Note 8) | 1,986,223                        | 11         | 2,130,000                      | 14         | 2,132,754                        | 17         | Accounts payable  | 1,758,093                        | 10         | 1,240,392                      | 8          | 711,420                          | 6          |
| Accounts receivable, net (Notes 7 and 17)                      | 2,413,733                        | 13         | 1,507,550                      | 10         | 1,182,365                        | 9          | Payables to related parties (Note 28)                                   | 941,381                          | 5          | 609,293                        | 4          | 673,283                          | 5          |
| Receivables from related parties (Note 28)                     | 19,366                           | -          | 5,500                          | -          | 26,800                           | -          | Accrued employees' compensation and remuneration to directors (Note 24) | 475,677                          | 3          | 299,495                        | 2          | 195,822                          | 2          |
| Inventories (Note 9)   | 4,837,736                        | 27         | 2,788,572                      | 19         | 2,404,169                        | 19         | Payables on machinery and equipment                                     | 100,372                          | -          | 3,820                          | -          | 16,401                           | -          |
| Other financial assets   | 2,598                            | -          | 782                            | -          | 654                              | -          | Current tax liabilities (Note 22)                                       | 389,898                          | 2          | 219,949                        | 2          | 137,679                          | 1          |
| Other current assets (Notes 13 and 28)                         | <u>1,801,415</u>                 | <u>10</u>  | <u>1,607,981</u>               | <u>11</u>  | <u>1,241,666</u>                 | <u>10</u>  | Lease liabilities - current (Notes 11, 25 and 28)                       | 58,850                           | -          | 61,223                         | -          | 61,294                           | -          |
|  |                                  |            |                                |            |                                  |            | Accrued expenses and other current liabilities (Note 14)                | <u>1,370,906</u>                 | <u>8</u>   | <u>1,454,671</u>               | <u>10</u>  | <u>902,682</u>                   | <u>7</u>   |
| Total current assets   | <u>16,189,455</u>                | <u>90</u>  | <u>13,627,617</u>              | <u>92</u>  | <u>11,363,594</u>                | <u>89</u>  | Total current liabilities   | <u>10,614,715</u>                | <u>59</u>  | <u>9,202,793</u>               | <u>62</u>  | <u>7,498,512</u>                 | <u>59</u>  |
| NON-CURRENT ASSETS   |                                  |            |                                |            |                                  |            | NON-CURRENT LIABILITIES   |                                  |            |                                |            |                                  |            |
| Property, plant and equipment (Note 10)                        | 681,907                          | 4          | 564,391                        | 4          | 621,819                          | 5          | Deferred income tax liabilities (Note 22)                               | 111,666                          | 1          | 91,547                         | 1          | 84,242                           | 1          |
| Right-of-use assets (Note 11)                                  | 247,004                          | 1          | 260,357                        | 2          | 270,584                          | 2          | Lease liabilities - non-current (Notes 11, 25 and 28)                   | 201,201                          | 1          | 210,004                        | 2          | 219,981                          | 2          |
| Intangible assets (Note 12)                                    | 618,781                          | 4          | 317,888                        | 2          | 383,307                          | 3          | Other long-term payables (Note 14)                                      | 247,052                          | 2          | 53,687                         | -          | 113,476                          | 1          |
| Deferred income tax assets (Note 22)                           | 37,386                           | -          | 14,374                         | -          | 9,477                            | -          | Net defined benefit liabilities (Note 15)                               | 32,736                           | -          | 33,388                         | -          | 36,024                           | -          |
| Prepayments for business facilities                            | 1,036                            | -          | -                              | -          | 700                              | -          | Guarantee deposits (Note 25)  | <u>3,338</u>                     | <u>-</u>   | <u>2,911</u>                   | <u>-</u>   | <u>2,942</u>                     | <u>-</u>   |
| Refundable deposits (Note 28)                                  | 130,506                          | 1          | 50,832                         | -          | 29,299                           | 1          | Total non-current liabilities   | <u>595,993</u>                   | <u>4</u>   | <u>391,537</u>                 | <u>3</u>   | <u>456,665</u>                   | <u>4</u>   |
| Pledged time deposits (Note 29)                                | <u>22,200</u>                    | <u>-</u>   | <u>22,200</u>                  | <u>-</u>   | <u>22,200</u>                    | <u>-</u>   | Total liabilities   | <u>11,210,708</u>                | <u>63</u>  | <u>9,594,330</u>               | <u>65</u>  | <u>7,955,177</u>                 | <u>63</u>  |
| Total non-current assets                                       | <u>1,738,820</u>                 | <u>10</u>  | <u>1,230,042</u>               | <u>8</u>   | <u>1,337,386</u>                 | <u>11</u>  | EQUITY (Note 16)  |                                  |            |                                |            |                                  |            |
|  |                                  |            |                                |            |                                  |            | Share capital   | 1,340,119                        | 7          | 1,340,119                      | 9          | 1,340,119                        | 10         |
|  |                                  |            |                                |            |                                  |            | Capital surplus   | 32,676                           | -          | 32,641                         | -          | 32,641                           | -          |
|  |                                  |            |                                |            |                                  |            | Retained earnings   |                                  |            |                                |            |                                  |            |
|  |                                  |            |                                |            |                                  |            | Appropriated as legal reserve   | 1,056,442                        | 6          | 910,172                        | 6          | 910,172                          | 7          |
|  |                                  |            |                                |            |                                  |            | Appropriated as special reserve   | 38,471                           | -          | 22,153                         | -          | 22,153                           | -          |
|  |                                  |            |                                |            |                                  |            | Unappropriated earnings   | 4,260,093                        | 24         | 2,996,715                      | 20         | 2,479,190                        | 20         |
|  |                                  |            |                                |            |                                  |            | Others  | <u>(10,234)</u>                  | <u>-</u>   | <u>(38,471)</u>                | <u>-</u>   | <u>(38,472)</u>                  | <u>-</u>   |
|  |                                  |            |                                |            |                                  |            | Total equity  | <u>6,717,567</u>                 | <u>37</u>  | <u>5,263,329</u>               | <u>35</u>  | <u>4,745,803</u>                 | <u>37</u>  |
| TOTAL  | <u>\$ 17,928,275</u>             | <u>100</u> | <u>\$ 14,857,659</u>           | <u>100</u> | <u>\$ 12,700,980</u>             | <u>100</u> | TOTAL   | <u>\$ 17,928,275</u>             | <u>100</u> | <u>\$ 14,857,659</u>           | <u>100</u> | <u>\$ 12,700,980</u>             | <u>100</u> |

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

# GLOBAL UNICHIP CORP. AND SUBSIDIARIES

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

|   | Three Months Ended September 30 |           |                   |           | Nine Months Ended September 30 |           |                   |           |
|---|---------------------------------|-----------|-------------------|-----------|--------------------------------|-----------|-------------------|-----------|
|   | 2022                            |           | 2021              |           | 2022                           |           | 2021              |           |
|   | Amount                          | %         | Amount            | %         | Amount                         | %         | Amount            | %         |
| NET REVENUE (Notes 17 and 28)                                       | \$ 6,061,843                    | 100       | \$ 3,584,852      | 100       | \$ 15,956,789                  | 100       | \$ 10,197,880     | 100       |
| COST OF REVENUE (Notes 24 and 28)                                   | <u>3,947,559</u>                | <u>65</u> | <u>2,163,831</u>  | <u>60</u> | <u>10,321,723</u>              | <u>65</u> | <u>6,583,243</u>  | <u>65</u> |
| GROSS PROFIT  | <u>2,114,284</u>                | <u>35</u> | <u>1,421,021</u>  | <u>40</u> | <u>5,635,066</u>               | <u>35</u> | <u>3,614,637</u>  | <u>35</u> |
| OPERATING EXPENSES  |                                 |           |                   |           |                                |           |                   |           |
| Sales and marketing (Notes 24 and 28)                               | 95,844                          | 2         | 72,393            | 2         | 260,586                        | 2         | 205,145           | 2         |
| General and administrative (Notes 24 and 28)                        | 141,709                         | 2         | 120,316           | 3         | 396,346                        | 2         | 304,487           | 3         |
| Research and development (Notes 24 and 28)                          | 730,381                         | 12        | 742,245           | 21        | 2,367,562                      | 15        | 2,051,577         | 20        |
| Expected credit impairment gain (Note 7)                            | <u>-</u>                        | <u>-</u>  | <u>-</u>          | <u>-</u>  | <u>-</u>                       | <u>-</u>  | <u>(19,921)</u>   | <u>-</u>  |
| Total operating expenses  | <u>967,934</u>                  | <u>16</u> | <u>934,954</u>    | <u>26</u> | <u>3,024,494</u>               | <u>19</u> | <u>2,541,288</u>  | <u>25</u> |
| INCOME FROM OPERATIONS  | <u>1,146,350</u>                | <u>19</u> | <u>486,067</u>    | <u>14</u> | <u>2,610,572</u>               | <u>16</u> | <u>1,073,349</u>  | <u>10</u> |
| NON-OPERATING INCOME AND EXPENSES                                   |                                 |           |                   |           |                                |           |                   |           |
| Interest income (Note 18)   | 13,536                          | 1         | 3,893             | -         | 24,764                         | -         | 9,780             | -         |
| Other income (Notes 11 and 19)                                      | 4,936                           | -         | 7,327             | -         | 70,498                         | 1         | 78,563            | 1         |
| Other gains and losses (Note 20)                                    | 65,995                          | 1         | (4,722)           | -         | 65,890                         | -         | (23,886)          | -         |
| Finance costs (Notes 21 and 28)                                     | <u>(1,119)</u>                  | <u>-</u>  | <u>(1,149)</u>    | <u>-</u>  | <u>(3,193)</u>                 | <u>-</u>  | <u>(3,538)</u>    | <u>-</u>  |
| Total non-operating income and expenses                             | <u>83,348</u>                   | <u>2</u>  | <u>5,349</u>      | <u>-</u>  | <u>157,959</u>                 | <u>1</u>  | <u>60,919</u>     | <u>1</u>  |
| INCOME BEFORE INCOME TAX  | 1,229,698                       | 21        | 491,416           | 14        | 2,768,531                      | 17        | 1,134,268         | 11        |
| INCOME TAX EXPENSE (Note 22)  | <u>171,499</u>                  | <u>3</u>  | <u>73,832</u>     | <u>2</u>  | <u>404,482</u>                 | <u>2</u>  | <u>189,093</u>    | <u>2</u>  |
| NET INCOME  | 1,058,199                       | 18        | 417,584           | 12        | 2,364,049                      | 15        | 945,175           | 9         |
| OTHER COMPREHENSIVE INCOME (LOSS)                                   |                                 |           |                   |           |                                |           |                   |           |
| Items that may be reclassified subsequently to profit or loss       |                                 |           |                   |           |                                |           |                   |           |
| Exchange differences on translation of foreign operations (Note 16) | <u>14,833</u>                   | <u>-</u>  | <u>(1,838)</u>    | <u>-</u>  | <u>28,237</u>                  | <u>-</u>  | <u>(16,319)</u>   | <u>-</u>  |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD                           | <u>\$ 1,073,032</u>             | <u>18</u> | <u>\$ 415,746</u> | <u>12</u> | <u>\$ 2,392,286</u>            | <u>15</u> | <u>\$ 928,856</u> | <u>9</u>  |
| EARNINGS PER SHARE (Note 23)  |                                 |           |                   |           |                                |           |                   |           |
| Basic earnings per share  | <u>\$ 7.90</u>                  |           | <u>\$ 3.11</u>    |           | <u>\$ 17.64</u>                |           | <u>\$ 7.05</u>    |           |
| Diluted earnings per share  | <u>\$ 7.84</u>                  |           | <u>\$ 3.10</u>    |           | <u>\$ 17.54</u>                |           | <u>\$ 7.03</u>    |           |

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

# GLOBAL UNICHIP CORP. AND SUBSIDIARIES

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

|  | Share Capital - Common Stock |                     |                  | Retained Earnings   |                    |                            |                     | Others<br>Foreign<br>Currency<br>Translation<br>Reserve | Total Equity        |
|--|------------------------------|---------------------|------------------|---------------------|--------------------|----------------------------|---------------------|---|---------------------|
|  | Share<br>(In Thousands)      | Amount              | Capital Surplus  | Legal<br>Reserve    | Special<br>Reserve | Unappropriated<br>Earnings | Total               |   |                     |
| BALANCE, JANUARY 1, 2021   | 134,011                      | \$ 1,340,119        | \$ 32,618        | \$ 825,628          | \$ 20,745          | \$ 2,290,027               | \$ 3,136,400        | \$ (22,153)   | \$ 4,486,984        |
| Appropriation and distribution of prior year's earnings                                    |                              |                     |                  |                     |                    |                            |                     |   |                     |
| Legal reserve  | -                            | -                   | -                | 84,544              | -                  | (84,544)                   | -                   | -   | -                   |
| Special reserve  | -                            | -                   | -                | -                   | 1,408              | (1,408)                    | -                   | -   | -                   |
| Cash dividends to shareholders - NT\$5.00 per share  | -                            | -                   | -                | -                   | -                  | (670,060)                  | (670,060)           | -   | (670,060)           |
| Total  | -                            | -                   | -                | 84,544              | 1,408              | (756,012)                  | (670,060)           | -   | (670,060)           |
| Dividends from claims extinguished by prescription   | -                            | -                   | 23               | -                   | -                  | -                          | -                   | -   | 23                  |
| Net income for the nine months ended September 30, 2021                                    | -                            | -                   | -                | -                   | -                  | 945,175                    | 945,175             | -   | 945,175             |
| Other comprehensive loss for the nine months ended September 30, 2021, net of income tax   | -                            | -                   | -                | -                   | -                  | -                          | -                   | (16,319)  | (16,319)            |
| Total comprehensive income (loss) for the nine months ended September 30, 2021             | -                            | -                   | -                | -                   | -                  | 945,175                    | 945,175             | (16,319)  | 928,856             |
| BALANCE, SEPTEMBER 30, 2021  | <u>134,011</u>               | <u>\$ 1,340,119</u> | <u>\$ 32,641</u> | <u>\$ 910,172</u>   | <u>\$ 22,153</u>   | <u>\$ 2,479,190</u>        | <u>\$ 3,411,515</u> | <u>\$ (38,472)</u>                                      | <u>\$ 4,745,803</u> |
| BALANCE, JANUARY 1, 2022   | 13,401                       | \$ 1,340,119        | \$ 32,641        | \$ 910,172          | \$ 22,153          | \$ 2,996,715               | \$ 3,929,040        | \$ (38,471)   | \$ 5,263,329        |
| Appropriation and distribution of prior year's earnings                                    |                              |                     |                  |                     |                    |                            |                     |   |                     |
| Legal reserve  | -                            | -                   | -                | 146,270             | -                  | (146,270)                  | -                   | -   | -                   |
| Special reserve  | -                            | -                   | -                | -                   | 16,318             | (16,318)                   | -                   | -   | -                   |
| Cash dividends to shareholders - NT\$7.00 per share  | -                            | -                   | -                | -                   | -                  | (938,083)                  | (938,083)           | -   | (938,083)           |
| Total  | -                            | -                   | -                | 146,270             | 16,318             | (1,100,671)                | (938,083)           | -   | (938,083)           |
| Dividends from claims extinguished by prescription   | -                            | -                   | 35               | -                   | -                  | -                          | -                   | -   | 35                  |
| Net income for the nine months ended September 30, 2022                                    | -                            | -                   | -                | -                   | -                  | 2,364,049                  | 2,364,049           | -   | 2,364,049           |
| Other comprehensive income for the nine months ended September 30, 2022, net of income tax | -                            | -                   | -                | -                   | -                  | -                          | -                   | 28,237  | 28,237              |
| Total comprehensive income for the nine months ended September 30, 2022                    | -                            | -                   | -                | -                   | -                  | 2,364,049                  | 2,364,049           | 28,237  | 2,392,286           |
| BALANCE, SEPTEMBER 30, 2022  | <u>13,401</u>                | <u>\$ 1,340,119</u> | <u>\$ 32,676</u> | <u>\$ 1,056,442</u> | <u>\$ 38,471</u>   | <u>\$ 4,260,093</u>        | <u>\$ 5,355,006</u> | <u>\$ (10,234)</u>                                      | <u>\$ 6,717,567</u> |

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

# GLOBAL UNICHIP CORP. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

|   | <b>Nine Months Ended September 30</b> |                    |
|---|---------------------------------------|--------------------|
|   | <b>2022</b>                           | <b>2021</b>        |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                   |                                       |                    |
| Income before income tax                                      | \$ 2,768,531                          | \$ 1,134,268       |
| Adjustments for:  |                                       |                    |
| Depreciation  | 241,347                               | 278,501            |
| Amortization  | 249,012                               | 225,201            |
| Expected credit impairment gain                               | -                                     | (19,921)           |
| Gain on financial assets at fair value through profit or loss | (6,223)                               | (2,754)            |
| Finance costs   | 3,193                                 | 3,538              |
| Interest income   | (24,764)                              | (9,780)            |
| Loss on foreign exchange, net                                 | 45,819                                | 3,742              |
| Gain on lease modification                                    | (5)                                   | (462)              |
| Changes in operating assets and liabilities:                  |                                       |                    |
| Accounts receivable, net (including related parties)          | (920,049)                             | (14,802)           |
| Inventories   | (2,049,164)                           | (729,703)          |
| Other current assets  | (215,113)                             | (486,464)          |
| Contract liabilities  | 205,588                               | 2,418,153          |
| Accounts payable (including related parties)                  | 880,041                               | 312,099            |
| Accrued employees' compensation and remuneration to directors | 176,182                               | 50,188             |
| Accrued expenses and other current liabilities                | (285,525)                             | (197,502)          |
| Net defined benefit liabilities                               | (652)                                 | (296)              |
| Cash generated from operations                                | 1,068,218                             | 2,964,006          |
| Income tax paid   | (245,922)                             | (116,491)          |
| Net cash generated from operating activities                  | <u>822,296</u>                        | <u>2,847,515</u>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                   |                                       |                    |
| Acquisitions of:  |                                       |                    |
| Financial assets at fair value through profit or loss         | (100,000)                             | (1,800,000)        |
| Property, plant and equipment                                 | 250,000                               | (61,765)           |
| Intangible assets   | (213,332)                             | (179,741)          |
| Proceeds from disposal of:                                    |                                       |                    |
| Financial assets at fair value through profit or loss         | (212,523)                             | 400,000            |
| Refundable deposits paid                                      | (69,485)                              | (7,317)            |
| Refundable deposits refunded                                  | 2,277                                 | 1,550              |
| Interest received   | <u>22,948</u>                         | <u>9,509</u>       |
| Net cash used in investing activities                         | <u>(320,115)</u>                      | <u>(1,637,764)</u> |

(Continued)

# GLOBAL UNICHIP CORP. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

|  | <b>Nine Months Ended September 30</b> |                     |
|--|---------------------------------------|---------------------|
|  | <b>2022</b>                           | <b>2021</b>         |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                                       |                     |
| Guarantee deposits received  | \$ 67                                 | \$ 67               |
| Guarantee deposits refunded  | (51)                                  | (17)                |
| Repayment of the principal portion of lease liabilities                            | (48,775)                              | (42,823)            |
| Cash dividends paid  | (938,083)                             | (670,060)           |
| Interest paid  | (3,193)                               | (3,538)             |
| Dividends from claims extinguished by prescription reclassified to capital surplus | <u>35</u>                             | <u>23</u>           |
| Net cash used in financing activities  | <u>(990,000)</u>                      | <u>(716,348)</u>    |
| <b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>                | <u>28,971</u>                         | <u>(14,970)</u>     |
| <b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                            | (458,848)                             | 478,433             |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>                              | <u>5,587,232</u>                      | <u>3,896,753</u>    |
| <b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>                                    | <u>\$ 5,128,384</u>                   | <u>\$ 4,375,186</u> |

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

(Concluded)



# GLOBAL UNICHIP CORP. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

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

(Reviewed, Not Audited)

#### 1. GENERAL

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

#### 2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were agreed by the Audit Committee and reported to the Board of Directors for issue on October 27, 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 2023

| New IFRSs   | Effective Date<br>Announced by IASB |
|---|-------------------------------------|
| Amendments to IAS 1 "Disclosure of Accounting Policies"   | January 1, 2023 (Note 1)            |
| Amendments to IAS 8 "Definition of Accounting Estimates"  | January 1, 2023 (Note 2)            |
| Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" | January 1, 2023 (Note 3)            |

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

Note 2: 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 3: Except for deferred taxes that 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.

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

| <b>New IFRSs</b>   | <b>Effective Date<br/>Announced by IASB (Note 1)</b> |
|--|--|
| Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture” | To be determined by IASB                             |
| Amendments to IFRS 16 “Leases Liability in a Sale and leaseback”   | January 1, 2024 (Note 2)                             |
| 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                                      |

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

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

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

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

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

Significant accounting policies are summarized as follows:

##### **Statement of Compliance**

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

##### **Basis of Preparation**

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

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

## Basis of Consolidation

### Principles for preparing consolidated financial statements

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

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

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

### The subsidiaries in the consolidated financial statements

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

| Name of Investor | Name of Investee  | Main Businesses and Products                              | Establishment and Operating Location | Percentage of Ownership |                   |                    | Remark |
|------------------|---|---|--------------------------------------|-------------------------|-------------------|--------------------|--------|
|                  |   |   |                                      | September 30, 2022      | December 31, 2021 | September 30, 2021 |        |
| GUC              | Global Unichip Corp.-NA (GUC-NA)                          | Products consulting, design and technical support service | U.S.A.                               | 100%                    | 100%              | 100%               | Note   |
|                  | Global Unichip Japan Co., Ltd. (GUC-Japan)                | Products consulting, design and technical support service | Japan                                | 100%                    | 100%              | 100%               | Note   |
|                  | Global Unichip Corp. Europe B.V. (GUC-Europe)             | Products consulting, design and technical support service | Netherlands                          | 100%                    | 100%              | 100%               | Note   |
|                  | Global Unichip Corp. Korea (GUC-Korea)                    | Products consulting, design and technical support service | Korea                                | 100%                    | 100%              | 100%               | Note   |
|                  | Global Unichip (Nanjing) Ltd. (GUC-Nanjing)               | Products consulting, design and technical support service | Nanjing, China                       | 100%                    | 100%              | 100%               | Note   |
|                  | Global Unichip (Shanghai) Company, Limited (GUC-Shanghai) | Products consulting, design and technical support service | Shanghai, China                      | 100%                    | 100%              | 100%               | Note   |

Note: The subsidiaries are not significant subsidiaries. Except for GUC-NA and GUC-Nanjing, other subsidiaries' financial statements have not been reviewed or audited.

## Foreign Currencies

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

In preparing the financial statements of each individual consolidated entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive

income. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

Current assets include:

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

Current liabilities include:

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

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

### **Cash Equivalents**

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

### **Financial Instruments**

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

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

### **Financial Assets**

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

a. Measurement category

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

1) Financial assets at FVTPL

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

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

## **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            | 7 years       |
| Research and development equipment | 4 years       |
| Transportation equipment           | 4 to 5 years  |
| Office equipment                   | 5 to 10 years |
| Miscellaneous equipment            | 2 to 10 years |

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

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

## **Leases**

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

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

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

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

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

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

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

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

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

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

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

### **Intangible Assets**

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

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

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

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

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

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

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

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

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



## **Revenue Recognition**

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

### Revenue from sale of goods

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

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

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

## **Retirement Benefits**

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

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

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

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

## **Taxation**

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

### Current tax

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

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

### Deferred tax

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

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

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

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

### Current tax and deferred tax for the period

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

### **Government Grants**

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

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

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

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

## **CRITICAL ACCOUNTING JUDGMENTS**

### **Revenue Recognition**

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

The Company also records a provision for estimated future allowance in the same period the related revenue is recorded. Provision for estimated sales allowance is generally made and adjusted based on management 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 7 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. CASH AND CASH EQUIVALENTS

|   | September 30,<br>2022 | December 31,<br>2021 | September 30,<br>2021 |
|---|-----------------------|----------------------|-----------------------|
| Cash and deposits in banks                    | \$ 5,028,384          | \$ 5,587,232         | \$ 4,375,186          |
| Repurchase agreements collateralized by bonds | <u>100,000</u>        | <u>-</u>             | <u>-</u>              |
|   | <u>\$ 5,128,384</u>   | <u>\$ 5,587,232</u>  | <u>\$ 4,375,186</u>   |

Deposits in banks consisted of highly liquid time deposits that were readily convertible to known amounts of cash and were subject to an insignificant risk of changes in value.

## 7. ACCOUNTS RECEIVABLE, NET

|                     | September 30,<br>2022 | December 31,<br>2021 | September 30,<br>2021 |
|---------------------|-----------------------|----------------------|-----------------------|
| At amortized cost   |                       |                      |                       |
| Accounts receivable | <u>\$ 2,413,733</u>   | <u>\$ 1,507,550</u>  | <u>\$ 1,182,365</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

|                            | September 30,<br>2022 | December 31,<br>2021 | September 30,<br>2021 |
|----------------------------|-----------------------|----------------------|-----------------------|
| No past due                | \$ 2,260,261          | \$ 1,454,821         | \$ 1,078,158          |
| Past due                   |                       |                      |                       |
| Past due within 1-30 days  | 131,000               | 52,729               | 98,663                |
| Past due within 31-60 days | 7,946                 | -                    | 5,544                 |
| Past due within 61-90 days | 14,526                | -                    | -                     |
| Less: Loss allowance       | <u>-</u>              | <u>-</u>             | <u>-</u>              |
|                            | <u>\$ 2,413,733</u>   | <u>\$ 1,507,550</u>  | <u>\$ 1,182,365</u>   |

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

|   | <b>Nine Months Ended September 30</b> |                 |
|---|---------------------------------------|-----------------|
|   | <b>2022</b>                           | <b>2021</b>     |
| Balance at January 1                            | \$ -                                  | \$ 19,921       |
| Add: Net remeasurement of credit loss allowance | <u>-</u>                              | <u>(19,921)</u> |
| Balance at September 30                         | <u>\$ -</u>                           | <u>\$ -</u>     |

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

|   | <b>September 30,<br/>2022</b> | <b>December 31,<br/>2021</b> | <b>September 30,<br/>2021</b> |
|---|-------------------------------|------------------------------|-------------------------------|
| Financial assets mandatorily classified as at FVTPL |                               |                              |                               |
| Non-derivative financial assets                     |                               |                              |                               |
| Mutual funds  | <u>\$ 1,986,223</u>           | <u>\$ 2,130,000</u>          | <u>\$ 2,132,754</u>           |

## 9. INVENTORIES

|                 | <b>September 30,<br/>2022</b> | <b>December 31,<br/>2021</b> | <b>September 30,<br/>2021</b> |
|-----------------|-------------------------------|------------------------------|-------------------------------|
| Finished goods  | \$ 349,838                    | \$ 159,667                   | \$ 159,775                    |
| Work in process | 3,900,250                     | 2,344,644                    | 1,840,216                     |
| Raw materials   | <u>587,648</u>                | <u>284,261</u>               | <u>404,178</u>                |
|                 | <u>\$ 4,837,736</u>           | <u>\$ 2,788,572</u>          | <u>\$ 2,404,169</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:

|   | <b>Three Months Ended<br/>September 30</b> |               | <b>Nine Months Ended<br/>September 30</b> |                  |
|---|--|---------------|---|------------------|
|   | <b>2022</b>                                | <b>2021</b>   | <b>2022</b>                               | <b>2021</b>      |
| Reversal of write-down of inventories (write-down of inventories) | <u>\$ (1,333)</u>                          | <u>\$ 920</u> | <u>\$ (2,932)</u>                         | <u>\$ 54,098</u> |

## 10. PROPERTY, PLANT AND EQUIPMENT

|                                 | <b>Buildings</b>  | <b>Machinery and<br/>Equipment</b> | <b>Research and<br/>Development<br/>Equipment</b> | <b>Transportation<br/>Equipment</b> | <b>Office<br/>Equipment</b> | <b>Miscellaneous<br/>Equipment</b> | <b>Total</b>        |
|---------------------------------|-------------------|------------------------------------|---|-------------------------------------|-----------------------------|------------------------------------|---------------------|
| <u>Cost</u>                     |                   |                                    |   |                                     |                             |                                    |                     |
| Balance at January 1, 2022      | \$ 242,923        | \$ 98,467                          | \$ 1,582,217                                      | \$ 1,375                            | \$ 32,821                   | \$ 447,453                         | \$ 2,405,256        |
| Additions                       | -                 | 11,338                             | 285,585   | -                                   | 733                         | 10,657                             | 308,313             |
| Disposals                       | -                 | -                                  | (40,299)  | -                                   | (300)                       | (4,988)                            | (45,587)            |
| Effect of exchange rate changes | -                 | -                                  | 2,022   | -                                   | 233                         | 173                                | 2,428               |
| Balance at September 30, 2022   | <u>\$ 242,923</u> | <u>\$ 109,805</u>                  | <u>\$ 1,829,525</u>                               | <u>\$ 1,375</u>                     | <u>\$ 33,487</u>            | <u>\$ 453,295</u>                  | <u>\$ 2,670,410</u> |

(Continued)

|                                       | Buildings         | Machinery and Equipment | Research and Development Equipment | Transportation Equipment | Office Equipment | Miscellaneous Equipment | Total               |
|---------------------------------------|-------------------|-------------------------|------------------------------------|--------------------------|------------------|-------------------------|---------------------|
| <u>Accumulated depreciation</u>       |                   |                         |                                    |                          |                  |                         |                     |
| Balance at January 1, 2022            | \$ 82,862         | \$ 24,393               | \$ 1,356,462                       | \$ 955                   | \$ 26,418        | \$ 349,775              | \$ 1,840,865        |
| Depreciation                          | 3,575             | 11,224                  | 151,714                            | 199                      | 2,189            | 22,411                  | 191,312             |
| Disposals                             | -                 | -                       | (40,299)                           | -                        | (300)            | (4,988)                 | (45,587)            |
| Effect of exchange rate changes       | -                 | -                       | 1,422                              | -                        | 290              | 201                     | 1,913               |
| Balance at September 30, 2022         | <u>\$ 86,437</u>  | <u>\$ 35,617</u>        | <u>\$ 1,469,299</u>                | <u>\$ 1,154</u>          | <u>\$ 28,597</u> | <u>\$ 367,399</u>       | <u>\$ 1,988,503</u> |
| Carrying amount at January 1, 2022    | <u>\$ 160,061</u> | <u>\$ 74,074</u>        | <u>\$ 225,755</u>                  | <u>\$ 420</u>            | <u>\$ 6,403</u>  | <u>\$ 97,678</u>        | <u>\$ 564,391</u>   |
| Carrying amount at September 30, 2022 | <u>\$ 156,486</u> | <u>\$ 74,188</u>        | <u>\$ 360,226</u>                  | <u>\$ 221</u>            | <u>\$ 4,890</u>  | <u>\$ 85,896</u>        | <u>\$ 681,907</u>   |
| <u>Cost</u>                           |                   |                         |                                    |                          |                  |                         |                     |
| Balance at January 1, 2021            | \$ 242,923        | \$ 56,136               | \$ 1,560,939                       | \$ 1,375                 | \$ 29,450        | \$ 429,300              | \$ 2,320,123        |
| Additions                             | -                 | 28,745                  | 23,334                             | -                        | 3,811            | 17,227                  | 73,117              |
| Disposals                             | -                 | -                       | (2,197)                            | -                        | -                | (991)                   | (3,188)             |
| Effect of exchange rate changes       | -                 | -                       | (223)                              | -                        | (324)            | (1,288)                 | (1,835)             |
| Balance at September 30, 2021         | <u>\$ 242,923</u> | <u>\$ 84,881</u>        | <u>\$ 1,581,853</u>                | <u>\$ 1,375</u>          | <u>\$ 32,937</u> | <u>\$ 444,248</u>       | <u>\$ 2,388,217</u> |
| <u>Accumulated depreciation</u>       |                   |                         |                                    |                          |                  |                         |                     |
| Balance at January 1, 2021            | \$ 78,096         | \$ 14,608               | \$ 1,106,091                       | \$ 689                   | \$ 23,897        | \$ 318,388              | \$ 1,541,769        |
| Depreciation                          | 3,574             | 6,618                   | 192,178                            | 199                      | 1,950            | 24,558                  | 229,077             |
| Disposals                             | -                 | -                       | (2,197)                            | -                        | -                | (991)                   | (3,188)             |
| Effect of exchange rate changes       | -                 | -                       | (157)                              | -                        | (180)            | (923)                   | (1,260)             |
| Balance at September 30, 2021         | <u>\$ 81,670</u>  | <u>\$ 21,226</u>        | <u>\$ 1,295,915</u>                | <u>\$ 888</u>            | <u>\$ 25,667</u> | <u>\$ 341,032</u>       | <u>\$ 1,766,398</u> |
| Carrying amount at January 1, 2021    | <u>\$ 164,827</u> | <u>\$ 41,528</u>        | <u>\$ 454,848</u>                  | <u>\$ 686</u>            | <u>\$ 5,553</u>  | <u>\$ 110,912</u>       | <u>\$ 778,354</u>   |
| Carrying amount at September 30, 2021 | <u>\$ 161,253</u> | <u>\$ 63,655</u>        | <u>\$ 285,938</u>                  | <u>\$ 487</u>            | <u>\$ 7,270</u>  | <u>\$ 103,216</u>       | <u>\$ 621,819</u>   |

(Concluded)

## 11. LEASE ARRANGEMENTS

### a. Right-of-use assets

|  | Land             | Buildings         | Transportation Equipment | Total             |
|--|------------------|-------------------|--------------------------|-------------------|
| <u>Cost</u>                            |                  |                   |                          |                   |
| Balance at January 1, 2022             | \$ 58,995        | \$ 358,084        | \$ 3,475                 | \$ 420,554        |
| Additions                              | 243              | 24,993            | 3,840                    | 29,076            |
| Lease expired                          | -                | (3,608)           | -                        | (3,608)           |
| Lease modification                     | -                | -                 | (1,381)                  | (1,381)           |
| Effect of exchange rate changes        | -                | 8,399             | -                        | 8,399             |
| Balance at September 30, 2022          | <u>\$ 59,238</u> | <u>\$ 387,868</u> | <u>\$ 5,934</u>          | <u>\$ 453,040</u> |
| <u>Accumulated depreciation</u>        |                  |                   |                          |                   |
| Balance at January 1, 2022             | \$ 4,838         | \$ 153,105        | \$ 2,254                 | \$ 160,197        |
| Depreciation                           | 1,213            | 47,972            | 850                      | 50,035            |
| Lease expired                          | -                | (3,608)           | -                        | (3,608)           |
| Lease modification                     | -                | -                 | (937)                    | (937)             |
| Effect of exchange rate changes        | -                | 349               | -                        | 349               |
| Balance at September 30, 2022          | <u>\$ 6,051</u>  | <u>\$ 197,818</u> | <u>\$ 2,167</u>          | <u>\$ 206,036</u> |
| Carrying amounts at January 1, 2022    | <u>\$ 54,157</u> | <u>\$ 204,979</u> | <u>\$ 1,221</u>          | <u>\$ 260,357</u> |
| Carrying amounts at September 30, 2022 | <u>\$ 53,187</u> | <u>\$ 190,050</u> | <u>\$ 3,767</u>          | <u>\$ 247,004</u> |

(Continued)

|   | Land                                       | Buildings         | Transportation<br>Equipment               | Total             |
|---|--|-------------------|---|-------------------|
| <u>Cost</u>   |  |                   |   |                   |
| Balance at January 1, 2021  | \$ 58,995                                  | \$ 288,970        | \$ 4,957                                  | \$ 352,922        |
| Additions   | -  | 87,477            | 341                                       | 87,818            |
| Lease expired   | -  | (1,437)           | (478)                                     | (1,915)           |
| Lease modification  | -  | (14,719)          | (1,345)                                   | (16,064)          |
| Effect of exchange rate changes   | -  | (7,632)           | -   | (7,632)           |
| Balance at September 30, 2021   | <u>\$ 58,995</u>                           | <u>\$ 352,659</u> | <u>\$ 3,475</u>                           | <u>\$ 415,129</u> |
| <u>Accumulated depreciation</u>   |  |                   |   |                   |
| Balance at January 1, 2021  | \$ 3,225                                   | \$ 109,013        | \$ 2,421                                  | \$ 114,659        |
| Depreciation  | 1,210                                      | 47,331            | 883                                       | 49,424            |
| Lease expired   | -  | (1,437)           | (478)                                     | (1,915)           |
| Lease modification  | -  | (14,156)          | (797)                                     | (14,953)          |
| Effect of exchange rate changes   | -  | (2,670)           | -   | (2,670)           |
| Balance at September 30, 2021   | <u>\$ 4,435</u>                            | <u>\$ 138,081</u> | <u>\$ 2,029</u>                           | <u>\$ 144,545</u> |
| Carrying amounts at January 1, 2021   | <u>\$ 55,770</u>                           | <u>\$ 179,957</u> | <u>\$ 2,536</u>                           | <u>\$ 238,263</u> |
| Carrying amounts at September 30, 2021  | <u>\$ 54,560</u>                           | <u>\$ 214,578</u> | <u>\$ 1,446</u>                           | <u>\$ 270,584</u> |
|   |  |                   |   | (Concluded)       |
|   | <b>Three Months Ended<br/>September 30</b> |                   | <b>Nine Months Ended<br/>September 30</b> |                   |
|   | <b>2022</b>                                | <b>2021</b>       | <b>2022</b>                               | <b>2021</b>       |
| Income from the subleasing of<br>right-of-use assets (presented<br>in other income) | <u>\$ -</u>                                | <u>\$ 75</u>      | <u>\$ 149</u>                             | <u>\$ 224</u>     |

b. Lease liabilities

|                        | September 30,<br>2022 | December 31,<br>2021 | September 30,<br>2021 |
|------------------------|-----------------------|----------------------|-----------------------|
| <u>Carrying amount</u> |                       |                      |                       |
| Current                | <u>\$ 58,850</u>      | <u>\$ 61,223</u>     | <u>\$ 61,294</u>      |
| Non-current            | <u>\$ 201,201</u>     | <u>\$ 210,004</u>    | <u>\$ 219,981</u>     |

Range of discount rates for lease liabilities was as follows:

|                          | <b>September 30,<br/>2022</b> | <b>December 31,<br/>2021</b> | <b>September 30,<br/>2021</b> |
|--------------------------|-------------------------------|------------------------------|-------------------------------|
| Land                     | 1.62%                         | 1.62%                        | 1.62%                         |
| Buildings                | 0.589%-4.75%                  | 0.589%-4.75%                 | 0.589%-4.75%                  |
| Transportation equipment | 0.589%-0.925%                 | 0.589%-0.825%                | 0.589%-0.825%                 |

c. Material leasing activities and terms

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

d. Subleases

The other sublease transaction is set out below.

Sublease of right-of-use assets

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

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

|        | <b>September 30,<br/>2022</b> | <b>December 31,<br/>2021</b> | <b>September 30,<br/>2021</b> |
|--------|-------------------------------|------------------------------|-------------------------------|
| Year 1 | \$ -                          | \$ 299                       | \$ 299                        |
| Year 2 | <u>-</u>                      | <u>-</u>                     | <u>75</u>                     |
|        | <u>\$ -</u>                   | <u>\$ 299</u>                | <u>\$ 374</u>                 |

e. Other lease information

|   | <b>Three Months Ended<br/>September 30</b> |                 | <b>Nine Months Ended<br/>September 30</b> |                    |
|---|--|-----------------|---|--------------------|
|   | <b>2022</b>                                | <b>2021</b>     | <b>2022</b>                               | <b>2021</b>        |
| Expenses relating to short-term leases      | <u>\$ 1,438</u>                            | <u>\$ 1,569</u> | <u>\$ 4,510</u>                           | <u>\$ 4,221</u>    |
| Expenses relating to low-value asset leases | <u>\$ 6</u>                                | <u>\$ 7</u>     | <u>\$ 19</u>                              | <u>\$ 24</u>       |
| Total cash outflow for leases               |  |                 | <u>\$ (56,644)</u>                        | <u>\$ (50,778)</u> |

The Company's leases for certain buildings, 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, 2022            | \$ 1,049,207        | \$ 519        | \$ 1,049,726        |
| Additions                             | 549,905             | -             | 549,905             |
| Effect of exchange rate changes       | <u>7</u>            | <u>-</u>      | <u>7</u>            |
| Balance at September 30, 2022         | <u>\$ 1,599,119</u> | <u>\$ 519</u> | <u>\$ 1,599,638</u> |
| <u>Accumulated amortization</u>       |                     |               |                     |
| Balance at January 1, 2022            | \$ 731,329          | \$ 509        | \$ 731,838          |
| Amortization                          | 249,002             | 10            | 249,012             |
| Effect of exchange rate changes       | <u>7</u>            | <u>-</u>      | <u>7</u>            |
| Balance at September 30, 2022         | <u>\$ 980,338</u>   | <u>\$ 519</u> | <u>\$ 980,857</u>   |
| Carrying amount at January 1, 2022    | <u>\$ 317,878</u>   | <u>\$ 10</u>  | <u>\$ 317,888</u>   |
| Carrying amount at September 30, 2022 | <u>\$ 618,781</u>   | <u>\$ -</u>   | <u>\$ 618,781</u>   |
| <u>Cost</u>                           |                     |               |                     |
| Balance at January 1, 2021            | \$ 1,059,356        | \$ 519        | \$ 1,059,875        |
| Additions                             | 164,624             | -             | 164,624             |
| Effect of exchange rate changes       | <u>(4)</u>          | <u>-</u>      | <u>(4)</u>          |
| Balance at September 30, 2021         | <u>\$ 1,223,976</u> | <u>\$ 519</u> | <u>\$ 1,224,495</u> |
| <u>Accumulated amortization</u>       |                     |               |                     |
| Balance at January 1, 2021            | \$ 615,510          | \$ 480        | \$ 615,990          |
| Amortization                          | 225,179             | 22            | 225,201             |
| Effect of exchange rate changes       | <u>(3)</u>          | <u>-</u>      | <u>(3)</u>          |
| Balance at September 30, 2021         | <u>\$ 840,686</u>   | <u>\$ 502</u> | <u>\$ 841,188</u>   |
| Carrying amount at January 1, 2021    | <u>\$ 443,846</u>   | <u>\$ 39</u>  | <u>\$ 443,885</u>   |
| Carrying amount at September 30, 2021 | <u>\$ 383,290</u>   | <u>\$ 17</u>  | <u>\$ 383,307</u>   |

## 13. OTHER CURRENT ASSETS

|                          | September 30,<br>2022 | December 31,<br>2021 | September 30,<br>2021 |
|--------------------------|-----------------------|----------------------|-----------------------|
| Prepayment for purchases | \$ 1,160,950          | \$ 1,126,096         | \$ 765,919            |
| Prepaid license fees     | 360,408               | 326,812              | 315,941               |
| VAT tax receivable       | 230,968               | 133,448              | 125,557               |
| Prepaid expenses         | 40,898                | 20,819               | 28,829                |
| Prepaid income tax       | 8,191                 | 806                  | 4,862                 |
| Temporary payments       | <u>-</u>              | <u>-</u>             | <u>558</u>            |
|                          | <u>\$ 1,801,415</u>   | <u>\$ 1,607,981</u>  | <u>\$ 1,241,666</u>   |

#### 14. OTHER LIABILITIES

|                                  | September 30,<br>2022 | December 31,<br>2021 | September 30,<br>2021 |
|----------------------------------|-----------------------|----------------------|-----------------------|
| <u>Current</u>                   |                       |                      |                       |
| Payable for salaries and bonuses | \$ 565,909            | \$ 547,693           | \$ 291,797            |
| License fees payable             | 324,113               | 272,893              | 156,896               |
| Payable for royalties            | 36,933                | 23,336               | 20,588                |
| Others                           | <u>443,951</u>        | <u>610,749</u>       | <u>433,401</u>        |
|                                  | <u>\$ 1,370,906</u>   | <u>\$ 1,454,671</u>  | <u>\$ 902,682</u>     |
| <u>Non-current</u>               |                       |                      |                       |
| License fees payable             | <u>\$ 247,052</u>     | <u>\$ 53,687</u>     | <u>\$ 113,476</u>     |

The license fees payable are primarily attributable to several agreements that GUC 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, GUC makes monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts. Furthermore, GUC-NA, GUC-Japan, GUC-Korea, GUC-Shanghai and GUC-Nanjing make monthly contributions at certain percentages of the salary of their employees. Accordingly, the Company recognized expenses of NT\$17,244 thousand and NT\$16,359 thousand in the consolidated statements of comprehensive income for the three months ended September 30, 2022 and 2021, respectively; and NT\$49,878 thousand and NT\$48,249 thousand in the consolidated statements of comprehensive income for the nine months ended September 30, 2022 and 2021, respectively.

##### b. Defined benefit plans

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

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

GUC adopted the pension cost rate from the actuarial valuation as of December 31, 2021 and 2020 to determine and recognize pension expenses in general and administrative expenses of NT\$288 thousand and NT\$399 thousand in the consolidated statements of comprehensive income for the three months ended September 30, 2022 and 2021, respectively; and NT\$863 thousand and NT\$1,196 thousand in the consolidated statements of comprehensive income for the nine months ended September 30, 2022 and 2021, respectively.

## 16. EQUITY

### a. Share capital

|            | September 30,<br>2022 | December 31,<br>2021 | September 30,<br>2021 |
|------------|-----------------------|----------------------|-----------------------|
| Authorized | <u>\$ 1,800,000</u>   | <u>\$ 1,500,000</u>  | <u>\$ 1,500,000</u>   |
| Issued     | <u>\$ 1,340,119</u>   | <u>\$ 1,340,119</u>  | <u>\$ 1,340,119</u>   |

As of September 30, 2022, December 31, 2021 and September 30, 2021, GUC was authorized to issue 180,000 thousand shares, 150,000 thousand shares and 150,000 thousand shares with par value of \$10; each share is entitled to the right to vote and to receive dividends and a total of 134,011 thousand shares have been paid and issued.

### b. Capital surplus

|   | September 30,<br>2022 | December 31,<br>2021 | September 30,<br>2021 |
|---|-----------------------|----------------------|-----------------------|
| From merger   | \$ 16,621             | \$ 16,621            | \$ 16,621             |
| Additional paid-in capital                            | 13,232                | 13,232               | 13,232                |
| Donations   | 2,660                 | 2,660                | 2,660                 |
| Dividends from claims extinguished by<br>prescription | <u>163</u>            | <u>128</u>           | <u>128</u>            |
|   | <u>\$ 32,676</u>      | <u>\$ 32,641</u>     | <u>\$ 32,641</u>      |

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

### c. Retained earnings and dividend policy

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

- 1) Legal reserve at 10% of the remaining profit;
- 2) Special reserve in accordance with the resolution in the shareholders' meeting;

3) Any balance remaining shall be allocated to shareholders according to the resolution in the shareholders' meeting.

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

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

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

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

The appropriations of earnings for 2021 and 2020 had been approved in the meetings of the shareholders of GUC held on May 19, 2022 and May 20, 2021, respectively. The appropriations and dividends per share were as follows:

|                                 | <b>Appropriation of Earnings<br/>For the Year Ended December 31</b> |             |
|---------------------------------|---|-------------|
|                                 | <b>2021</b>   | <b>2020</b> |
| Legal reserve                   | \$ 146,270  | \$ 84,544   |
| Special reserve                 | \$ 16,318   | \$ 1,408    |
| Cash dividends                  | \$ 938,083  | \$ 670,060  |
| Cash dividends per share (NT\$) | \$ 7.00   | \$ 5.00     |

d. Others

Changes in foreign currency translation reserve were as follows:

|   | <b>Three Months Ended<br/>September 30</b> |             | <b>Nine Months Ended<br/>September 30</b> |             |
|---|--|-------------|---|-------------|
|   | <b>2022</b>                                | <b>2021</b> | <b>2022</b>                               | <b>2021</b> |
| Balance, beginning of period                              | \$ (25,067)                                | \$ (36,634) | \$ (38,471)                               | \$ (22,153) |
| Exchange differences on translation of foreign operations | 14,833                                     | (1,838)     | 28,237                                    | (16,319)    |
| Balance, end of period                                    | \$ (10,234)                                | \$ (38,472) | \$ (10,234)                               | \$ (38,472) |

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

## 17. NET REVENUE

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

|                                 | Three Months Ended<br>September 30 |                     | Nine Months Ended<br>September 30 |                      |
|---------------------------------|------------------------------------|---------------------|-----------------------------------|----------------------|
|                                 | 2022                               | 2021                | 2022                              | 2021                 |
| Revenue from customer contracts |                                    |                     |                                   |                      |
| Net revenue from sale of goods  | \$ 4,705,534                       | \$ 2,599,374        | \$ 11,550,121                     | \$ 6,763,152         |
| Net revenue from NRE service    | <u>1,356,309</u>                   | <u>985,478</u>      | <u>4,406,668</u>                  | <u>3,434,728</u>     |
|                                 | <u>\$ 6,061,843</u>                | <u>\$ 3,584,852</u> | <u>\$ 15,956,789</u>              | <u>\$ 10,197,880</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

|                                | September 30,<br>2022 | December 31,<br>2021 | September 30,<br>2021 | January 1,<br>2021  |
|--------------------------------|-----------------------|----------------------|-----------------------|---------------------|
| Accounts receivable, net       | <u>\$ 2,413,733</u>   | <u>\$ 1,507,550</u>  | <u>\$ 1,182,365</u>   | <u>\$ 1,137,071</u> |
| Contract liabilities - current | <u>\$ 5,519,538</u>   | <u>\$ 5,313,950</u>  | <u>\$ 4,799,931</u>   | <u>\$ 2,381,778</u> |

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

In the nine months ended September 30, 2022 and 2021, the Company recognized revenue of NT\$2,904,752 thousand and NT\$1,764,363 thousand, respectively from the beginning balance of contract liability.

### b. Disaggregation of revenue from contracts with customers

|                        | Three Months Ended<br>September 30 |                     | Nine Months Ended<br>September 30 |                      |
|------------------------|------------------------------------|---------------------|-----------------------------------|----------------------|
| Production             | 2022                               | 2021                | 2022                              | 2021                 |
| ASIC and wafer product | \$ 4,705,534                       | \$ 2,599,374        | \$ 11,550,121                     | \$ 6,763,152         |
| NRE                    | 1,158,359                          | 840,349             | 3,943,063                         | 3,124,363            |
| Others                 | <u>197,950</u>                     | <u>145,129</u>      | <u>463,605</u>                    | <u>310,365</u>       |
|                        | <u>\$ 6,061,843</u>                | <u>\$ 3,584,852</u> | <u>\$ 15,956,789</u>              | <u>\$ 10,197,880</u> |

| Region        | Three Months Ended<br>September 30 |                     | Nine Months Ended<br>September 30 |                      |
|---------------|------------------------------------|---------------------|-----------------------------------|----------------------|
|               | 2022                               | 2021                | 2022                              | 2021                 |
| China         | \$ 1,932,141                       | \$ 1,405,591        | \$ 5,780,756                      | \$ 3,261,609         |
| United States | 1,282,065                          | 739,804             | 3,210,550                         | 2,244,846            |
| Taiwan        | 1,034,150                          | 671,019             | 2,795,235                         | 1,940,207            |
| Korea         | 1,119,099                          | 254,338             | 2,096,944                         | 1,103,904            |
| Japan         | 478,534                            | 263,040             | 1,379,208                         | 1,108,282            |
| Europe        | <u>215,854</u>                     | <u>251,060</u>      | <u>694,096</u>                    | <u>539,032</u>       |
|               | <u>\$ 6,061,843</u>                | <u>\$ 3,584,852</u> | <u>\$ 15,956,789</u>              | <u>\$ 10,197,880</u> |

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

| Application Type | Three Months Ended<br>September 30 |                     | Nine Months Ended<br>September 30 |                      |
|------------------|------------------------------------|---------------------|-----------------------------------|----------------------|
|                  | 2022                               | 2021                | 2022                              | 2021                 |
| Digital Consumer | \$ 2,805,995                       | \$ 1,508,561        | \$ 6,194,534                      | \$ 4,451,176         |
| Networking       | 1,631,978                          | 704,050             | 3,926,853                         | 2,425,692            |
| Industry         | 903,323                            | 424,305             | 2,908,437                         | 1,189,762            |
| AI/ML            | 418,483                            | 718,885             | 1,988,250                         | 1,260,054            |
| Others           | <u>302,064</u>                     | <u>229,051</u>      | <u>938,715</u>                    | <u>871,196</u>       |
|                  | <u>\$ 6,061,843</u>                | <u>\$ 3,584,852</u> | <u>\$ 15,956,789</u>              | <u>\$ 10,197,880</u> |

| Customer Type | Three Months Ended<br>September 30 |                     | Nine Months Ended<br>September 30 |                      |
|---------------|------------------------------------|---------------------|-----------------------------------|----------------------|
|               | 2022                               | 2021                | 2022                              | 2021                 |
| System House  | \$ 3,887,315                       | \$ 2,470,395        | \$ 10,021,610                     | \$ 6,953,540         |
| Fabless       | <u>2,174,528</u>                   | <u>1,114,457</u>    | <u>5,935,179</u>                  | <u>3,244,340</u>     |
|               | <u>\$ 6,061,843</u>                | <u>\$ 3,584,852</u> | <u>\$ 15,956,789</u>              | <u>\$ 10,197,880</u> |

| Resolution   | Three Months Ended September 30    |                                      |                                    |                                      |
|--------------|------------------------------------|--------------------------------------|------------------------------------|--------------------------------------|
|              | 2022                               |                                      | 2021                               |                                      |
|              | Net Revenue<br>from NRE<br>Service | Net Revenue<br>from Sale of<br>Goods | Net Revenue<br>from NRE<br>Service | Net Revenue<br>from Sale of<br>Goods |
| 5-nanometer  | \$ 54,302                          | \$ -                                 | \$ 82,797                          | \$ -                                 |
| 7-nanometer  | 179,073                            | 202,024                              | 195,371                            | 545,677                              |
| 16-nanometer | 401,655                            | 2,057,084                            | 334,396                            | 481,418                              |
| 28-nanometer | 523,329                            | 2,446,426                            | 227,785                            | 1,572,279                            |
| Others       | <u>197,950</u>                     | <u>-</u>                             | <u>145,129</u>                     | <u>-</u>                             |
|              | <u>\$ 1,356,309</u>                | <u>\$ 4,705,534</u>                  | <u>\$ 985,478</u>                  | <u>\$ 2,599,374</u>                  |

| Resolution   | Nine Months Ended September 30     |                                      |                                    |                                      |
|--------------|------------------------------------|--------------------------------------|------------------------------------|--------------------------------------|
|              | 2022                               |                                      | 2021                               |                                      |
|              | Net Revenue<br>from NRE<br>Service | Net Revenue<br>from Sale of<br>Goods | Net Revenue<br>from NRE<br>Service | Net Revenue<br>from Sale of<br>Goods |
| 5-nanometer  | \$ 138,959                         | \$ -                                 | \$ 128,189                         | \$ -                                 |
| 7-nanometer  | 1,378,863                          | 976,269                              | 842,224                            | 545,677                              |
| 16-nanometer | 1,305,454                          | 3,945,968                            | 1,352,505                          | 1,249,787                            |
| 28-nanometer | 1,119,787                          | 6,627,884                            | 801,445                            | 4,967,688                            |
| Others       | <u>463,605</u>                     | <u>-</u>                             | <u>310,365</u>                     | <u>-</u>                             |
|              | <u>\$ 4,406,668</u>                | <u>\$ 11,550,121</u>                 | <u>\$ 3,434,728</u>                | <u>\$ 6,763,152</u>                  |

## 18. INTEREST INCOME

|  | Three Months Ended<br>September 30 |                 | Nine Months Ended<br>September 30 |                 |
|--|------------------------------------|-----------------|-----------------------------------|-----------------|
|  | 2022                               | 2021            | 2022                              | 2021            |
| Bank deposits                                    | \$ 13,459                          | \$ 3,893        | \$ 24,630                         | \$ 9,780        |
| Repurchase agreements<br>collateralized by bonds | <u>77</u>                          | <u>-</u>        | <u>134</u>                        | <u>-</u>        |
|  | <u>\$ 13,536</u>                   | <u>\$ 3,893</u> | <u>\$ 24,764</u>                  | <u>\$ 9,780</u> |

## 19. OTHER INCOME

|  | Three Months Ended<br>September 30 |                 | Nine Months Ended<br>September 30 |                  |
|--|------------------------------------|-----------------|-----------------------------------|------------------|
|  | 2022                               | 2021            | 2022                              | 2021             |
| Government grants  | \$ 4,380                           | \$ -            | \$ 57,490                         | \$ 55,525        |
| Past due over 2 years' contract<br>liabilities transferred to income | -                                  | 4,333           | 8,164                             | 17,709           |
| Rental income  | -                                  | 75              | 149                               | 224              |
| Other income   | <u>556</u>                         | <u>2,919</u>    | <u>4,695</u>                      | <u>5,105</u>     |
|  | <u>\$ 4,936</u>                    | <u>\$ 7,327</u> | <u>\$ 70,498</u>                  | <u>\$ 78,563</u> |

## 20. OTHER GAINS AND LOSSES

|  | Three Months Ended<br>September 30 |                   | Nine Months Ended<br>September 30 |                    |
|--|------------------------------------|-------------------|-----------------------------------|--------------------|
|  | 2022                               | 2021              | 2022                              | 2021               |
| Foreign exchange gain (loss), net                                | \$ 62,911                          | \$ (5,753)        | \$ 59,662                         | \$ (27,102)        |
| Gain on financial assets at fair<br>value through profit or loss | 3,084                              | 1,025             | 6,223                             | 2,754              |
| Gain on lease modification                                       | <u>-</u>                           | <u>6</u>          | <u>5</u>                          | <u>462</u>         |
|  | <u>\$ 65,995</u>                   | <u>\$ (4,722)</u> | <u>\$ 65,890</u>                  | <u>\$ (23,886)</u> |

## 21. FINANCE COSTS

|                               | Three Months Ended<br>September 30 |                 | Nine Months Ended<br>September 30 |                 |
|-------------------------------|------------------------------------|-----------------|-----------------------------------|-----------------|
|                               | 2022                               | 2021            | 2022                              | 2021            |
| Interest on lease liabilities | <u>\$ 1,119</u>                    | <u>\$ 1,149</u> | <u>\$ 3,193</u>                   | <u>\$ 3,538</u> |

## 22. INCOME TAX

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

Income tax expense consisted of the following:

|  | Three Months Ended<br>September 30 |                  | Nine Months Ended<br>September 30 |                   |
|--|------------------------------------|------------------|-----------------------------------|-------------------|
|  | 2022                               | 2021             | 2022                              | 2021              |
| Current income tax expense                                 |                                    |                  |                                   |                   |
| Current tax expense<br>recognized in the current<br>period | \$ 181,247                         | \$ 73,196        | \$ 407,449                        | \$ 157,352        |
| Adjustments to income tax of<br>prior years                | <u>(1)</u>                         | <u>-</u>         | <u>(74)</u>                       | <u>(209)</u>      |
|  | 181,246                            | 73,196           | 407,375                           | 157,143           |
| Deferred income tax expense                                |                                    |                  |                                   |                   |
| Temporary differences                                      | (9,747)                            | 636              | (2,893)                           | 31,901            |
| Effect of tax rate changes                                 | <u>-</u>                           | <u>-</u>         | <u>-</u>                          | <u>49</u>         |
| Income tax expense recognized<br>in profit or loss         | <u>\$ 171,499</u>                  | <u>\$ 73,832</u> | <u>\$ 404,482</u>                 | <u>\$ 189,093</u> |

### b. Income tax examination

The tax authorities have examined the income tax returns of GUC through 2020.

## 23. EARNINGS PER SHARE

|             | Three Months Ended<br>September 30 |                | Nine Months Ended<br>September 30 |                |
|-------------|------------------------------------|----------------|-----------------------------------|----------------|
|             | 2022                               | 2021           | 2022                              | 2021           |
| Basic EPS   | <u>\$ 7.90</u>                     | <u>\$ 3.11</u> | <u>\$ 17.64</u>                   | <u>\$ 7.05</u> |
| Diluted EPS | <u>\$ 7.84</u>                     | <u>\$ 3.10</u> | <u>\$ 17.54</u>                   | <u>\$ 7.03</u> |



EPS is computed as follows:

|   | Amounts<br>(Numerator) | Number of<br>Shares<br>(Denominator)<br>(In Thousands) | EPS (NT\$)     |
|---|------------------------|--|----------------|
| <u>Three months ended September 30, 2022</u>  |                        |  |                |
| Basic EPS   |                        |  |                |
| Net income available to common shareholders   | \$ 1,058,199           | 134,011  | <u>\$7.90</u>  |
| Effect of dilutive potential common stock   | <u>-</u>               | <u>729</u>   |                |
| Diluted EPS   |                        |  |                |
| Net income available to common shareholders<br>(including effect of dilutive potential<br>common stock) | <u>\$ 1,058,199</u>    | <u>134,740</u>   | <u>\$7.84</u>  |
| <u>Three months ended September 30, 2021</u>  |                        |  |                |
| Basic EPS   |                        |  |                |
| Net income available to common shareholders   | \$ 417,584             | 134,011  | <u>\$3.11</u>  |
| Effect of dilutive potential common stock   | <u>-</u>               | <u>356</u>   |                |
| Diluted EPS   |                        |  |                |
| Net income available to common shareholders<br>(including effect of dilutive potential<br>common stock) | <u>\$ 417,584</u>      | <u>134,367</u>   | <u>\$3.10</u>  |
| <u>Nine months ended September 30, 2022</u>   |                        |  |                |
| Basic EPS   |                        |  |                |
| Net income available to common shareholders   | \$ 2,364,049           | 134,011  | <u>\$17.64</u> |
| Effect of dilutive potential common stock   | <u>-</u>               | <u>782</u>   |                |
| Diluted EPS   |                        |  |                |
| Net income available to common shareholders<br>(including effect of dilutive potential<br>common stock) | <u>\$ 2,364,049</u>    | <u>134,793</u>   | <u>\$17.54</u> |
| <u>Nine months ended September 30, 2021</u>   |                        |  |                |
| Basic EPS   |                        |  |                |
| Net income available to common shareholders   | \$ 945,175             | 134,011  | <u>\$7.05</u>  |
| Effect of dilutive potential common stock   | <u>-</u>               | <u>388</u>   |                |
| Diluted EPS   |                        |  |                |
| Net income available to common shareholders<br>(including effect of dilutive potential<br>common stock) | <u>\$ 945,175</u>      | <u>134,399</u>   | <u>\$7.03</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:

|  | Three Months Ended<br>September 30 |                   | Nine Months Ended<br>September 30 |                     |
|--|------------------------------------|-------------------|-----------------------------------|---------------------|
|  | 2022                               | 2021              | 2022                              | 2021                |
| a. Depreciation expense                                |                                    |                   |                                   |                     |
| Depreciation of property, plant and equipment          |                                    |                   |                                   |                     |
| Recognized in cost of revenue                          | \$ 6,389                           | \$ 3,156          | \$ 15,501                         | \$ 8,035            |
| Recognized in operating expenses                       | <u>59,400</u>                      | <u>73,953</u>     | <u>175,811</u>                    | <u>221,042</u>      |
|  | <u>65,789</u>                      | <u>77,109</u>     | <u>191,312</u>                    | <u>229,077</u>      |
| Depreciation of right-of-use assets                    |                                    |                   |                                   |                     |
| Recognized in cost of revenue                          | 1,200                              | 938               | 3,414                             | 2,953               |
| Recognized in operating expenses                       | <u>15,448</u>                      | <u>15,636</u>     | <u>46,621</u>                     | <u>46,471</u>       |
|  | <u>16,648</u>                      | <u>16,574</u>     | <u>50,035</u>                     | <u>49,424</u>       |
|  | <u>\$ 82,437</u>                   | <u>\$ 93,683</u>  | <u>\$ 241,347</u>                 | <u>\$ 278,501</u>   |
| b. Amortization of intangible assets                   |                                    |                   |                                   |                     |
| Recognized in cost of revenue                          | \$ 4,951                           | \$ 59             | \$ 7,058                          | \$ 158              |
| Recognized in operating expenses                       | <u>79,517</u>                      | <u>75,793</u>     | <u>241,954</u>                    | <u>225,043</u>      |
|  | <u>\$ 84,468</u>                   | <u>\$ 75,852</u>  | <u>\$ 249,012</u>                 | <u>\$ 225,201</u>   |
| c. Research and development costs expensed as incurred | <u>\$ 730,381</u>                  | <u>\$ 742,245</u> | <u>\$ 2,367,562</u>               | <u>\$ 2,051,577</u> |
| d. Employee benefits expense                           |                                    |                   |                                   |                     |
| Post-employment benefits (Note 15)                     |                                    |                   |                                   |                     |
| Defined contribution plans                             | \$ 17,244                          | \$ 16,359         | \$ 49,878                         | \$ 48,249           |
| Defined benefit plans                                  | <u>288</u>                         | <u>399</u>        | <u>863</u>                        | <u>1,196</u>        |
|  | <u>17,532</u>                      | <u>16,758</u>     | <u>50,741</u>                     | <u>49,445</u>       |
| Other employee benefits                                | <u>750,333</u>                     | <u>678,098</u>    | <u>2,407,196</u>                  | <u>1,793,482</u>    |
|  | <u>\$ 767,865</u>                  | <u>\$ 694,856</u> | <u>\$ 2,457,937</u>               | <u>\$ 1,842,927</u> |

(Continued)

|   | <b>Three Months Ended<br/>September 30</b> |                   | <b>Nine Months Ended<br/>September 30</b> |                     |
|---|--|-------------------|---|---------------------|
|   | <b>2022</b>                                | <b>2021</b>       | <b>2022</b>                               | <b>2021</b>         |
| Employee benefits expense<br>summarized by function |  |                   |   |                     |
| Recognized in cost of<br>revenue                    | \$ 91,514                                  | \$ 65,033         | \$ 256,314                                | \$ 174,148          |
| Recognized in operating<br>expenses                 | <u>676,351</u>                             | <u>629,823</u>    | <u>2,201,623</u>                          | <u>1,668,779</u>    |
|   | <u>\$ 767,865</u>                          | <u>\$ 694,856</u> | <u>\$ 2,457,937</u>                       | <u>\$ 1,842,927</u> |
|   |  |                   |   | (Concluded)         |

e. Employees' compensation and remuneration to directors

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

For the three months ended September 30, and for the nine months ended September 30, 2022 and 2021, GUC accrued employees' compensation and remuneration to directors were made at the approved percentage of net income before tax and before deduction of the employees' compensation and remuneration to directors. The accrued amounts were as follows:

|                           | <b>Three Months Ended<br/>September 30</b> |             | <b>Nine Months Ended<br/>September 30</b> |             |
|---------------------------|--|-------------|---|-------------|
|                           | <b>2022</b>                                | <b>2021</b> | <b>2022</b>                               | <b>2021</b> |
| Employees' compensation   | \$ 186,275                                 | \$ 92,766   | \$ 429,387                                | \$ 177,955  |
| Remuneration to directors | 20,307                                     | 9,809       | 46,289                                    | 17,867      |

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

The employees' compensation and remuneration to directors of GUC in the amounts of NT\$271,773 thousand and NT\$27,722 thousand in cash for 2021, respectively, and in the amounts of NT\$133,640 thousand and NT\$11,994 thousand in cash for 2020, respectively, were approved by the Board of Directors in their meetings held on January 26, 2022 and January 28, 2021, respectively. The aforementioned approved amounts did not have any difference with the amounts recognized in the consolidated financial statements for the years ended December 31, 2021 and 2020, respectively.

The information about appropriations of employees' compensation and remuneration to directors of GUC 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<br>January 1,<br>2022 | Cash Flows | Non-cash Changes   |                      |                                 | Balance as of<br>September 30,<br>2022 |
|--------------------|-------------------------------------|------------|--------------------|----------------------|---------------------------------|--|
|                    |                                     |            | Lease<br>Additions | Lease<br>Termination | Foreign<br>Exchange<br>Movement |  |
| Guarantee deposits | \$ 2,911                            | \$ 16      | \$ -               | \$ -                 | \$ 411                          | \$ 3,338                               |
| Lease liabilities  | 271,227                             | (48,775)   | 29,076             | (449)                | 8,972                           | 260,051                                |

  

|                    | Balance as of<br>January 1,<br>2021 | Cash Flows | Non-cash Changes   |                      |                                 | Balance as of<br>September 30,<br>2021 |
|--------------------|-------------------------------------|------------|--------------------|----------------------|---------------------------------|--|
|                    |                                     |            | Lease<br>Additions | Lease<br>Termination | Foreign<br>Exchange<br>Movement |  |
| Guarantee deposits | \$ 2,957                            | \$ 50      | \$ -               | \$ -                 | \$ (65)                         | \$ 2,942                               |
| Lease liabilities  | 243,091                             | (42,823)   | 87,818             | (1,573)              | (5,238)                         | 281,275                                |

## 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

September 30, 2022

|                           | Level 1             | Level 2     | Level 3     | Total               |
|---------------------------|---------------------|-------------|-------------|---------------------|
| Financial assets at FVTPL |                     |             |             |                     |
| Mutual funds              | <u>\$ 1,986,223</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,986,223</u> |

December 31, 2021

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

September 30, 2021

|                           | Level 1      | Level 2 | Level 3 | Total        |
|---------------------------|--------------|---------|---------|--------------|
| Financial assets at FVTPL |              |         |         |              |
| Mutual funds              | \$ 2,132,754 | \$ -    | \$ -    | \$ 2,132,754 |

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

b. Categories of financial instruments

|  | September 30,<br>2022 | December 31,<br>2021 | September 30,<br>2021 |
|--|-----------------------|----------------------|-----------------------|
| <u>Financial assets</u>                              |                       |                      |                       |
| FVTPL  |                       |                      |                       |
| Mandatorily classified as at FVTPL                   | \$ 1,986,223          | \$ 2,130,000         | \$ 2,132,754          |
| Amortized cost                                       |                       |                      |                       |
| Cash and cash equivalents                            | 5,128,384             | 5,587,232            | 4,375,186             |
| Accounts receivable, net (including related parties) | 2,433,099             | 1,513,050            | 1,209,165             |
| Other financial assets                               | 2,598                 | 782                  | 654                   |
| Refundable deposits                                  | 104,903               | 24,458               | 2,515                 |
| Pledged time deposits                                | <u>22,200</u>         | <u>22,200</u>        | <u>22,200</u>         |
|  | <u>\$ 9,677,407</u>   | <u>\$ 9,277,722</u>  | <u>\$ 7,742,474</u>   |
| <u>Financial liabilities</u>                         |                       |                      |                       |
| Amortized cost                                       |                       |                      |                       |
| Accounts payable (including related parties)         | \$ 2,699,474          | \$ 1,849,685         | \$ 1,384,703          |
| Payables on machinery and equipment                  | 100,372               | 3,820                | 16,401                |
| Accrued expenses and other current liabilities       | 462,893               | 748,203              | 439,206               |
| Other long-term payables                             | 571,165               | 176,040              | 270,372               |
| Guarantee deposits                                   | <u>3,175</u>          | <u>2,768</u>         | <u>2,785</u>          |
|  | <u>\$ 3,837,079</u>   | <u>\$ 2,780,516</u>  | <u>\$ 2,113,467</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 nine months ended September 30, 2022 and 2021 would have decreased by NT\$86,366 thousand and increased by NT\$46,551 thousand, respectively.

e. Credit risk management

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

Business related credit risk

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

As of September 30, 2022, December 31, 2021 and September 30, 2021, the Company's ten largest customers accounted for 67%, 58% and 57% 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 September 30, 2022, December 31, 2021 and September 30, 2021, the unused financing facilities of the Company amounted to NT\$1,100,000 thousand, NT\$1,600,000 thousand and NT\$1,600,000 thousand, respectively.

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

| <b>Non-derivative Financial Liabilities</b>    | <b>Less Than<br/>1 Year</b> | <b>2-3 Years</b>  | <b>4+ Years</b>   | <b>Total</b>        |
|--|-----------------------------|-------------------|-------------------|---------------------|
| <u>September 30, 2022</u>                      |                             |                   |                   |                     |
| Accounts payable (including related parties)   | \$ 2,699,474                | \$ -              | \$ -              | \$ 2,699,474        |
| Payables on machinery and equipment            | 100,372                     | -                 | -                 | 100,372             |
| Accrued expenses and other current liabilities | 462,893                     | -                 | -                 | 462,893             |
| Lease liabilities                              | 62,858                      | 123,596           | 97,984            | 284,438             |
| Other long-term payables                       | 324,113                     | 247,052           | -                 | 571,165             |
| Guarantee deposits                             | -                           | -                 | 3,175             | 3,175               |
|  | <u>\$ 3,649,710</u>         | <u>\$ 370,648</u> | <u>\$ 101,159</u> | <u>\$ 4,121,517</u> |

Additional information about the maturity analysis of lease liabilities:

|                   | <b>Less than<br/>4 Year</b> | <b>4-10 Years</b> | <b>10-15 Years</b> | <b>15-20 Years</b> | <b>20+ Years</b> |
|-------------------|-----------------------------|-------------------|--------------------|--------------------|------------------|
| Lease liabilities | <u>\$ 186,454</u>           | <u>\$ 48,940</u>  | <u>\$ 10,740</u>   | <u>\$ 10,739</u>   | <u>\$ 27,565</u> |

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

Additional information about the maturity analysis of lease liabilities:

|                   | <b>Less than<br/>4 Year</b> | <b>4-10 Years</b> | <b>10-15 Years</b> | <b>15-20 Years</b> | <b>20+ Years</b> |
|-------------------|-----------------------------|-------------------|--------------------|--------------------|------------------|
| Lease liabilities | <u>\$ 190,174</u>           | <u>\$ 55,971</u>  | <u>\$ 10,692</u>   | <u>\$ 10,692</u>   | <u>\$ 29,048</u> |

| <b>Non-derivative Financial Liabilities</b>    | <b>Less Than<br/>1 Year</b> | <b>2-3 Years</b>  | <b>4+ Years</b>   | <b>Total</b>        |
|--|-----------------------------|-------------------|-------------------|---------------------|
| <u>September 30, 2021</u>                      |                             |                   |                   |                     |
| Accounts payable (including related parties)   | \$ 1,384,703                | \$ -              | \$ -              | \$ 1,384,703        |
| Accrued expenses and other current liabilities | 439,206                     | -                 | -                 | 439,206             |
| Lease liabilities                              | 65,226                      | 126,554           | 115,958           | 307,738             |
| Other long-term payables                       | 156,896                     | 113,476           | -                 | 270,372             |
| Guarantee deposits                             | -                           | -                 | 2,785             | 2,785               |
|  | <u>\$ 2,046,031</u>         | <u>\$ 240,030</u> | <u>\$ 118,743</u> | <u>\$ 2,404,804</u> |

Additional information about the maturity analysis of lease liabilities:

|                   | <b>Less than<br/>4 Year</b> | <b>4-10 Years</b> | <b>10-15 Years</b> | <b>15-20 Years</b> | <b>20+ Years</b> |
|-------------------|-----------------------------|-------------------|--------------------|--------------------|------------------|
| Lease liabilities | <u>\$ 191,780</u>           | <u>\$ 64,991</u>  | <u>\$ 10,693</u>   | <u>\$ 10,692</u>   | <u>\$ 29,582</u> |

g. Fair value of financial instruments

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

## 28. RELATED PARTY TRANSACTIONS

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

a. Related party name and category

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

b. Operating transactions

| <b>Line Item</b>      | <b>Related Party Name and Category</b>                                 | <b>Three Months Ended<br/>September 30</b> |                     | <b>Nine Months Ended<br/>September 30</b> |                     |
|-----------------------|--|--|---------------------|---|---------------------|
|                       |  | <b>2022</b>                                | <b>2021</b>         | <b>2022</b>                               | <b>2021</b>         |
| Net revenue from sale | Investors and subsidiaries with significant influence over the Company | <u>\$ 87,577</u>                           | <u>\$ 100,396</u>   | <u>\$ 169,457</u>                         | <u>\$ 177,388</u>   |
| Purchases             | Investors and subsidiaries with significant influence over the Company |  |                     |   |                     |
|                       | TSMC   | \$ 1,878,464                               | \$ 1,345,558        | \$ 4,951,392                              | \$ 2,886,129        |
|                       | TSMC-NA  | <u>376,503</u>                             | <u>277,738</u>      | <u>1,393,651</u>                          | <u>905,709</u>      |
|                       |  | 2,254,967                                  | 1,623,296           | 6,345,043                                 | 3,791,838           |
|                       | Other related parties  | <u>17,585</u>                              | <u>11,926</u>       | <u>68,671</u>                             | <u>35,533</u>       |
|                       |  | <u>\$ 2,272,552</u>                        | <u>\$ 1,635,222</u> | <u>\$ 6,413,714</u>                       | <u>\$ 3,827,371</u> |

(Continued)



| Line Item              | Related Party Name and Category  | Three Months Ended<br>September 30 |                   | Nine Months Ended<br>September 30 |                     |
|------------------------|--|------------------------------------|-------------------|-----------------------------------|---------------------|
|                        |  | 2022                               | 2021              | 2022                              | 2021                |
| Manufacturing overhead | Investors and subsidiaries with significant influence over the Company |                                    |                   |                                   |                     |
|                        | TSMC   | \$ 299,887                         | \$ 237,961        | \$ 975,768                        | \$ 721,168          |
|                        | TSMC-NA  | 176,365                            | 138,328           | 412,364                           | 369,228             |
|                        | VisEra   | <u>23</u>                          | <u>-</u>          | <u>1,165</u>                      | <u>1,203</u>        |
|                        |  | <u>\$ 476,275</u>                  | <u>\$ 376,289</u> | <u>\$ 1,389,297</u>               | <u>\$ 1,091,599</u> |
| Operating expenses     | Investors and subsidiaries with significant influence over the Company | <u>\$ 10,776</u>                   | <u>\$ 2,606</u>   | <u>\$ 18,326</u>                  | <u>\$ 8,758</u>     |

(Concluded)

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

| Line Item                        | Related Party Name and Category  | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|----------------------------------|--|--------------------|-------------------|--------------------|
| Receivables from related parties | Investors and subsidiaries with significant influence over the Company |                    |                   |                    |
|                                  | TSMC   | <u>\$ 19,366</u>   | <u>\$ 5,500</u>   | <u>\$ 26,800</u>   |
| Other current assets             | Investors and subsidiaries with significant influence over the Company |                    |                   |                    |
|                                  | TSMC - NA  | \$ 419,886         | \$ -              | \$ -               |
|                                  | TSMC   | <u>387,909</u>     | <u>725,936</u>    | <u>522,661</u>     |
|                                  |  | <u>\$ 807,795</u>  | <u>\$ 725,936</u> | <u>\$ 522,661</u>  |
| Refundable deposits              | Investors and subsidiaries with significant influence over the Company |                    |                   |                    |
|                                  | VisEra   | <u>\$ 2,832</u>    | <u>\$ 2,832</u>   | <u>\$ 2,832</u>    |
| Payables to related parties      | Investors and subsidiaries with significant influence over the Company |                    |                   |                    |
|                                  | TSMC   | \$ 917,353         | \$ 391,150        | \$ 586,597         |
|                                  | TSMC-NA  | 15,154             | 205,986           | 82,150             |
|                                  | VisEra   | <u>35</u>          | <u>258</u>        | <u>-</u>           |
|                                  |  | <u>932,542</u>     | <u>597,394</u>    | <u>668,747</u>     |
|                                  | Other related parties  | <u>8,839</u>       | <u>11,899</u>     | <u>4,536</u>       |
|                                  |  | <u>\$ 941,381</u>  | <u>\$ 609,293</u> | <u>\$ 673,283</u>  |
| Contract liabilities             | Investors and subsidiaries with significant influence over the Company | <u>\$ 4,497</u>    | <u>\$ -</u>       | <u>\$ -</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  | September 30, 2022                     | December 31, 2021 | September 30, 2021                    |               |
|---------------------------------|--|--|-------------------|---------------------------------------|---------------|
| Lease liabilities - current     | Investors and subsidiaries with significant influence over the Company<br>VisEra | <u>\$ 16,523</u>                       | <u>\$ 16,399</u>  | <u>\$ 16,358</u>                      |               |
| Lease liabilities - non-current | Investors and subsidiaries with significant influence over the Company<br>VisEra | <u>\$ 37,788</u>                       | <u>\$ 50,196</u>  | <u>\$ 54,311</u>                      |               |
| Line Item                       | Related Party Name and Category  | <u>Three Months Ended September 30</u> |                   | <u>Nine Months Ended September 30</u> |               |
|                                 |  | 2022                                   | 2021              | 2022                                  | 2021          |
| Finance costs                   | Investors and subsidiaries with significant influence over the Company           |  |                   |                                       |               |
|                                 | VisEra   | \$ 143                                 | \$ 184            | \$ 460                                | \$ 582        |
|                                 | TSMC-NA  | <u>-</u>                               | <u>-</u>          | <u>-</u>                              | <u>4</u>      |
|                                 |  | <u>\$ 143</u>                          | <u>\$ 184</u>     | <u>\$ 460</u>                         | <u>\$ 586</u> |

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

d. Compensation of key management personnel:

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

|                              | Three Months Ended September 30 |                  | Nine Months Ended September 30 |                  |
|------------------------------|---------------------------------|------------------|--------------------------------|------------------|
|                              | 2022                            | 2021             | 2022                           | 2021             |
| Short-term employee benefits | \$ 82,251                       | \$ 43,856        | \$ 202,043                     | \$ 86,820        |
| Post-employment benefits     | <u>153</u>                      | <u>189</u>       | <u>423</u>                     | <u>540</u>       |
|                              | <u>\$ 82,404</u>                | <u>\$ 44,045</u> | <u>\$ 202,466</u>              | <u>\$ 87,360</u> |

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

## 29. PLEDGED OR MORTGAGED ASSETS

As of September 30, 2022, December 31, 2021 and September 30, 2021 GUC provided pledged time deposits of NT\$20,000 thousand as collateral for customs clearance and also provided pledged time deposits of NT\$2,200 thousand as collateral for lease of a parcel of land from the Science Park Administration (SPA).

## 30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

GUC has entered into license agreements with several companies that own intellectual property rights. According to the agreements, GUC shall pay specific amounts of money to obtain licenses of their intellectual property rights or shall pay royalties at specific percentages of sales amount of identified products. Under the agreements, GUC shall pay at least US\$4,200 thousand, US\$4,200 thousand, US\$8,200 thousand and US\$4,000 thousand to the counterparty in the period from April 2020 to April 2023, from October 2020 to October 2023, from March 2021 to March 2024 and from April 2022 to April 2025, respectively.

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

Under the agreement, GUC shall pay at least US\$13,200 thousand to the counterparty in the period from March 2022 to March 2025.

Under the agreement, GUC shall pay at least US\$1,500 thousand to the counterparty in the period from June 2022 .

GUC has entered into a long-term material supply agreement with the counterparty. The contract period is from June 2021 to March 2028, and GUC should pay US\$ 4,060 thousand as security deposits to ensure the capacity supply in accordance with the contract. As of September 30, 2022, GUC has paid US\$3,248 thousand. If the contract cannot be performed owing to fall short of the agreed purchase or supply quantities, the parties will pay compensation for the other side in accordance with the contract.

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

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

(Unit: Foreign Currency in Thousands)

|                                       | Foreign<br>Currency | Exchange Rate<br>(Note) | Carrying<br>Amount |
|---------------------------------------|---------------------|-------------------------|--------------------|
| <u>September 30, 2022</u>             |                     |                         |                    |
| Monetary item - financial assets      |                     |                         |                    |
| USD                                   | \$ 137,039          | 31.75                   | \$ 4,350,997       |
| Monetary item - financial liabilities |                     |                         |                    |
| USD                                   | 108,726             | 31.75                   | 3,452,088          |
| JPY                                   | 78,155              | 0.2201                  | 17,202             |
| RMB                                   | 3,603               | 4.473                   | 16,117             |
|                                       |                     |                         | (Continued)        |

|                                       | Foreign<br>Currency | Exchange Rate<br>(Note) | Carrying<br>Amount |
|---------------------------------------|---------------------|-------------------------|--------------------|
| <u>December 31, 2021</u>              |                     |                         |                    |
| Monetary item - financial assets      |                     |                         |                    |
| USD                                   | \$ 73,957           | 27.68                   | \$ 2,047,121       |
| Monetary item - financial liabilities |                     |                         |                    |
| USD                                   | 87,568              | 27.68                   | 2,423,890          |
| JPY                                   | 77,554              | 0.2405                  | 18,652             |
| RMB                                   | 3,424               | 4.344                   | 14,873             |

September 30, 2021

|                                       |        |       |             |
|---------------------------------------|--------|-------|-------------|
| Monetary item - financial assets      |        |       |             |
| USD                                   | 55,961 | 27.85 | 1,558,503   |
| Monetary item - financial liabilities |        |       |             |
| USD                                   | 71,409 | 27.85 | 1,988,748   |
| JPY                                   | 71,551 | 0.249 | 17,816      |
| RMB                                   | 3,391  | 4.305 | 14,600      |
|                                       |        |       | (Concluded) |

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:

| <b>Three Months Ended September 30</b> |                      |  |                      |  |
|--|----------------------|--|----------------------|--|
| <b>2022</b>                            |                      | <b>2021</b>                            |                      |  |
| Foreign Currency                       | Exchange Rate        | Net Foreign<br>Exchange Gain<br>(Loss) | Exchange Rate        | Net Foreign<br>Exchange Gain<br>(Loss) |
| USD                                    | 30.4042 (USD:NTD)    | \$ 71,787                              | 27.8582 (USD:NTD)    | \$ (6,091)                             |
| JPY                                    | 0.2199 (JPY:NTD)     | 878                                    | 0.2531 (JPY:NTD)     | 64                                     |
| KRW                                    | 0.02288 (KRW:NTD)    | (2)                                    | 0.02425 (KRW:NTD)    | 3                                      |
| EUR                                    | 30.6226 (EUR:NTD)    | (61)                                   | 32.8530 (EUR:NTD)    | 35                                     |
| RMB                                    | 4.4311 (RMB:NTD)     | (312)                                  | 4.3055 (RMB:NTD)     | (24)                                   |
| USD                                    | 1,325.9949 (USD:KRW) | 63                                     | 1,146.1198 (USD:KRW) | 20                                     |
| USD                                    | 6.7717 (USD:RMB)     | (9,442)                                | 6.4683 (USD:RMB)     | 240                                    |
|  |                      | <u>\$ 62,911</u>                       |                      | <u>\$ (5,753)</u>                      |

| <b>Nine Months Ended September 30</b> |                   |  |                   |  |
|---------------------------------------|-------------------|--|-------------------|--|
| <b>2022</b>                           |                   | <b>2021</b>                            |                   |  |
| Foreign Currency                      | Exchange Rate     | Net Foreign<br>Exchange Gain<br>(Loss) | Exchange Rate     | Net Foreign<br>Exchange Gain<br>(Loss) |
| USD                                   | 29.2845 (USD:NTD) | \$ 70,399                              | 28.0671 (USD:NTD) | \$ (28,026)                            |
| JPY                                   | 0.2293 (JPY:NTD)  | 1,881                                  | 0.2589 (JPY:NTD)  | 1,992                                  |
| KRW                                   | 0.02330 (KRW:NTD) | 2                                      | 0.02503 (KRW:NTD) | 16                                     |
| EUR                                   | 31.1453 (EUR:NTD) |  |                   |  |

### 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 related operating segment information and Note 17 for information about disaggregation of revenue.

### 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: None;
- 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 2 attached;
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None;
- 9) Information about the derivative instruments transaction: None;
- 10) Others: Intercompany relationships and significant intercompany transactions: See Table 3 attached;
- 11) Names, locations, and related information of investees over which the Company exercises significant influence (excluding information on investment in Mainland China): See Table 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 3 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 6 attached.

**TABLE 1**

**GLOBAL UNICHIP CORP. AND SUBSIDIARIES**

**MARKETABLE SECURITIES HELD**  
**SEPTEMBER 30, 2022**  
**(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   | September 30, 2022 |                 |                             |            | Note |
|----------------------|--|-------------------------------|---|--------------------|-----------------|-----------------------------|------------|------|
|                      |  |                               |   | Shares/Units       | Carrying Amount | Percentage of Ownership (%) | Fair Value |      |
| GUC                  | <u>Mutual funds</u>                    |                               |   |                    |                 |                             |            |      |
|                      | Jih Sun Money Market Fund              | -                             | Financial assets at fair value through profit or loss - current     | 48,708,556         | \$ 732,333      | -                           | \$ 732,333 |      |
|                      | Taishin 1699 Money Market Fund         | -                             | Financial assets at fair value through profit or loss - current     | 27,780,621         | 381,339         | -                           | 381,339    |      |
|                      | UPAMC James Bond Money Market Fund     | -                             | Financial assets at fair value through profit or loss - current     | 18,961,364         | 320,750         | -                           | 320,750    |      |
|                      | Yuanta Wan Tai Money Market Fund       | -                             | Financial assets at fair value through profit or loss - current     | 13,089,862         | 200,658         | -                           | 200,658    |      |
|                      | Taishin Ta-Chong Money Market Fund     | -                             | Financial assets at fair value through profit or loss - current     | 10,452,670         | 150,436         | -                           | 150,436    |      |
|                      | Fuh Haw Money Market Fund              | -                             | Financial assets at fair value through profit or loss - current     | 6,880,304          | 100,437         | -                           | 100,437    |      |
|                      | Prudential Financial Money Market Fund | -                             | Financial assets at fair value through profit or loss - current     | 6,253,283          | 100,270         | -                           | 100,270    |      |
|                      | <u>Preferred stock</u>                 |                               |   |                    |                 |                             |            |      |
|                      | eTopus Technology Inc.                 | -                             | Financial assets at fair value through profit or loss - non-current | 1,515,151          | -               | 2.6                         | -          |      |

**TABLE 2**

**GLOBAL UNICHIP CORP. AND SUBSIDIARIES**

**TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
NINE MONTHS ENDED SEPTEMBER 30, 2022  
(Amounts in Thousands of New Taiwan Dollars)**

| Company Name | Related Party | Nature of Relationship  | Transaction Details |            |               |  | Abnormal Transaction |               | Notes/Accounts Receivable (Payable) |               | Note |
|--------------|---------------|---|---------------------|------------|---------------|--|----------------------|---------------|-------------------------------------|---------------|------|
|              |               |   | Purchases/<br>Sales | Amount     | % to<br>Total | Payment Terms  | Unit Price           | Payment Terms | Ending<br>Balance                   | % to<br>Total |      |
| GUC          | TSMC          | TSMC is an investor that accounts for its investment by using equity method | Sales               | \$ 169,457 | 1             | 30 days after monthly closing                                | Note 28              | Note 28       | \$ 19,366                           | 1             |      |
|              |               |   | Purchases           | 4,951,392  | 76            | 30 days after monthly closing                                | Note 28              | Note 28       | (681,811)                           | (25)          |      |
|              | TSMC-NA       | TSMC-NA is a subsidiary of TSMC   | Purchases           | 1,393,651  | 22            | 30 days after invoice date and 30 days after monthly closing | Note 28              | Note 28       | (24,333)                            | (1)           |      |



**TABLE 3**

**GLOBAL UNICHIP CORP. AND SUBSIDIARIES**

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS**  
**NINE MONTHS ENDED SEPTEMBER 30, 2022**  
**(Amounts in Thousands of New Taiwan Dollars)**

| No. | Company Name | Counterparty | Nature of Relationship<br>(Note 1) | Intercompany Transactions                      |            |                   |  |
|-----|--------------|--------------|------------------------------------|--|------------|-------------------|--|
|     |              |              |                                    | Financial Statement Account                    | Amount     | Terms<br>(Note 2) | Percentage to<br>Consolidated Net Revenue<br>or Total Assets |
| 0   | GUC          | GUC-NA       | 1                                  | Operating expenses                             | \$ 202,056 | -                 | 1%   |
|     |              |              |                                    | Accrued expenses and other current liabilities | 15,313     | -                 | -  |
|     |              | GUC-Japan    | 1                                  | Operating expenses                             | 200,411    | -                 | 1%   |
|     |              |              |                                    | Accrued expenses and other current liabilities | 17,202     | -                 | -  |
|     |              | GUC-Europe   | 1                                  | Operating expenses                             | 23,423     | -                 | -  |
|     |              |              |                                    | Accrued expenses and other current liabilities | 2,051      | -                 | -  |
|     |              | GUC-Korea    | 1                                  | Operating expenses                             | 5,675      | -                 | -  |
|     |              |              |                                    | Accrued expenses and other current liabilities | 439        | -                 | -  |
|     |              | GUC-Shanghai | 1                                  | Operating expenses                             | 85,978     | -                 | 1%   |
|     |              |              |                                    | Accrued expenses and other current liabilities | 6,946      | -                 | -  |
|     |              | GUC-Nanjing  | 1                                  | Manufacturing overhead                         | 70,145     | -                 | -  |
|     |              |              |                                    | Operating expenses                             | 95,900     | -                 | 1%   |
|     |              |              |                                    | Accrued expenses and other current liabilities | 9,170      | -                 | -  |

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 4**

**GLOBAL UNICHIP CORP. AND SUBSIDIARIES**

**NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)  
NINE MONTHS ENDED SEPTEMBER 30, 2022**

**(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 September 30, 2022 |                                |                    | Net Income<br>(Losses) of the<br>Investee | Investment<br>Income<br>(Losses) | Note   |
|------------------|------------------|-------------|---|--|---|----------------------------------|--------------------------------|--------------------|---|----------------------------------|--------|
|                  |                  |             |   | September 30,<br>2022<br>(Foreign<br>Currencies in<br>Thousands) | December 31,<br>2021<br>(Foreign<br>Currencies in<br>Thousands) | Shares                           | Percentage of<br>Ownership (%) | Carrying<br>Amount |   |                                  |        |
| GUC              | GUC-NA           | U.S.A.      | Products consulting, design and technical support service | \$ 40,268<br>( US\$ 1,264)                                       | \$ 40,268<br>( US\$ 1,264)                                      | 800,000                          | 100                            | \$ 163,652         | \$ 7,330                                  | \$ 7,330                         | Note 1 |
|                  | GUC-Japan        | Japan       | Products consulting, design and technical support service | 15,393<br>( YEN 55,000)  | 15,393<br>( YEN 55,000)   | 1,100                            | 100                            | 65,751             | 8,373                                     | 8,373                            | Note 2 |
|                  | GUC-Europe       | Netherlands | Products consulting, design and technical support service | 8,109<br>( EUR 200)  | 8,109<br>( EUR 200)   | -                                | 100                            | 13,395             | 1,138                                     | 1,138                            | Note 2 |
|                  | GUC-Korea        | Korea       | Products consulting, design and technical support service | 5,974<br>( KRW 222,545)  | 5,974<br>( KRW 222,545)   | 44,000                           | 100                            | 6,745              | 376                                       | 376                              | Note 2 |

Note 1: Investment income (loss) was determined based on reviewed financial statements.

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

TABLE 5

## GLOBAL UNICHIP CORP. AND SUBSIDIARIES

## INFORMATION ON INVESTMENT IN MAINLAND CHINA

NINE MONTHS ENDED SEPTEMBER 30, 2022

(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, 2022 (US\$ in Thousands) | Investment Flows |        | Accumulated Outflow of Investment from Taiwan as of September 30, 2022 (US\$ in Thousands) | Net Income (Losses) of the Investee | Percentage of Ownership | Investment Income (Losses) | Carrying Amount as of September 30, 2022 | Accumulated Inward Remittance of Earnings as of September 30, 2022 |
|------------------|---|---|----------------------|---|------------------|--------|--|-------------------------------------|-------------------------|----------------------------|--|--|
|                  |   |   |                      |   | Outflow          | Inflow |  |                                     |                         |                            |  |  |
| GUC-Nanjing      | Products consulting, design and technical support service | \$ 118,133<br>(US\$ 4,000)                          | (Note 1)             | \$ 118,133<br>(US\$ 4,000)  | \$ -             | \$ -   | \$ 118,133<br>(US\$ 4,000)   | \$ 76,496                           | 100%                    | \$ 76,496<br>(Note 2)      | \$ 469,248                               | \$ -   |
| GUC-Shanghai     | Products consulting, design and technical support service | 31,165<br>(US\$ 1,000)                              | (Note 1)             | 31,165<br>(US\$ 1,000)  | -                | -      | 31,165<br>(US\$ 1,000)   | 5,480                               | 100%                    | 5,480<br>(Note 3)          | 52,560                                   | -  |

| Accumulated Investment in Mainland China as of September 30, 2022 (US\$ in Thousands) | Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousands) | Upper Limit on Investment |
|---|--|---------------------------|
| \$ 149,298<br>(US\$ 5,000)  | \$ 207,998<br>(US\$ 7,000)   | \$ 4,030,540<br>(Note 4)  |

Note 1: The Company invested the investee directly.

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

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

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

**TABLE 6**

**GLOBAL UNICHIP CORP.**

**INFORMATION OF MAJOR SHAREHOLDERS**  
**September 30, 2022**

| 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.                     | 10,059,000       | 7.50                        |

- 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.