

**Winbond Electronics Corporation and
Subsidiaries**

**Consolidated Financial Statements for the
Nine Months Ended September 30, 2020 and 2019 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Winbond Electronics Corporation

Introduction

We have reviewed the accompanying consolidated financial statements of Winbond Electronics Corporation and its subsidiaries (the Group) as of September 30, 2020 and 2019, and the consolidated statements of comprehensive income for the three-month periods ended September 30, 2020 and 2019 and for the nine-month periods ended September 30, 2020 and 2019, as well as the consolidated statements of changes in equity and cash flows for the nine-month periods ended September 30, 2020 and 2019, and the notes to the consolidated financial statements, including a summary of significant accounting policies. 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". 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 Group as of September 30, 2020 and 2019, its consolidated financial performance for the three-month periods ended September 30, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the nine-month periods then ended September 30, 2020 and 2019 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.

Emphasis of Matter

As stated in Note 26 to the consolidated financial statement, the Group purchased Panasonic Semiconductor Solutions., Co. Ltd. on September 1, 2020. Even so, our review result does not need to be modified in respect of this matter.

The engagement partners on the reviews resulting in this independent auditors' review report are Wen-Yea Shyu and Hung-Bin Yu.

Wen-yea Shyu

Hung-Bin Yu

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 12, 2020

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.

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	September 30, 2020 (Reviewed)		December 31, 2019 (Audited)		September 30, 2019 (Reviewed)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 9,235,795	8	\$ 11,467,907	11	\$ 9,422,131	9
Current financial assets at fair value through profit or loss (Note 7)	61,858	-	75,462	-	30,200	-
Current financial assets at fair value through other comprehensive income (Note 8)	6,710,352	5	7,225,588	7	6,058,720	6
Notes and accounts receivable, net (Note 9)	10,398,096	9	6,085,003	6	7,181,596	7
Accounts receivable due from related parties, net (Note 29)	64,333	-	45,903	-	46,211	-
Other receivables (Note 10)	2,663,086	2	750,720	1	850,885	1
Inventories (Note 11)	14,356,530	12	10,332,143	10	10,634,784	11
Other current assets	1,722,007	1	1,574,560	1	736,414	1
Total current assets	<u>45,212,057</u>	<u>37</u>	<u>37,557,286</u>	<u>36</u>	<u>34,960,941</u>	<u>35</u>
NON-CURRENT ASSETS						
Non-current financial assets at fair value through other comprehensive income (Note 8)	2,252,823	2	1,501,756	2	1,528,532	2
Investments accounted for using equity method (Note 12)	3,982,876	3	4,548,939	4	4,042,132	4
Property, plant and equipment (Note 13)	61,884,457	51	56,977,114	54	56,435,786	56
Right-of-use assets (Note 14)	3,246,266	3	2,298,393	2	2,318,413	2
Investment properties (Note 15)	2,501,693	2	44,207	-	45,789	-
Intangible assets (Note 16)	877,284	1	407,722	-	323,067	-
Deferred income tax assets (Note 4)	981,407	1	923,902	1	840,521	1
Other non-current assets (Note 6)	544,419	-	545,581	1	461,303	-
Total non-current assets	<u>76,271,225</u>	<u>63</u>	<u>67,247,614</u>	<u>64</u>	<u>65,995,543</u>	<u>65</u>
TOTAL	<u>\$ 121,483,282</u>	<u>100</u>	<u>\$ 104,804,900</u>	<u>100</u>	<u>\$ 100,956,484</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 17)	\$ 1,591,112	1	\$ 1,000,000	1	\$ 2,743,120	3
Notes and accounts payable	6,449,218	5	4,786,251	5	4,714,425	5
Accounts payable to related parties (Note 29)	1,633,906	2	911,529	1	894,071	1
Payables on machinery and equipment	2,330,495	2	3,013,266	3	2,056,080	2
Other payables	6,244,867	5	3,125,368	3	2,500,874	2
Current tax liabilities (Note 4)	339,536	-	198,242	-	208,575	-
Provisions - current (Note 19)	927,168	1	-	-	-	-
Lease liabilities - current (Notes 4 and 14)	389,904	1	186,556	-	188,893	-
Long-term borrowings - current portion (Note 17)	4,000,000	3	4,123,520	4	3,923,520	4
Other current liabilities	307,470	-	170,736	-	201,182	-
Total current liabilities	<u>24,213,676</u>	<u>20</u>	<u>17,515,468</u>	<u>17</u>	<u>17,430,740</u>	<u>17</u>
NON-CURRENT LIABILITIES						
Provisions - non-current (Note 19)	3,286,589	3	276,873	-	277,542	-
Bonds payable (Notes 4 and 18)	11,625,027	10	9,931,746	10	9,928,737	10
Long-term borrowings (Note 17)	12,732,993	10	9,730,473	9	8,533,028	9
Lease liabilities - non-current (Notes 4 and 14)	3,181,656	3	2,096,115	2	2,109,417	2
Net defined benefit liabilities - non-current (Note 4)	2,702,539	2	1,251,869	1	1,125,741	1
Other non-current liabilities	250,977	-	145,169	-	233,131	-
Total non-current liabilities	<u>33,779,781</u>	<u>28</u>	<u>23,432,245</u>	<u>22</u>	<u>22,207,596</u>	<u>22</u>
Total liabilities	<u>57,993,457</u>	<u>48</u>	<u>40,947,713</u>	<u>39</u>	<u>39,638,336</u>	<u>39</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 21)						
Share capital	39,800,002	33	39,800,002	38	39,800,002	39
Capital surplus	7,602,083	6	7,536,396	7	7,570,926	8
Retained earnings						
Legal reserve	1,913,317	2	1,798,091	2	1,798,091	2
Unappropriated earnings	7,704,680	6	6,995,451	6	7,326,815	7
Exchange differences on translation of foreign financial statements	(254,729)	-	(119,246)	-	(14,587)	-
Unrealized gains on financial assets measured at fair value through other comprehensive income	3,648,328	3	5,009,928	5	3,391,140	3
Total equity attributable to owners of the parent	<u>60,413,681</u>	<u>50</u>	<u>61,020,622</u>	<u>58</u>	<u>59,872,387</u>	<u>59</u>
NON-CONTROLLING INTERESTS	<u>3,076,144</u>	<u>2</u>	<u>2,836,565</u>	<u>3</u>	<u>1,445,761</u>	<u>2</u>
Total equity	<u>63,489,825</u>	<u>52</u>	<u>63,857,187</u>	<u>61</u>	<u>61,318,148</u>	<u>61</u>
TOTAL	<u>\$ 121,483,282</u>	<u>100</u>	<u>\$ 104,804,900</u>	<u>100</u>	<u>\$ 100,956,484</u>	<u>100</u>

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

(With Deloitte & Touche review report dated November 12, 2020)

WINBOND ELECTRONICS CORPORATION 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			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Note 22)	\$ 16,033,721	100	\$ 13,420,329	100	\$ 40,335,319	100	\$ 36,318,766	100
OPERATING COST (Note 11)	<u>11,710,690</u>	<u>73</u>	<u>9,864,998</u>	<u>73</u>	<u>29,487,664</u>	<u>73</u>	<u>26,159,613</u>	<u>72</u>
GROSS PROFIT	<u>4,323,031</u>	<u>27</u>	<u>3,555,331</u>	<u>27</u>	<u>10,847,655</u>	<u>27</u>	<u>10,159,153</u>	<u>28</u>
OPERATING EXPENSES								
Selling expenses	428,878	3	362,105	3	1,051,462	3	1,071,997	3
General and administrative expenses	999,832	6	580,467	4	2,093,921	5	1,534,017	4
Research and development expenses	2,742,806	17	2,101,367	16	6,631,978	17	6,144,244	17
Expected credit loss (Note 9)	<u>38,972</u>	<u>-</u>	<u>15,701</u>	<u>-</u>	<u>50,142</u>	<u>-</u>	<u>16,291</u>	<u>-</u>
Total operating expenses	<u>4,210,488</u>	<u>26</u>	<u>3,059,640</u>	<u>23</u>	<u>9,827,503</u>	<u>25</u>	<u>8,766,549</u>	<u>24</u>
INCOME FROM OPERATIONS	<u>112,543</u>	<u>1</u>	<u>495,691</u>	<u>4</u>	<u>1,020,152</u>	<u>2</u>	<u>1,392,604</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES								
Interest income	9,091	-	23,595	-	38,323	-	75,306	-
Dividend income (Note 8)	159,840	1	209,309	2	227,534	1	531,803	1
Other income (Note 14)	68,794	-	6,980	-	97,866	-	40,204	-
Gains (losses) on disposal of property, plant and equipment	4,115	-	(189)	-	(5,889)	-	(1,164)	-
Gain from bargain purchase (Note 26)	218,968	1	-	-	218,968	1	-	-
Gains (losses) on financial instruments at fair value through profit or loss	29,610	-	(12,447)	-	50,071	-	(115,742)	-
Foreign exchange gains (losses) (Note 33)	(2,120)	-	(23,578)	-	(51,120)	-	56,334	-
Share of profit (loss) of associates accounted for using equity method	27,436	-	141,242	1	64,752	-	245,975	1
Interest expense	(73,339)	-	(61,081)	(1)	(209,233)	(1)	(154,636)	(1)
Other expenses	<u>(64,966)</u>	<u>-</u>	<u>(30,839)</u>	<u>-</u>	<u>(144,366)</u>	<u>-</u>	<u>(90,296)</u>	<u>-</u>
Total non-operating income and expenses	<u>377,429</u>	<u>2</u>	<u>252,992</u>	<u>2</u>	<u>286,906</u>	<u>1</u>	<u>587,784</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	489,972	3	748,683	6	1,307,058	3	1,980,388	5
INCOME TAX EXPENSE (Notes 4 and 24)	<u>112,979</u>	<u>-</u>	<u>87,898</u>	<u>1</u>	<u>173,338</u>	<u>-</u>	<u>356,573</u>	<u>1</u>
NET PROFIT	<u>376,993</u>	<u>3</u>	<u>660,785</u>	<u>5</u>	<u>1,133,720</u>	<u>3</u>	<u>1,623,815</u>	<u>4</u>

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WINBOND ELECTRONICS CORPORATION 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			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)								
Components of other comprehensive income (loss) that will not be reclassified to profit or loss:								
Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	\$ 427,524	3	\$ 85,861	-	\$ (575,012)	(2)	\$ (371,617)	(1)
Share of other comprehensive income (loss) of associates accounted for using the equity method	390,606	2	275,848	2	(539,394)	(1)	265,314	1
Components of other comprehensive income (loss) that will be reclassified to profit or loss:								
Exchange differences on translation of foreign financial statements	(125,198)	(1)	(21,325)	-	(182,733)	-	43,332	-
Other comprehensive income (loss)	692,932	4	340,384	2	(1,297,139)	(3)	(62,971)	-
TOTAL COMPREHENSIVE INCOME (LOSS)	<u>\$ 1,069,925</u>	<u>7</u>	<u>\$ 1,001,169</u>	<u>7</u>	<u>\$ (163,419)</u>	<u>-</u>	<u>\$ 1,560,844</u>	<u>4</u>
NET PROFIT								
ATTRIBUTABLE TO:								
Owners of the parent	\$ 331,124	2	\$ 591,243	4	\$ 953,609	2	\$ 1,468,643	4
Non-controlling interests	45,869	-	69,542	1	180,111	1	155,172	-
	<u>\$ 376,993</u>	<u>2</u>	<u>\$ 660,785</u>	<u>5</u>	<u>\$ 1,133,720</u>	<u>3</u>	<u>\$ 1,623,815</u>	<u>4</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:								
Owners of the parent	\$ 1,068,551	7	\$ 917,869	7	\$ (274,628)	-	\$ 1,378,959	4
Non-controlling interests	1,374	-	83,300	-	111,209	-	181,885	-
	<u>\$ 1,069,925</u>	<u>7</u>	<u>\$ 1,001,169</u>	<u>7</u>	<u>\$ (163,419)</u>	<u>-</u>	<u>\$ 1,560,844</u>	<u>4</u>
EARNINGS PER SHARE								
(Note 25)								
Basic	<u>\$ 0.08</u>		<u>\$ 0.15</u>		<u>\$ 0.24</u>		<u>\$ 0.37</u>	
Diluted	<u>\$ 0.08</u>		<u>\$ 0.15</u>		<u>\$ 0.24</u>		<u>\$ 0.37</u>	

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

(With Deloitte & Touche review report dated November 12, 2020)

(Concluded)

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Equity Attributable to Owners of the Parent					Other Equity		Non-controlling Interests	Total Equity
	Share Capital	Capital Surplus	Retained Earnings		Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Financial Assets Measured at Fair Value Through Other Comprehensive Income	Total		
			Legal Reserve	Unappropriated Earnings					
BALANCE, JANUARY 1, 2019	\$ 39,800,002	\$ 7,540,440	\$ 1,053,441	\$ 10,567,845	\$ (50,780)	\$ 3,533,423	\$ 62,444,371	\$ 1,446,726	\$ 63,891,097
Appropriation of 2018 earnings									
Legal reserve	-	-	744,650	(744,650)	-	-	-	-	-
Cash dividends	-	-	-	(3,980,000)	-	-	(3,980,000)	-	(3,980,000)
Total appropriations	-	-	744,650	(4,724,650)	-	-	(3,980,000)	-	(3,980,000)
Net profit for the nine months ended September 30, 2019	-	-	-	1,468,643	-	-	1,468,643	155,172	1,623,815
Other comprehensive income (loss) for the nine months ended September 30, 2019	-	-	-	-	36,193	(125,877)	(89,684)	26,713	(62,971)
Total comprehensive income (loss) for the nine months ended September 30, 2019	-	-	-	1,468,643	36,193	(125,877)	1,378,959	181,885	1,560,844
Changes in ownership interest in subsidiaries	-	30,486	-	-	-	-	30,486	19,486	49,972
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	14,977	-	(16,406)	(1,429)	-	(1,429)
Decrease in non-controlling interests	-	-	-	-	-	-	-	(202,336)	(202,336)
BALANCE, SEPTEMBER 30, 2019	<u>\$ 39,800,002</u>	<u>\$ 7,570,926</u>	<u>\$ 1,798,091</u>	<u>\$ 7,326,815</u>	<u>\$ (14,587)</u>	<u>\$ 3,391,140</u>	<u>\$ 59,872,387</u>	<u>\$ 1,445,761</u>	<u>\$ 61,318,148</u>
BALANCE, JANUARY 1, 2020	\$ 39,800,002	\$ 7,536,396	\$ 1,798,091	\$ 6,995,451	\$ (119,246)	\$ 5,009,928	\$ 61,020,622	\$ 2,836,565	\$ 63,857,187
Appropriation of 2019 earnings									
Legal reserve	-	-	115,226	(115,226)	-	-	-	-	-
Cash dividends	-	-	-	(398,000)	-	-	(398,000)	-	(398,000)
Total appropriations	-	-	115,226	(513,226)	-	-	(398,000)	-	(398,000)
Net profit for the nine months ended September 30, 2020	-	-	-	953,609	-	-	953,609	180,111	1,133,720
Other comprehensive income (loss) for the nine months ended September 30, 2020	-	-	-	-	(135,483)	(1,092,754)	(1,228,237)	(68,902)	(1,297,139)
Total comprehensive income (loss) for the nine months ended September 30, 2020	-	-	-	953,609	(135,483)	(1,092,754)	(274,628)	111,209	(163,419)
Changes in ownership interest in subsidiaries	-	65,687	-	-	-	-	65,687	261,035	326,722
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	268,846	-	(268,846)	-	-	-
Decrease in non-controlling interests	-	-	-	-	-	-	-	(132,665)	(132,665)
BALANCE, SEPTEMBER 30, 2020	<u>\$ 39,800,002</u>	<u>\$ 7,602,083</u>	<u>\$ 1,913,317</u>	<u>\$ 7,704,680</u>	<u>\$ (254,729)</u>	<u>\$ 3,648,328</u>	<u>\$ 60,413,681</u>	<u>\$ 3,076,144</u>	<u>\$ 63,489,825</u>

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

(With Deloitte & Touche review report dated November 12, 2020)

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Nine Months Ended September 30	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 1,307,058	\$ 1,980,388
Adjustments for:		
Depreciation expense	6,781,646	6,428,799
Amortization expense	152,765	78,260
Expected credit loss recognized on accounts receivable	50,142	16,291
Provision for (reversal of) declines in market value, obsolescence and scraps of inventories	212,369	709,010
Net (gains) losses on financial assets and liabilities at fair value through profit or loss	17,336	(21,910)
Interest expense	209,233	154,636
Interest income	(38,323)	(75,306)
Dividend income	(227,534)	(531,803)
Gain from bargain purchase	(218,968)	-
Share of (profit) loss of associates accounted for using equity method	(64,752)	(245,975)
(Gains) losses on disposal of property, plant and equipment	5,889	1,164
Other adjustment to reconcile (profit) loss	(5)	(669)
Changes in operating assets and liabilities		
(Increase) decrease in accounts receivable	(1,115,621)	(728,724)
(Increase) decrease in accounts receivable due from related parties	7,776	(1,914)
(Increase) decrease in other receivables	27,116	(390,695)
(Increase) decrease in inventories	376,346	(435,688)
(Increase) decrease in other current assets	61,238	141,622
(Increase) decrease in other non-current assets	4,368	(62,267)
Increase (decrease) in notes and accounts payable	(156,079)	399,177
Increase (decrease) in accounts payable to related parties	(807,886)	264,390
Increase (decrease) in other payables	105,684	(1,237,571)
Increase (decrease) in other current liabilities	79,100	58,638
Increase (decrease) in other non-current liabilities	(40,472)	53,842
Cash generated from (used in) operations	6,728,426	6,553,695
Interest received	44,547	75,800
Dividends received	227,534	531,803
Interest paid	(338,247)	(271,593)
Income taxes paid	(80,845)	(209,414)
Net cash flows from (used in) operating activities	<u>6,581,415</u>	<u>6,680,291</u>

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WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Nine Months Ended September 30	
	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of financial assets at fair value through other comprehensive income	\$ (535,772)	\$ (905,126)
Proceeds from disposal of financial assets at fair value through other comprehensive income	656,226	66,728
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	2,250	4,000
Net cash flow from acquisition of subsidiaries (Note 26)	(6,928,207)	(127,514)
Acquisitions of property, plant and equipment	(6,332,205)	(10,906,985)
Proceeds from disposal of property, plant and equipment	15,349	1,672
Acquisitions of intangible assets	<u>(372,421)</u>	<u>(146,079)</u>
Net cash flows from (used in) investing activities	<u>(13,494,780)</u>	<u>(12,013,304)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	1,991,112	3,146,120
Decrease in short-term borrowings	(1,400,000)	(403,075)
Proceeds from long-term borrowings	5,100,000	7,100,000
Repayments of long-term borrowings	(2,247,040)	(3,261,760)
Cash dividends paid	(398,000)	(3,980,000)
Increase in bonds payable	1,998,428	-
Change in non-controlling interests	(132,665)	(182,850)
Repayments of lease liabilities	(171,564)	(148,344)
Other financing activities	<u>-</u>	<u>(104,514)</u>
Net cash flows from (used in) financing activities	<u>4,740,271</u>	<u>2,165,577</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(59,018)</u>	<u>29,936</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,232,112)	(3,137,500)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>11,467,907</u>	<u>12,559,631</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 9,235,795</u>	<u>\$ 9,422,131</u>

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

(With Deloitte & Touche review report dated November 12, 2020)

(Concluded)

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

Winbond Electronics Corporation (the “Company”) was incorporated in the Republic of China (ROC) on September 29, 1987 and is engaged in the design, development, manufacture and marketing of Very Large Scale Integration (VLSI) integrated circuits (ICs) used in a variety of microelectronic applications.

The Company’s shares have been listed on the Taiwan Stock Exchange Corporation since October 18, 1995. Walsin Lihwa Corporation is a major shareholder of the Company and held approximately 22% ownership interest in the Company as of September 30, 2020 and 2019.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on November 12, 2020.

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)

Except for the following, the initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies:

Amendments to IAS 1 and IAS 8 “Definition of Material”

The Group adopted the amendments starting from January 1, 2020. The threshold for materiality influencing users has been changed to “could reasonably be expected to influence” and, therefore, the disclosures in the consolidated financial report have been adjusted and immaterial information that may obscure material information has been deleted.

Amendment to IFRS 16 “Covid-19-Related Rent Concessions”

The Group elected to apply the practical expedient provided in the amendment to IFRS 16 with respect to rent concessions negotiated with the lessor as a direct consequence of the COVID-19. Related accounting policies are stated in Note 4. Before the application of the amendment, the Group was required to determine whether the abovementioned rent concessions are lease modifications and thus have to be accounted for as lease modifications.

The Group applied the amendment from January 1, 2020. Retrospective application of the amendment has no impact on the retained earnings as of January 1, 2020.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in the interim consolidated financial statements do not present all the disclosures required for a complete set of annual financial statements.

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments and defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Basis of Consolidation

a. Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

Attribution of total comprehensive income to non-controlling interests

Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

b. Subsidiaries included in consolidated financial statements

Investor	Investee	Main Business	% of Ownership		
			September 30, 2020	December 31, 2019	September 30, 2019
The Company	Winbond Int'l Corporation ("WIC")	Investment holding	100.00	100.00	100.00
WIC	Winbond Electronics Corp. America ("WECA")	Design, sales and after-sales service of semiconductor	100.00	100.00	100.00
The Company	Landmark Group Holdings Ltd. ("Landmark")	Investment holding	100.00	100.00	100.00
Landmark	Winbond Electronics Corp. Japan ("WECAJ")	Research, development, sales and after-sales service of semiconductor	100.00	100.00	100.00
Landmark	Peaceful River Corp. ("PRC")	Investment holding	100.00	100.00	100.00
The Company	Winbond Electronics (HK) Limited ("WEHK")	Sale of semiconductor and investment holding	100.00	100.00	100.00
WEHK	Winbond Electronics (Suzhou) Limited ("WECN")	Design, development and marketing of VLSI integrated ICs	100.00	100.00	100.00
The Company	Pine Capital Investment Limited ("PCI")	Investment holding	100.00	100.00	100.00
The Company	Mobile Magic Design Corporation ("MMDC") (Note 1)	Design, development and marketing of Pseudo SRAM	-	-	100.00
The Company	Winbond Technology LTD ("WTL")	Design and service of semiconductor	100.00	100.00	100.00
The Company	Callisto Holdings Limited ("Callisto")	Electronic commerce and investment holding	100.00	100.00	100.00
Callisto	Callisto Technology Limited ("CTL")	Electronic commerce and investment holding	100.00	100.00	100.00
The Company	Winbond Electronics Germany GmbH ("WEG") (Note 2)	Sales and service of semiconductor	100.00	100.00	-
The Company	Great Target Development Ltd. ("GTD") (Note 3)	Investment holding	100.00	100.00	100.00
GTD	GLMTD Technology Private Limited ("GLMTD") (Note 3)	Sales and service of semiconductor	99.99	99.99	99.99
The Company	Nuvoton Technology Corporation ("NTC")	Research, development, design, manufacture and marketing of Logic IC, 6 inch wafer product, test, and OEM	59.81	62.00	61.00
NTC	Marketplace Management Ltd. ("MML")	Investment holding	100.00	100.00	100.00

(Continued)

Investor	Investee	Main Business	% of Ownership		
			September 30, 2020	December 31, 2019	September 30, 2019
MML	Goldbond LLC (“GLLC”)	Investment holding	100.00	100.00	100.00
GLLC	Nuvoton Electronics Technology (Shanghai) Limited (“NTSH”)	Provide project of sale in China and repair, test and consult of software	100.00	100.00	100.00
GLLC	Winbond Electronics (Nanjing) Ltd. (“WENJ”)	Computer software service (except I.C. design)	100.00	100.00	100.00
NTC	Nuvoton Technology Corp. America (“NTCA”)	Design, sales and after-sales service of semiconductor	100.00	100.00	100.00
NTC	Nuvoton Investment Holding Ltd. (“NIH”)	Investment holding	100.00	100.00	100.00
NIH	Nuvoton Technology Israel Ltd. (“NTIL”)	Design and service of semiconductor	100.00	100.00	100.00
NTC	Nuvoton Electronics Technology (H.K.) Limited (“NTHK”)	Sales of semiconductor	100.00	100.00	100.00
NTHK	Nuvoton Electronics Technology (Shenzhen) Limited (“NTSZ”)	Computer software service (except I.C. design), wholesale business for computer, supplement and software	100.00	100.00	100.00
NTC	Song Yong Investment Corporation (“SYI”)	Investment holding	100.00	100.00	100.00
NTC	Nuvoton Technology India Private Limited (“NTIPL”)	Design, sales and service of semiconductor	100.00	100.00	100.00
NTC	Nuvoton Technology Singapore Pte. Ltd. (“NTSPL”) (Note 4)	Design, sales and service of semiconductor	100.00	-	-
NTC	Nuvoton Technology Korea Limited (“NTKR”) (Note 5)	Design, sales and service of semiconductor	100.00	-	-
NTC	Nuvoton Technology Holding Japan (“NTHJ”) (Note 6)	Investment holding	100.00	-	-
NTHJ	Nuvoton Technology Corporation Japan (“NTCJ”, former “PSCS”) (Note 6)	Design, sales and service of semiconductor	100.00	-	-
NTCJ	Atfields Manufacturing Technology Corporation (“AMTC”, former “PIDE”) (Note 6)	Design and service of semiconductor	100.00	-	-
NTCJ	Miraxia Edge Technology Corporation (“METC”, former “PIDST”) (Note 6)	Design and service of semiconductor	100.00	-	-

(Concluded)

Note 1: MMDC conducted a short-form merger with the Company on the effective date of October 1, 2019. The Company is the surviving company after the short-form merger.

Note 2: A capital was injected in WEG, which was incorporated in November 2019.

Note 3: The Company purchased GTD in July 2019 and indirectly hold GLMTD with 99.99% ownership.

Note 4: NTSPL was incorporated in March 2020 and NTC had injected a capital.

Note 5: NTKR was incorporated in June 2020 and NTC had injected a capital.

Note 6: NTC purchased the semiconductor business of Panasonic Corporation on September 1, 2020 and held NTHJ, NTCJ (former “PSCS”), AMTC (former “PIDE”), and METC (former “PIDST”) with 100% ownership.

Other Significant Accounting Policies

Except for the following, please refer to the consolidated financial statements for the year ended December 31, 2019.

a. 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 (including service cost, net interest and remeasurement) 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, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur.

Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability represents the actual deficit in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

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 period adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

b. 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.

c. Financial instruments

Convertible bonds

The component parts of compound instruments (i.e. convertible bonds) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or upon the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised; in which case, the balance recognized in equity will be transferred to capital surplus - share premiums. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premiums.

Transaction costs that relate to the issuance of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

d. Leases

The Group as lessee

The Group negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by September 30, 2021, that results in the revised consideration for the lease substantially less than the consideration for the lease immediately preceding the change. There is no substantive change to other terms and conditions. The Group elects to apply the practical expedient to all of these rent concessions, and therefore, does not assess whether the rent concessions are lease modifications. Instead, the Group recognizes the reduction in lease payment in profit or loss in the period in which the events or conditions that trigger the concession occurs, and makes a corresponding adjustment to the lease liability.

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred and the fair value of the acquirer's previously held interests in the acquiree, the excess is recognized immediately in profit or loss as a bargain purchase gain.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gains on bargain purchases. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. The measurement period does not exceed 1 year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity and included in capital surplus - options is not remeasured at the end of the subsequent reporting period and its subsequent settlement is accounted for within equity and transferred to capital surplus - share premiums. Other contingent consideration is remeasured at fair value at the end of subsequent reporting period with any gain or loss recognized in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimations 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 relevant. Actual results may differ from these estimates.

The Group considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The Group's critical accounting judgments and key sources of estimation uncertainty is below:

a. Valuation of inventory

Net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and the historical experience from selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

b. Impairment of financial assets

The provision for impairment of accounts receivable is based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 9. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	September 30, 2020	December 31, 2019	September 30, 2019
Cash and deposits in banks	\$ 8,679,595	\$ 9,758,907	\$ 8,173,527
Repurchase agreements collateralized by bonds	<u>556,200</u>	<u>1,709,000</u>	<u>1,248,604</u>
	<u>\$ 9,235,795</u>	<u>\$ 11,467,907</u>	<u>\$ 9,422,131</u>

- a. The Group has time deposits pledged to secure land and building leases, customs tariff obligations, export bill and sales deposits which are reclassified to "other non-current assets". Time deposits pledged as security at the end of the reporting period were as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Time deposits	<u>\$ 218,246</u>	<u>\$ 207,903</u>	<u>\$ 208,139</u>

- b. The Group has partial time deposits which were not held for the purpose of meeting short-term cash commitments and are reclassified to "other receivables". These partial time deposits at the end of the reporting period were as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Time deposits	<u>\$ 301,679</u>	<u>\$ 447,725</u>	<u>\$ 450,344</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Financial assets at FVTPL - current</u>			
Derivative financial assets (not under hedge accounting)			
Forward exchange contracts and foreign exchange swap contracts	\$ 54,326	\$ 75,462	\$ 30,200
Right of redemption of convertible bonds	<u>7,532</u>	<u>-</u>	<u>-</u>
	<u>\$ 61,858</u>	<u>\$ 75,462</u>	<u>\$ 30,200</u>

- a. At the date of balance sheet, the outstanding derivative foreign exchange contracts not under hedge accounting were as follows:

	Currencies	Maturity Date	Contract Amount (In Thousands)
<u>September 30, 2020</u>			
Sell forward exchange contracts	USD to NTD	2020.10.05-2020.12.18	USD211,000/NTD6,178,065
Sell forward exchange contracts	RMB to NTD	2020.10.16-2020.12.18	RMB294,500/NTD1,245,399
Buy forward exchange contracts	NTD to USD	2020.10.16-2020.12.08	NTD1,425,030/USD49,000
Foreign exchange swap contracts	USD to NTD	2020.11.06-2020.12.04	USD36,000/NTD1,046,930
<u>December 31, 2019</u>			
Sell forward exchange contracts	USD to NTD	2020.01.03-2020.03.05	USD162,000/NTD4,906,489
Sell forward exchange contracts	RMB to NTD	2020.01.10-2020.02.21	RMB75,000/NTD322,743
Foreign exchange swap contracts	USD to NTD	2020.01.09	USD23,280/NTD708,638
Foreign exchange swap contracts	RMB to NTD	2020.02.21	RMB5,100/NTD21,879
<u>September 30, 2019</u>			
Sell forward exchange contracts	USD to NTD	2019.10.04-2019.12.06	USD191,520/NTD5,961,664
Sell forward exchange contracts	RMB to NTD	2019.10.18	RMB10,000/NTD43,425

- b. The redemption right of convertible bonds was the result of the issuance of unsecured bonds by NTC in the second quarter of 2020, see Note 18.
- c. The Group entered into derivative financial instruments contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. The derivative financial instruments contracts entered into by the Group did not meet the criteria of hedge accounting; therefore, the Group did not apply hedge accounting treatment.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Equity instruments at FVTOCI:

	September 30, 2020	December 31, 2019	September 30, 2019
Domestic listed and emerging stocks			
Walsin Lihwa Corporation	\$ 3,563,100	\$ 3,357,200	\$ 3,110,250
Walsin Technology Corporation	1,328,718	2,342,228	1,710,121
Hannstar Display Corporation	1,272,002	890,443	704,430
Walton Advanced Engineering Inc.	491,615	583,230	470,589
Nyquest Technology Co., Ltd.	56,843	60,720	89,218
Brightek Optoelectronic Co., Ltd.	801	485	410
Domestic unlisted stocks			
United Industrial Gases Co., Ltd.	422,400	440,000	440,000
Yu-Ji Venture Capital Co., Ltd.	11,992	16,605	17,159
Harbinger III Venture Capital Corp.	106	236	230
Others	17,450	17,240	17,210
Overseas listed stocks			
Tower Semiconductor LTD.	469,902	-	-
Everspin Technologies, Inc.	54,917	52,487	63,330
Overseas unlisted stocks			
Autotalks Ltd. - Preferred E. Share	582,000	599,600	620,800
Tower Partners Semiconductor Co., LTD. ("TPSCo.")	450,882	-	-
JVP VIII, L.P.	228,608	130,584	100,998
TEGNA Electronics Private Limited	11,839	12,619	13,144
LTIP Trust Fund	-	223,667	229,363
	<u>\$ 8,963,175</u>	<u>\$ 8,727,344</u>	<u>\$ 7,587,252</u>
Current	\$ 6,710,352	\$ 7,225,588	\$ 6,058,720
Non-current	<u>2,252,823</u>	<u>1,501,756</u>	<u>1,528,532</u>
	<u>\$ 8,963,175</u>	<u>\$ 8,727,344</u>	<u>\$ 7,587,252</u>

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

For the nine months ended September 30, 2020 and 2019, the Group disposed the shares for \$656,226 thousand and \$66,728 thousand at the fair value for the adjustment of the investment position. The unrealized gains on financial assets at fair value through other comprehensive income of \$268,761 thousand and \$25,646 thousand were transferred to retained earnings.

Dividend income for the three months ended September 30, 2020 and 2019, and the nine months ended September 30, 2020 and 2019 were of \$159,840 thousand and \$209,309 thousand, \$227,534 thousand and \$531,803 thousand, respectively. The dividend income related to investments derecognized were \$0 thousand and \$0 thousand, \$0 thousand and \$1,434 thousand, and those related to investments held at September 30, 2020 and 2019 were \$159,840 thousand, \$209,309 thousand, \$227,534 thousand and \$530,369 thousand.

In August 2019, NTC resolved to invest in the Preferred E Share of the non-related party communication chip maker in Israel, Autotalks Ltd. The rights of the Preferred E Share were as follows:

- a. Each Preferred E Share grants its holder a number of votes equal to the number of votes per Ordinary Share.
- b. The Preferred E Share shall be prior to all other equity securities of Autotalks Ltd. in the event of liquidation.
- c. The holders of the Preferred E Share shall be entitled to receive non-cumulative cash dividends at the rate of eight percent.
- d. The investors shall have the right to appoint one non-voting observer (“Observer”) to attend Autotalks Ltd.’s board meetings.
- e. The holders of the Preferred E Share shall be entitled to preemptive right with respect to future issuance of new securities of Autotalks Ltd.
- f. The investors have the rights to obtain the annual financial statements, quarterly financial statements and etc.

9. NOTES AND ACCOUNTS RECEIVABLE

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Notes receivable</u>	\$ -	\$ 21	\$ -
<u>Accounts receivable</u>			
At amortized cost			
Gross carrying amount	10,577,178	6,233,335	7,353,295
Less: Allowance for impairment loss	<u>(179,082)</u>	<u>(148,353)</u>	<u>(171,699)</u>
	<u>\$ 10,398,096</u>	<u>\$ 6,085,003</u>	<u>\$ 7,181,596</u>

The average credit period of sales of goods was 30 to 60 days. No interest was charged on accounts receivable. The Group adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit rating information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group’s exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved annually.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group’s credit risk was significantly reduced.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all notes and accounts receivable. The expected credit losses on notes and accounts receivable are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group estimates expected credit losses based on past due days. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base.

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

The following table details the loss allowance of notes and accounts receivable based on the Group's provision matrix.

September 30, 2020

	Not Overdue	Overdue under 30 Days	Overdue 31-90 Days	Overdue 91-180 Days	Over 181 Days	Total
Expected credit loss rate	2%	2%	10%	20%	100%	
Gross carrying amount	\$ 10,393,036	\$ 44,656	\$ 70,510	\$ 68,976	\$ -	\$ 10,577,178
Loss allowance (Lifetime ECL)	(157,343)	(893)	(7,051)	(13,795)	-	(179,082)
Amortized cost	<u>\$ 10,235,693</u>	<u>\$ 43,763</u>	<u>\$ 63,459</u>	<u>\$ 55,181</u>	<u>\$ -</u>	<u>\$ 10,398,096</u>

December 31, 2019

	Not Overdue	Overdue under 30 Days	Overdue 31-90 Days	Overdue 91-180 Days	Over 181 Days	Total
Expected credit loss rate	2%	2%	10%	20%	100%	
Gross carrying amount	\$ 5,753,824	\$ 448,004	\$ 12,540	\$ 144	\$ 18,844	\$ 6,233,356
Loss allowance (Lifetime ECL)	(119,266)	(8,960)	(1,254)	(29)	(18,844)	(148,353)
Amortized cost	<u>\$ 5,634,558</u>	<u>\$ 439,044</u>	<u>\$ 11,286</u>	<u>\$ 115</u>	<u>\$ -</u>	<u>\$ 6,085,003</u>

September 30, 2019

	Not Overdue	Overdue under 30 Days	Overdue 31-90 Days	Overdue 91-180 Days	Over 181 Days	Total
Expected credit loss rate	2%	2%	10%	20%	100%	
Gross carrying amount	\$ 7,262,032	\$ 63,322	\$ 9,029	\$ 68	\$ 18,844	\$ 7,353,295
Loss allowance (Lifetime ECL)	(150,672)	(1,266)	(903)	(14)	(18,844)	(171,699)
Amortized cost	<u>\$ 7,111,360</u>	<u>\$ 62,056</u>	<u>\$ 8,126</u>	<u>\$ 54</u>	<u>\$ -</u>	<u>\$ 7,181,596</u>

The movements in the loss allowance for doubtful accounts recognized on accounts receivable were as follows:

	Nine Months Ended September 30	
	2020	2019
Balance at January 1	\$ 148,353	\$ 155,158
Add: Acquisitions through business combinations	806	-
Add: Net remeasurement of loss allowance	50,142	16,291
Less: Write-off allowance	(18,844)	-
Effect of exchange rate changes	<u>(1,375)</u>	<u>250</u>
Balance at September 30	<u>\$ 179,082</u>	<u>\$ 171,699</u>

Refer to Note 28 for details of NTC's factoring agreements for accounts receivable.

10. OTHER RECEIVABLES

	September 30, 2020	December 31, 2019	September 30, 2019
Business tax refund receivable	\$ 553,422	\$ 228,970	\$ 285,301
Receivables for consideration transferred adjustment	520,890	-	-
Royalty receivables	334,783	-	-
Time deposits (Note 6)	301,679	447,725	450,344
Pension payments on behalf of another party	286,411	-	-
Technical service receivables	181,891	-	-
Others	<u>484,010</u>	<u>74,025</u>	<u>115,240</u>
	<u>\$ 2,663,086</u>	<u>\$ 750,720</u>	<u>\$ 850,885</u>

11. INVENTORIES

	September 30, 2020	December 31, 2019	September 30, 2019
Finished goods	\$ 3,797,739	\$ 2,239,612	\$ 2,127,818
Work-in-process	9,662,472	7,381,909	7,773,463
Raw materials and supplies	896,319	702,423	727,619
Inventories in transit	<u>-</u>	<u>8,199</u>	<u>5,884</u>
	<u>\$ 14,356,530</u>	<u>\$ 10,332,143</u>	<u>\$ 10,634,784</u>

- a. Operating costs for the three months ended and the nine months ended September 30, 2020 and 2019 included inventory write-downs for the decline in market value, obsolescence and scrap of inventories were \$35,077 thousand, \$150,973 thousand, \$212,369 thousand, and \$709,010 thousand, respectively.
- b. Unallocated fixed manufacturing costs recognized as cost of sales in the three months ended September 30, 2020 and 2019, and the nine months ended September 30, 2020 and 2019 were \$192,708 thousand, \$262,765 thousand, \$538,030 thousand and \$1,004,419 thousand, respectively.

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in Associates

	September 30, 2020	December 31, 2019	September 30, 2019
Associates that are not individually material			
Chin Xin Investment Co., Ltd.	\$ 3,982,169	\$ 4,548,224	\$ 4,041,415
Hwa Bao Botanic Conservation Corp.	<u>707</u>	<u>715</u>	<u>717</u>
	<u>\$ 3,982,876</u>	<u>\$ 4,548,939</u>	<u>\$ 4,042,132</u>

As of September 30, 2020, the Company subscribed the ordinary shares of Hwa Bao Botanic Conservation Corp. (“Hwa Bao”) in 75 thousand shares and owned 15% of directly ownership interest; because the main shareholders of Hwa Bao is Chin Xin Investment Co., Ltd., and its ownership interest were 70%. The Company accounted for the equity investment in Hwa Bao using equity method for its consolidated ownership interest of Hwa Bao was 41%.

As of September 30, 2020, the Company held 182,841 thousand shares of Chin Xin Investment Co., Ltd. with a 38% ownership interest.

The investments accounted for using equity method and the shares of profit or loss and other comprehensive income of those investments for the nine months ended September 30, 2020 and 2019 were based on the associates’ financial statements reviewed by independent auditors.

13. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2020	December 31, 2019	September 30, 2019
Land	\$ 3,318,326	\$ 1,122,431	\$ 1,620,675
Buildings	13,642,968	11,605,854	9,838,123
Machinery and equipment	35,322,385	35,939,094	36,319,873
Other equipment	971,491	736,237	593,503
Construction in progress and prepayments for purchase of equipment	<u>8,629,287</u>	<u>7,573,498</u>	<u>8,063,612</u>
	<u>\$ 61,884,457</u>	<u>\$ 56,977,114</u>	<u>\$ 56,435,786</u>

	Land	Buildings	Machinery and Equipment	Other Equipment	Construction in Progress and Prepayments for Purchase of Equipment	Total
<u>Cost</u>						
Balance at January 1, 2020	\$ 1,122,431	\$ 29,554,461	\$ 126,895,051	\$ 4,101,447	\$ 7,573,498	\$ 169,246,888
Acquisitions through business combinations	2,223,578	19,948,652	52,749,498	3,592,196	110,089	78,624,013
Additions	-	474,413	3,567,283	209,144	2,686,827	6,937,667
Disposals	-	(7,940)	(754,641)	(56,342)	-	(818,923)
Reclassified	-	290,287	244,765	5,671	(1,704,968)	(1,164,245)
Effect of exchange rate changes	<u>(27,683)</u>	<u>(236,866)</u>	<u>(608,236)</u>	<u>(48,705)</u>	<u>(1,682)</u>	<u>(923,172)</u>
Balance at September 30, 2020	<u>\$ 3,318,326</u>	<u>\$ 50,023,007</u>	<u>\$ 182,093,720</u>	<u>\$ 7,803,411</u>	<u>\$ 8,663,764</u>	<u>\$ 251,902,228</u>

(Continued)

	Land	Buildings	Machinery and Equipment	Other Equipment	Construction in Progress and Prepayments for Purchase of Equipment	Total
Accumulated depreciation and impairment						
Balance at January 1, 2020	\$ -	\$ 17,948,607	\$ 90,955,957	\$ 3,365,210	\$ -	\$ 112,269,774
Acquisitions through business combinations	-	17,667,303	51,732,718	3,384,282	36,176	72,820,479
Depreciation expense	-	980,508	5,419,392	174,044	-	6,573,944
Disposals	-	(7,722)	(741,977)	(47,986)	-	(797,685)
Reclassified	-	-	1,294	-	(1,294)	-
Effect of exchange rate changes	-	(208,657)	(596,049)	(43,630)	(405)	(848,741)
Balance at September 30, 2020	<u>\$ -</u>	<u>\$ 36,380,039</u>	<u>\$ 146,771,335</u>	<u>\$ 6,831,920</u>	<u>\$ 34,477</u>	<u>\$ 190,017,771</u>
Cost						
Balance at January 1, 2019	\$ 1,619,877	\$ 26,794,687	\$ 121,948,989	\$ 3,882,485	\$ 2,503,038	\$ 156,749,076
Additions	-	341,843	3,534,723	347,561	5,986,908	10,211,035
Disposals	-	(2,198)	(262,933)	(5,265)	-	(270,396)
Liquidation of subsidiary	-	-	-	(2,123)	-	(2,123)
Reclassified	-	352,664	380,792	(307,122)	(426,334)	-
Effect of exchange rate changes	798	2,876	8,346	11,978	-	23,998
Balance at September 30, 2019	<u>\$ 1,620,675</u>	<u>\$ 27,489,872</u>	<u>\$ 125,609,917</u>	<u>\$ 3,927,514</u>	<u>\$ 8,063,612</u>	<u>\$ 166,711,590</u>
Accumulated depreciation and impairment						
Balance at January 1, 2019	\$ -	\$ 16,689,096	\$ 84,379,252	\$ 3,196,545	\$ -	\$ 104,264,893
Depreciation expense	-	962,875	5,162,440	136,831	-	6,262,146
Disposals	-	(2,198)	(257,728)	(5,016)	-	(264,942)
Liquidation of subsidiary	-	-	-	(991)	-	(991)
Effect of exchange rate changes	-	1,976	6,080	6,642	-	14,698
Balance at September 30, 2019	<u>\$ -</u>	<u>\$ 17,651,749</u>	<u>\$ 89,290,044</u>	<u>\$ 3,334,011</u>	<u>\$ -</u>	<u>\$ 110,275,804</u>

(Concluded)

- a. As of September 30, 2020, December 31, 2019 and September 30, 2019, the carrying amounts of \$23,067,601 thousand, \$21,230,163 thousand and \$22,029,061 thousand of land, buildings and manufacturing facilities and non-current assets classified as held for sale were pledged to secure long-term borrowings and corporate bonds.
- b. Information about capitalized interest

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Capitalized interest amounts	\$ 47,553	\$ 39,536	\$ 123,988	\$ 108,840
Capitalized interest rates	1.79%	1.79%	1.79%	1.79%

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	September 30, 2020	December 31, 2019	September 30, 2019	
<u>Carrying amounts</u>				
Land	\$ 1,835,215	\$ 1,914,889	\$ 1,941,448	
Buildings	395,476	334,224	343,933	
Machinery and equipment	956,753	-	-	
Other equipment	<u>58,822</u>	<u>49,280</u>	<u>33,032</u>	
	<u>\$ 3,246,266</u>	<u>\$ 2,298,393</u>	<u>\$ 2,318,413</u>	
	<u>Three Months Ended September 30</u>		<u>Nine Months Ended September 30</u>	
	2020	2019	2020	2019
Additions to right-of-use assets				
Additions	\$ 56,185	\$ 45,363	\$ 159,999	\$ 63,747
Acquisitions through business combinations	<u>997,787</u>	<u>-</u>	<u>997,787</u>	<u>-</u>
	<u>\$ 1,053,972</u>	<u>\$ 45,363</u>	<u>\$ 1,157,786</u>	<u>\$ 63,747</u>
Depreciation charge for right-of-use assets				
Land	\$ 26,558	\$ 26,608	\$ 79,675	\$ 80,312
Buildings	26,660	25,930	78,441	71,980
Machinery and equipment	6,231	-	6,231	-
Other equipment	<u>8,602</u>	<u>4,013</u>	<u>24,821</u>	<u>10,870</u>
	<u>\$ 68,051</u>	<u>\$ 56,551</u>	<u>\$ 189,168</u>	<u>\$ 163,162</u>
Income from the subleasing of right-of-use assets (recorded as "other income")	<u>\$ (67)</u>	<u>\$ (513)</u>	<u>\$ (1,224)</u>	<u>\$ (1,462)</u>

b. Lease liabilities

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Carrying amounts</u>			
Current	\$ 389,904	\$ 186,556	\$ 188,893
Non-current	<u>\$ 3,181,656</u>	<u>\$ 2,096,115</u>	<u>\$ 2,109,417</u>

Range of discount rate for lease liabilities is as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Land	1.76%-2.47%	1.76%-2.47%	1.76%-2.47%
Buildings	0.33%-3.75%	1.09%-3.75%	1.34%-3.75%
Machinery and equipment	0.24%-0.80%	-	-
Other equipment	0.33%-3.61%	0.73%-3.61%	1.34%-3.61%

For the three and nine months ended September 30, 2020 and 2019, the interest expense under lease liabilities amounted were \$13,181 thousand, \$13,551 thousand, \$39,782 thousand and \$41,041 thousand, respectively.

c. Material lease-in activities and terms

NTC leased low-voltage protection equipments in Japan, and the lease terms will expire in 2021 to 2035.

The Company and NTC leased lands from Science Park Administration, and the lease term will expire in 2023 to 2037 and 2027, respectively, which can be extended after the expiration of the lease periods.

NTC leased a land from Taiwan Sugar Corporation. Under a twenty-year term from October 2014 to September 2034, which is allowed to extend after the expiration of lease. The chairman of NTC, is a joint guarantor of such lease, refer to Note 29.

The Group leased some of the offices in the United States, China, Hong Kong, Japan, Israel, India, Korea and part in Taiwan, and the lease terms will expire between 2020 and 2026 which can be extended after the expiration of the lease periods.

d. Subleases

The Group subleases its right-of-use assets for buildings under operating leases with lease terms between 1 to 5 years.

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

	September 30, 2020	December 31, 2019	September 30, 2019
Year 1	\$ 1,632	\$ 1,985	\$ 1,898
Year 2	1,632	1,985	1,898
Year 3	1,631	1,985	1,897
Year 4	-	1,985	1,897
Year 5	<u>-</u>	<u>-</u>	<u>474</u>
	<u>\$ 4,895</u>	<u>\$ 7,940</u>	<u>\$ 8,064</u>

To reduce the residual asset risk related to the subleased asset at the end of the relevant sublease, the lease contract between the Group and the lessee includes the receipt of the deposits and the compensation for damage due to the lack of management and maintenance.

e. Other lease information

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Expenses relating to short-term leases	\$ 7,896	\$ 7,166	\$ 13,803	\$ 25,155
Expenses relating to low-value asset leases	\$ 221	\$ 63	\$ 607	\$ 708
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$ 5,245	\$ 3,743	\$ 17,715	\$ 10,464
Total cash outflow for leases	\$ (94,564)	\$ (75,735)	\$ (243,357)	\$ (220,310)

The Group has elected to apply the recognition exemption for short-term leases and low-value assets leases, thus, not to recognize right-of-use assets and lease liabilities for these leases.

Lease-out arrangements under operating leases for investment properties are set out in Note 15.

15. INVESTMENT PROPERTIES

	September 30, 2020	December 31, 2019	September 30, 2019
Investment properties, net	\$ 2,501,693	\$ 44,207	\$ 45,789

The Group acquired investment properties in Niigata and Toyama, Japan through business combinations on September 1, 2020. The fair value of such investment properties were \$2,503,591 thousand based on the purchase price allocation report. The Group's management team evaluated the fair value of investment properties and determined that the fair value of the investment properties had not changed significantly, compared to the fair value of the investment properties during the nine months ended September 30, 2020.

And the other investment properties is in Shen-Zhen, China. As of December 31, 2019 and 2018, the fair value of such investment properties were both approximately \$200,000 thousand, which was referred by the neighborhood transactions. The Group's management team evaluated the fair value of investment properties and determined that the fair value of the investment properties had not changed significantly, compared to the fair value of the investment properties during the nine months ended September 30, 2020 and 2019.

	Investment Properties
<u>Cost</u>	
Balance at January 1, 2020	\$ 98,511
Acquisitions through business combinations	9,072,159
Effect of exchange rate changes	(104,952)
Balance at September 30, 2020	<u>9,065,718</u>
	(Continued)

	Investment Properties
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2020	\$ 54,304
Acquisitions through business combinations	6,568,568
Depreciation expense	17,101
Effect of exchange rate changes	<u>(75,948)</u>
Balance at September 30, 2020	<u>6,564,025</u>
Investment properties, net	<u>\$ 2,501,693</u>

Cost

Balance at January 1, 2019	\$ 102,333
Effect of exchange rate changes	<u>(2,792)</u>
Balance at September 30, 2019	<u>99,541</u>

Accumulated depreciation and impairment

Balance at January 1, 2019	51,806
Depreciation expense	3,491
Effect of exchange rate changes	<u>(1,545)</u>
Balance at September 30, 2019	<u>53,752</u>
Investment properties, net	<u>\$ 45,789</u> (Concluded)

The investment properties were leased out for 3 to 5 years. The lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating leases of investment properties is as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Year 1	\$ 266,560	\$ 7,832	\$ 9,237
Year 2	226,271	4,120	4,163
Year 3	179,181	2,270	3,335
Year 4	179,181	-	-
Year 5	<u>179,181</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,030,374</u>	<u>\$ 14,222</u>	<u>\$ 16,735</u>

To reduce the residual asset risk related to the subleased asset at the end of the relevant sublease, the lease contract between the Group and the lessee includes the receipt of the deposits and the compensation for damage due to the lack of management and maintenance.

16. INTANGIBLE ASSETS

	September 30, 2020	December 31, 2019	September 30, 2019
Deferred technical assets, net	\$ 671,966	\$ 371,074	\$ 286,662
Other intangible assets, net	<u>205,318</u>	<u>36,648</u>	<u>36,405</u>
	<u>\$ 877,284</u>	<u>\$ 407,722</u>	<u>\$ 323,067</u>
	Deferred Technical Assets	Other Intangible Assets	Total
<u>Cost</u>			
Balance at January 1, 2020	\$ 19,088,675	\$ 58,896	\$ 19,147,571
Additions	415,625	100,576	516,201
Acquisitions through business combinations	-	1,200,865	1,200,865
Disposals	-	(2,972)	(2,972)
Effect of exchange rate changes	<u>(6,129)</u>	<u>(14,132)</u>	<u>(20,261)</u>
Balance at September 30, 2020	<u>\$ 19,498,171</u>	<u>\$ 1,343,233</u>	<u>\$ 20,841,404</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2020	\$ 18,717,601	\$ 22,248	\$ 18,739,849
Amortization expenses	113,020	13,705	126,725
Acquisitions through business combinations	-	1,117,819	1,117,819
Disposals	-	(2,972)	(2,972)
Effect of exchange rate changes	<u>(4,416)</u>	<u>(12,885)</u>	<u>(17,301)</u>
Balance at September 30, 2020	<u>\$ 18,826,205</u>	<u>\$ 1,137,915</u>	<u>\$ 19,964,120</u>
<u>Cost</u>			
Balance at January 1, 2019	\$ 18,901,179	\$ 25,240	\$ 18,926,419
Additions	126,066	33,909	159,975
Disposals	(53,844)	(237)	(54,081)
Effect of exchange rate changes	<u>12,034</u>	<u>639</u>	<u>12,673</u>
Balance at September 30, 2019	<u>\$ 18,985,435</u>	<u>\$ 59,551</u>	<u>\$ 19,044,986</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2019	\$ 18,675,462	\$ 21,762	\$ 18,697,224
Amortization expenses	66,684	1,061	67,745
Disposals	(53,844)	(237)	(54,081)
Effect of exchange rate changes	<u>10,471</u>	<u>560</u>	<u>11,031</u>
Balance at September 30, 2019	<u>\$ 18,698,773</u>	<u>\$ 23,146</u>	<u>\$ 18,721,919</u>

17. BORROWINGS

a. Short-term borrowings

	September 30, 2020		December 31, 2019		September 30, 2019	
	Interest Rate %	Amount	Interest Rate %	Amount	Interest Rate %	Amount
Bank lines of credit	1.00-4.35	<u>\$ 1,591,112</u>	1.00	<u>\$ 1,000,000</u>	0.88-2.97	<u>\$ 2,743,120</u>

b. Long-term borrowings

	Period	Interest Rate	September 30, 2020	December 31, 2019	September 30, 2019
<u>Secured borrowings</u>					
Bank of Taiwan secured medium-term loan	2014.12.29-2021.12.29	1.11%-1.70%	\$ -	\$ 247,040	\$ 308,800
Bank of Taiwan syndicated loan (IV)	2016.08.15-2021.12.29	1.79%-1.81%	7,000,000	9,000,000	10,800,000
Bank of Taiwan syndicated loan (V)	2019.01.14-2026.09.19	1.89%	6,550,000	4,250,000	1,000,000
<u>Unsecured borrowings</u>					
The Export-Import Bank of ROC	2019.09.20-2026.09.21	0.92%	500,000	500,000	500,000
The Export-Import Bank of ROC	2020.08.25-2027.08.25	0.92%	1,000,000	-	-
CTBC Bank	2020.08.24-2022.08.24	1.58%	800,000	-	-
Bank of Taiwan	2020.08.24-2023.08.24	1.42%	<u>1,000,000</u>	<u>-</u>	<u>-</u>
			16,850,000	13,997,040	12,608,800
Less: Current portion			(4,000,000)	(4,123,520)	(3,923,520)
Less: Syndication agreement management fee			<u>(117,007)</u>	<u>(143,047)</u>	<u>(152,252)</u>
			<u>\$ 12,732,993</u>	<u>\$ 9,730,473</u>	<u>\$ 8,533,028</u>

- 1) The collateral on the Bank of Taiwan secured medium-term loan is the land and building of the Company in Zhubei. Refer to Note 13. The principal will be repaid every six months from June 29, 2017 until maturity. On June 11, 2020, the loan be repaid in advance.
- 2) Bank of Taiwan Syndicated Loan (IV)
 - a) On August 15, 2016, the Company entered into a syndicated loan, with a group of financial institutions, to procure equipment for 12-inch fab, repay bank loans and augment medium-term working capital. The credit line was divided into part A and B, which amounted to \$10 billion and \$2 billion, respectively; and the total line of credit amounted to \$12 billion.
 - b) Part A will be repaid every six months from December 29, 2019 until maturity, and part B will be repaid every six months from December 29, 2018 until maturity.
 - c) Refer to Note 13 for collateral on bank borrowings.
- 3) Bank of Taiwan Syndicated Loan (V)
 - a) On January 14, 2019, the Company entered into a syndicated loan, with a group of financial institutions, to procure equipment for fab. The credit line amounted to \$42 billion. The principal will be repaid every six months from September 19, 2022 until maturity.
 - b) Refer to Note 13 for collateral on bank borrowings.

- 4) The Company is required to maintain certain financial covenants, including current ratio, debt ratio and tangible net equity, on June 30 and December 31 during the tenors of the loans. Additionally, the principal and interest coverage should be also maintained on June 30 and December 31 during the tenors of the loans except for the Bank of Taiwan secured medium - term loan. The computations of financial ratios mentioned above are done based on the audited consolidated financial statements.
- 5) NTC is required to maintain certain financial covenants, including current ratio, debt ratio and tangible net equity, on June 30 and December 31 during the tenors of the CTBC Bank loan. The computations of financial ratios mentioned above are done based on the audited consolidated financial statements.
- 6) The proceeds of the NTC's unsecured loans were invested in Autotalks Ltd. and acquired Panasonic Semiconductor Solutions., Co. Ltd.

18. BONDS PAYABLE

	September 30, 2020	December 31, 2019	September 30, 2019
Domestic secured bonds	<u>\$ 9,940,805</u>	<u>\$ 9,931,746</u>	<u>\$ 9,928,737</u>
Domestic unsecured bonds	<u>\$ 1,684,222</u>	<u>\$ -</u>	<u>\$ -</u>

- a. On July 10, 2018, the Company was approved by the SFB to offer and issue the first secured corporate bonds of 2018, with an aggregate principal amount of \$10,000,000 thousand. The terms of issuance, amounts and interest rate as follows:

Issuance Date	Period	Amount	Coupon Rate	Repayment and Interest Payment
2018.07.17	7 years	\$10,000,000	1%	The principal will be repaid upon maturity. The interest is payable once a year at the coupon rate accrued annually on a simple basis starting from the issue date.

Refer to Note 13 for collateral of 12-inch Fab Manufacturing facilities on corporate bonds.

- b. In May 2020, NTC issued 20 thousand units, \$100 thousand per unit, 0% NTD-denominated unsecured convertible bonds in Taiwan, with an aggregate principal amount of \$2,000,000 thousand. The terms of issuance, amounts and interest rate as follows:

Issuance Date	Period	Amount	Coupon Rate	Repayment and Interest Payment
2020.05.20	7 years	\$2,000,000	0%	The principal will be repaid in cash upon maturity at a rate of 109.09% (annual rate of return 1.25% upon maturity).

- 1) The conversion price was set at \$39.9 per share at the time of issuance. When meeting certain criteria, adjustments on the conversion price are made in accordance with the terms and conditions. Since NTC expects to issue shares in December 2020, the conversion price should be adjusted according to the issuance and conversion measures, so the conversion price will be adjusted to \$38.2 from December 10, 2020.

- 2) After the first three months of the issuance and forty days before the maturity date, if the closing price of NTC's common shares listed on the Taiwan Stock Exchange exceeds or equals 30% of the conversion price or the outstanding balance of the bonds is less than 10% in principal amount of the bonds originally outstanding for thirty consecutive business days, NTC may redeem the bonds in cash at the principal amount.
- 3) After the bonds has been issued for over five years, the bondholders may request NTC to redeem the bonds at 106.41% of the principal amount (annual rate of return 1.25%). The right of the redemption was recognized as financial instruments at fair value through profit or loss - current. The fair value was \$7,532 thousand on September 30, 2020.
- 4) Except for the bonds that have been redeemed, sold back, converted, or bought back by NTC in the market, the principal will be repaid in cash upon maturity at a rate of 109.09% (annual rate of return 1.25% upon maturity).

The effective interest rate of the liability component of the convertible bond was 1.22% on the initial recognition.

Proceeds from issuance (less transaction costs of \$6,426 thousand)	\$ 1,998,428
Redemption	<u>5,200</u>
Liability component at the date of issue	2,003,628
Convertible bonds converted into ordinary shares	(328,189)
Interest charged at an effective interest rate of 1.22%	<u>8,783</u>
Liability component at September 30, 2020	<u>\$ 1,684,222</u>

19. PROVISIONS

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Current</u>			
Decommissioning liabilities	\$ 610,730	\$ -	\$ -
Employee benefits	<u>316,438</u>	<u>-</u>	<u>-</u>
	<u>\$ 927,168</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Non-current</u>			
Employee benefits	\$ 1,761,359	\$ -	\$ -
Warranties	776,149	276,873	277,542
Decommissioning liabilities	<u>749,081</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,286,589</u>	<u>\$ 276,873</u>	<u>\$ 277,542</u>

NTC purchased the semiconductor business of Panasonic Corporation in September 2020. The expected decommissioning costs and personnel costs from shutting down some fabs were recognized as the decommissioning liabilities and employee benefits provisions.

20. RETIREMENT BENEFIT PLANS

The employee benefit expense in respect of the Group's defined benefit retirement plans was calculated using the actuarially determined pension cost discount rate as of December 31, 2019 and 2018, and recognized \$24,070 thousand, \$23,412 thousand, \$67,725 thousand and \$71,459 thousand for the three months ended and the nine months ended September 30, 2020 and 2019, respectively.

21. EQUITY

a. Share capital

	September 30, 2020	December 31, 2019	September 30, 2019
Number of shares authorized (in thousands)	<u>6,700,000</u>	<u>6,700,000</u>	<u>6,700,000</u>
Share authorized	<u>\$ 67,000,000</u>	<u>\$ 67,000,000</u>	<u>\$ 67,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>3,980,000</u>	<u>3,980,000</u>	<u>3,980,000</u>
Share issued	<u>\$ 39,800,002</u>	<u>\$ 39,800,002</u>	<u>\$ 39,800,002</u>

As of September 30, 2020, December 31, 2019 and September 30, 2019, the balance of the Company's capital account amounted to \$39,800,002 thousand, divided into 3,980,000 thousand shares with a par value of \$10.

b. Capital surplus

	September 30, 2020	December 31, 2019	September 30, 2019
May be used to offset a deficit, distributed as cash dividends, or transferred to <u>share capital</u>			
Arising from issuance of share capital	\$ 4,787,673	\$ 4,787,673	\$ 4,787,673
Arising from treasury share transactions	2,342,036	2,342,036	2,342,036
Arising from conversion of bonds	136,352	136,352	136,352
<u>May be used to offset a deficit only</u>			
Arising from changes in percentage of ownership interest in subsidiaries	67,685	1,998	36,528
Arising from share of changes in capital surplus of associates	29,137	29,137	29,137
Cash capital increase reserved for employee preemption	208,451	208,451	208,451
Others	<u>30,749</u>	<u>30,749</u>	<u>30,749</u>
	<u>\$ 7,602,083</u>	<u>\$ 7,536,396</u>	<u>\$ 7,570,926</u>

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, mergers and convertible bonds) may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or stock dividends up to a certain percentage of the Company's paid-in capital. The capital surplus from share of changes in equities of subsidiaries and associates may be used to offset a deficit; however, when generated from issuance of restricted shares for employees, such capital surplus may not be used for any purpose.

c. Retained earnings and dividend policy

The shareholders held their regular meeting on June 14, 2019 and resolved the amendments to the Company's Articles of Incorporation. The amendments of the Company's dividend distribution policy as follow:

From the pre-tax net profit of the current year, before deducting remuneration of employees and remuneration of directors, no more than 1% shall be allocated as remuneration of directors and no less than 1% as remuneration of employees. The remuneration of employees may be distributed in stock or cash upon resolution of the board of directors and may be distribution to the employees of subsidiaries of the Company meeting certain criteria.

However, if the Company has accumulated losses, the Company shall first set aside an amount for making up losses, and then allocate remuneration of employees and remuneration of directors according to the percentage set forth in the preceding paragraph.

The Company purchases its stock for transferring such treasury shares, issues employee options, provides pre-emptive right for employees' subscription upon issuing new shares, issues new restricted employee shares, and distributes employee remuneration, to employees of the Company's controlling or subordinated companies who meet certain criteria, which shall be determined and resolved by the board of directors.

If the Company has pre-tax profits at the end of the current fiscal year, after paying all taxes and covering all accumulated losses, the Company shall set aside 10% of said earnings as legal reserve. However, legal reserve need not be made when the accumulated legal reserve equals the paid-in capital of the Company. After setting aside or reversing special reserve pursuant to applicable laws and regulations and orders of competent authorities or based on the business needs of the Company, if there is any balance, the board of directors may submit a proposal for allocation of the remaining balance and the accumulated undistributed earnings to the shareholders meeting for resolution of distributing bonus and dividends to shareholders.

The board of directors shall be authorized to distribute the profit, the legal reserve and the capital reserve mentioned in the preceding paragraph in cash upon resolution by a majority vote at a board meeting attended by two-thirds or more of the directors, and shall report the same to the shareholders' meeting.

The Company's dividend distribution policy is made in accordance with the Company Act and the Articles of Incorporation in consideration of factors including capital and financial structure, operating status, retained earnings, industry characteristics and economic cycle. The dividends shall be distributed in a steady manner. With respect to distribution of dividends, in consideration of future operation scale and cash flow needs, no less than 30% of the remaining amount of the net profit after tax of the current year, after covering the accumulative losses and setting aside the legal reserve and the special reserve, shall be distributed to shareholders as dividends, which may be distributed in stock dividend or cash dividend, and the distribution of cash dividend shall not be less than 50% of total dividends, so as to maintain continuous growth.

The Company may distribute its profit or make up its losses at the end of each half of a fiscal year. The business report, the financial statements, and the proposal for distribution of earnings or making up loss shall be prepared by and then resolved by the board of directors. The Company, in distributing its profit according to the preceding paragraph, shall estimate and reserve employee and director remuneration and any taxes payable as well as cover any losses and set aside the legal reserve in accordance with the law; however, provided that the legal reserve amounts to the total paid-in capital, the legal reserve need not be set aside. Where the Company distributes the profit in cash, such distribution shall be resolved by the board of directors, but where the profit is distributed in the form of newly issued share, such distribution shall be resolved by the shareholders' meeting.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Pursuant to existing regulations, the Company is required to set aside additional special capital reserve equivalent to the net debit balance of the other components of shareholders' equity, such as the accumulated balance of foreign currency translation reserve, unrealized valuation gain (loss) from available-for-sale financial assets, net amount of fair value below the cost of the Company's ordinary shares held by subsidiaries, etc. For the subsequent decrease in the deduction amount to shareholders' equity, any special reserve appropriated may be reversed to the extent that the net debit balance reverses.

The dividends per share for 2019 and 2018 were approved in the board of directors meeting on March 12, 2020 and in the shareholders' meeting on June 14, 2019, respectively. The appropriations of earnings for 2019 and 2018 were approved in the shareholders' meeting on June 12, 2020 and June 14, 2019, respectively, as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For Year 2019	For Year 2018	For Year 2019	For Year 2018
Legal reserve appropriated	\$ 115,226	\$ 744,650		
Cash dividends	<u>398,000</u>	<u>3,980,000</u>	\$ 0.1	\$ 1.0
	<u>\$ 513,226</u>	<u>\$ 4,724,650</u>		

For information about the accrual basis of the employees' compensation and remuneration of directors and the actual appropriations, refer to Note 23 to the consolidated financial statements on employee benefits expenses.

d. Other equity items

1) Exchange differences on translation of foreign financial statements

	Nine Months Ended September 30	
	2020	2019
Balance at January 1	\$ (119,246)	\$ (50,780)
Exchange differences arising on translating the financial statements of foreign operations	<u>(135,483)</u>	<u>36,193</u>
Balance at September 30	<u>\$ (254,729)</u>	<u>\$ (14,587)</u>

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

2) Unrealized gains (losses) on financial assets at FVTOCI

	Nine Months Ended September 30	
	2020	2019
Balance at January 1	\$ 5,009,928	\$ 3,533,423
Unrealized gains (losses) on revaluation of financial assets at FVTOCI	(553,360)	(391,191)
Share of unrealized gains (losses) on revaluation of financial assets at FVTOCI of associates accounted for using equity method	(539,394)	265,314
Disposals of investments in equity instruments designated at FVTOCI	<u>(268,846)</u>	<u>(16,406)</u>
Balance at September 30	<u>\$ 3,648,328</u>	<u>\$ 3,391,140</u>

Unrealized gains (losses) on financial assets at FVTOCI represents the cumulative gains or losses arising from the fair value measurement on financial assets at FVTOCI that are recognized in other comprehensive income. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

e. Non-controlling interests

	Nine Months Ended September 30	
	2020	2019
Balance at January 1	\$ 2,836,565	\$ 1,446,726
Share attributable to non-controlling interests		
Profit for the year	180,111	155,172
Exchange difference on translation of foreign financial statements	(47,250)	7,139
Unrealized gains (losses) on revaluation of financial assets at FVTOCI	(21,652)	19,574
Decrease in non-controlling interests	(132,665)	(202,336)
Changes in ownership interest in subsidiaries	<u>261,035</u>	<u>19,486</u>
Balance at September 30	<u>\$ 3,076,144</u>	<u>\$ 1,445,761</u>

22. REVENUE

Refer to Note 35 for the Group's revenue.

23. EMPLOYEE BENEFITS EXPENSE, DEPRECIATION, AND AMORTIZATION

	Three Months Ended September 30, 2020			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	Total
Short-term employee benefits	<u>\$ 695,202</u>	<u>\$ 1,677,580</u>	<u>\$ -</u>	<u>\$ 2,372,782</u>
Post-employment benefits	<u>\$ 36,617</u>	<u>\$ 118,641</u>	<u>\$ -</u>	<u>\$ 155,258</u>
Depreciation	<u>\$ 2,008,324</u>	<u>\$ 272,012</u>	<u>\$ 16,428</u>	<u>\$ 2,296,764</u>
Amortization	<u>\$ 8,562</u>	<u>\$ 44,749</u>	<u>\$ 8,680</u>	<u>\$ 61,991</u>

Three Months Ended September 30, 2019				
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	Total
Short-term employee benefits	\$ 641,862	\$ 1,441,359	\$ -	\$ 2,083,221
Post-employment benefits	\$ 32,944	\$ 83,417	\$ -	\$ 116,361
Compensation costs of employee options	\$ 16,667	\$ 33,253	\$ -	\$ 49,920
Depreciation	\$ 1,982,354	\$ 209,214	\$ 1,836	\$ 2,193,404
Amortization	\$ 8,383	\$ 14,072	\$ 3,505	\$ 25,960

Nine Months Ended September 30, 2020				
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	Total
Short-term employee benefits	\$ 2,056,409	\$ 4,440,864	\$ -	\$ 6,497,273
Post-employment benefits	\$ 103,304	\$ 276,733	\$ -	\$ 380,037
Depreciation	\$ 5,982,807	\$ 777,373	\$ 21,466	\$ 6,781,646
Amortization	\$ 25,243	\$ 101,482	\$ 26,040	\$ 152,765

Nine Months Ended September 30, 2019				
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	Total
Short-term employee benefits	\$ 2,006,696	\$ 4,175,891	\$ -	\$ 6,182,587
Post-employment benefits	\$ 98,768	\$ 246,566	\$ -	\$ 345,334
Compensation costs of employee options	\$ 16,667	\$ 33,253	\$ -	\$ 49,920
Depreciation	\$ 5,848,524	\$ 574,728	\$ 5,547	\$ 6,428,799
Amortization	\$ 25,123	\$ 42,622	\$ 10,515	\$ 78,260

In accordance with the Company Act and the Articles of Incorporation, it stipulates distribution of the compensation of employees and remuneration of directors at the rates no more than 1% and no less than 1%, respectively, of net profit before income tax, remuneration to directors and compensation of employees. The calculation for the rate mentioned above also include the Company's remuneration of supervisors before establishment of the Audit Committee. For the three months ended September 30, 2020 and 2019 and the nine months ended September 30, 2020 and 2019, the employees' compensation and remuneration of directors were as follows:

	Three Months Ended September 30				Nine Months Ended September 30			
	2020		2019		2020		2019	
	Amounts	Accrual Rate	Amounts	Accrual Rate	Amounts	Accrual Rate	Amounts	Accrual Rate
Employees' compensation	\$ 7,013	2%	\$ 12,454	2%	\$ 18,689	2%	\$ 34,852	2%
Remuneration of directors	\$ 3,506	1%	\$ 6,227	1%	\$ 9,344	1%	\$ 17,426	1%

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 compensation to employees and remuneration to the directors of 2019 and 2018 were approved by the Company's board of directors on April 30, 2020 and March 25, 2019, respectively, were as below:

	For the Year Ended December 31	
	2019	2018
Employees' compensation	<u>\$ 28,038</u>	<u>\$ 163,650</u>
Remuneration of directors	<u>\$ 14,019</u>	<u>\$ 81,825</u>

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2019 and 2018.

Information on the compensation to employees and remuneration to the directors resolved by the Company's board of directors is available on the Market Observation Post System website of the Taiwan Stock Exchange Corporation.

24. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2020	2019	2020	2019
Current income tax				
In respect of the current year	\$ 93,573	\$ 51,010	\$ 231,260	\$ 217,943
Adjustment for prior years' tax	(45)	1,478	(99,483)	25,425
Deferred income tax				
In respect of the current year	<u>19,451</u>	<u>35,410</u>	<u>41,561</u>	<u>113,205</u>
Income tax expense recognized in profit or loss	<u>\$ 112,979</u>	<u>\$ 87,898</u>	<u>\$ 173,338</u>	<u>\$ 356,573</u>

Based on the Income Tax Act in the ROC, the corporate income tax rate is 20%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

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

b. The Company's tax returns have been assessed by the tax authorities through 2018.

25. EARNINGS PER SHARE

	Three Months Ended September 30					
	2020			2019		
	Amounts (Numerator) After Income Tax (Attributable to Owners of the Parent)	Shares (Denominator) (In Thousands)	Earnings Per Share (NT\$) After Income Tax (Attributable to Owners of the Parent)	Amounts (Numerator) After Income Tax (Attributable to Owners of the Parent)	Shares (Denominator) (In Thousands)	Earnings Per Share (NT\$) After Income Tax (Attributable to Owners of the Parent)
Basic earnings per share						
Net income attributed to common shareholders	\$ 331,124	3,980,000	<u>\$ 0.08</u>	\$ 591,243	3,980,000	<u>\$ 0.15</u>
Effect of dilutive potential common share						
Employees' compensation	-	503		-	698	
Diluted earnings per share						
Net income attributed to common shareholders	<u>\$ 331,124</u>	<u>3,980,503</u>	<u>\$ 0.08</u>	<u>\$ 591,243</u>	<u>3,980,698</u>	<u>\$ 0.15</u>
	Nine Months Ended September 30					
	2020			2019		
	Amounts (Numerator) After Income Tax (Attributable to Owners of the Parent)	Shares (Denominator) (In Thousands)	Earnings Per Share (NT\$) After Income Tax (Attributable to Owners of the Parent)	Amounts (Numerator) After Income Tax (Attributable to Owners of the Parent)	Shares (Denominator) (In Thousands)	Earnings Per Share (NT\$) After Income Tax (Attributable to Owners of the Parent)
Basic earnings per share						
Net income attributed to common shareholders	\$ 953,609	3,980,000	<u>\$ 0.24</u>	\$ 1,468,643	3,980,000	<u>\$ 0.37</u>
Effect of dilutive potential common share						
Employees' compensation	-	1,340		-	1,952	
Diluted earnings per share						
Net income attributed to common shareholders	<u>\$ 953,609</u>	<u>3,981,340</u>	<u>\$ 0.24</u>	<u>\$ 1,468,643</u>	<u>3,981,952</u>	<u>\$ 0.37</u>

If the Company offered to settle the compensation or bonuses paid to employees by cash or shares, the Company assumed that the entire amount of the compensation or bonus will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share (EPS), if the shares have a dilutive effect. Such dilutive effect of the potential shares is included in the computation of diluted EPS until the number of shares to be distributed to employees is resolved in the following year.

26. BUSINESS COMBINATIONS

a. Subsidiaries acquired

Subsidiary	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Panasonic Semiconductor Solutions Co., Ltd.	Semiconductor business	September 1, 2020	100	<u>\$ 7,936,496</u>
Great Target Development Ltd.	Investment holding	July 4, 2019	100	<u>\$ 155,367</u> <u>US\$ 5,000</u>

On September 1, 2020, NTC acquired the semiconductor business of Panasonic mainly operated by Panasonic Semiconductor Solutions Co., Ltd. This transaction is inclusive of 100% shares of NTHJ, NTCJ (former “PSCS”), AMTC (former “PIDE”), and METC (former “PIDST”), equipments and inventories of Panasonic Semiconductor (Suzhou) Co., Ltd. (“PSCSZ”) and assets, liabilities and contracts related to predefined specific business of Panasonic Industrial Devices Semiconductor Asia (“PIDSCA”).

In July 2019, the Company purchased 100% ownership interest of Great Target Development Ltd. in order to indirectly hold GTD’s subsidiary in India, GLMTD Technology Private Limited, with a 99.99% ownership interest.

b. Consideration transferred

	Panasonic Semiconductor Solutions Co., Ltd.	Great Target Development Ltd.
Cash	\$ 7,862,056	\$ 155,367
Contingent consideration agreement (Note 1)	<u>74,440</u>	<u>-</u>
	<u>\$ 7,936,496</u>	<u>\$ 155,367</u>

Under the contingent consideration arrangement, if TPSCo., which NTCJ held approximately 49% ownership interest, turns net profit during the period of the effective date of the acquisition to March 31, 2022, NTCJ is required to pay Panasonic Corporation the net profit based on ownership ratio. The estimated amount of such contingent consideration transferred was JPY\$267,000 thousand (approximately NT\$74,440 thousand) on the purchase price allocation report. The amount of \$74,440 thousand represents the estimated fair value of NTC’s contingent consideration transferred.

c. Assets acquired and liabilities assumed at the date of acquisition

	Panasonic Semiconductor Solutions Co., Ltd.	Great Target Development Ltd.
Current assets		
Cash and cash equivalents	\$ 1,102,882	\$ 27,853
Accounts receivable and other receivables	4,469,464	19
Inventories	4,613,102	-
Other current assets	-	552
Non-current assets		
Prepayments	216,082	-
Financial assets at fair value through other comprehensive income	960,800	13,531
Property, plant and equipment	5,803,534	-
Investment properties	2,503,591	-
Right-of-use assets	997,787	-
Intangible assets	83,046	-
Deferred income tax assets	103,259	-
Other non-current assets	<u>4,639</u>	<u>84,758</u>
Total assets	<u>\$ 20,858,186</u>	<u>\$ 126,713</u>

(Continued)

	Panasonic Semiconductor Solutions Co., Ltd.	Great Target Development Ltd.
Current liabilities		
Accounts payable and other payables	\$ 5,999,366	\$ 417
Current tax liabilities	86,320	575
Provisions - current	617,821	-
Lease liabilities - current	176,138	-
Other current liabilities	57,635	-
Non-current liabilities		
Provisions - non-current	2,539,589	-
Net defined benefit liabilities - non-current	1,473,458	-
Deferred income tax liabilities	89,169	-
Warranties	506,301	-
Lease liabilities - non-current	<u>1,156,925</u>	<u>-</u>
Total liabilities	<u>\$ 12,702,722</u>	<u>\$ 992</u>
Net assets	<u>\$ 8,155,464</u>	<u>\$ 125,721</u> (Concluded)

d. Non-controlling interests

The non-controlling interest recognized at the acquisition date of Panasonic Semiconductor Solutions Co., Ltd. and its subsidiaries was measured by reference to the fair value of the non-controlling interest.

e. Goodwill (bargain purchase gain) recognized on acquisition

	Panasonic Semiconductor Solutions Co., Ltd.	Great Target Development Ltd.
Consideration transferred	\$ 7,936,496	\$ 155,367
Less: Fair value of identifiable net assets acquired	<u>(8,155,464)</u>	<u>(125,721)</u>
Goodwill (bargain purchase gain) recognized on acquisitions	<u>\$ (218,968)</u>	<u>\$ 29,646</u>

The goodwill recognized in the acquisition of Great Target Development Ltd. mainly represents the control premium included in the cost of the combination. In addition, the consideration paid for the combination effectively included amounts attributed to the benefits of expected synergies, revenue growth, future market development and the assembled workforce of Great Target Development Ltd.

f. Net cash outflow on the acquisition of subsidiaries

	Panasonic Semiconductor Solutions Co., Ltd.	Great Target Development Ltd.
Consideration paid in cash	\$ 7,936,496	\$ 155,367
Less: Cash and cash equivalent balances acquired	<u>(1,102,882)</u>	<u>(27,853)</u>
	6,833,614	127,514
Adjustments for:		
Receivables for investments	277,930	-
Business tax refund receivable	133,101	-
Severance pay on behalf of another party (recorded as “provisions”)	<u>(316,438)</u>	<u>-</u>
	<u>\$ 6,928,207</u>	<u>\$ 127,514</u>

g. Impact of acquisitions on the results of the Group

The financial results of the acquirees since the acquisition dates, which are included in the consolidated statements of comprehensive income, are as follows:

	Panasonic Semiconductor Solutions Co., Ltd.	Great Target Development Ltd.
Revenue	<u>\$ 2,214,760</u>	<u>\$ -</u>
Profit	<u>\$ (254,140)</u>	<u>\$ 110</u>

Since NTC’s business combination on September 1, 2020 included purchasing the equipments and inventories of PSCSZ and assets, liabilities and contracts related to predefined specific business of PIDSCA, which are not separate entities, so would not be able to disclose the pro-forma revenue and profit.

27. CAPITAL MANAGEMENT

The Group’s capital management objective is to ensure it has the necessary financial resources and operational plan so that it can cope with the next twelve months working capital requirements, capital expenditures, research and development activities, debt repayments and dividends payments.

28. FINANCIAL INSTRUMENT

a. Fair value of financial instruments

1) Valuation techniques and assumptions used in fair value measurement

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes publicly traded stock and mutual funds).

- The fair values of forward exchange contracts are measured using quoted middle and discount rates of forward exchange contracts matching the forward exchange rate on the maturity date of the contracts.
- Domestic and overseas unlisted equity instrument at FVTOCI were all measured based on Level 3. Fair values of the above equity instruments were determined using comparable listed company approach, refer to strike price of similar business at active market, implied value multiple of the price and relevant information. Significant unobservable inputs included PE ratio, value multiple and market liquidity discount.

2) Fair value measurements recognized in the consolidated balance sheets

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

3) Fair value of financial instruments that are not measured at fair value

Fair value hierarchy as at September 30, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial liabilities</u>				
Financial liabilities measured at amortized cost				
Bonds payable (secured)	\$ _____ -	\$ 9,940,805	\$ _____ -	\$ 9,940,805

Fair value hierarchy as at December 31, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial liabilities</u>				
Financial liabilities measured at amortized cost				
Bonds payable (secured)	\$ _____ -	\$ 9,931,746	\$ _____ -	\$ 9,931,746

Fair value hierarchy as at September 30, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial liabilities</u>				
Financial liabilities measured at amortized cost				
Bonds payable (secured)	\$ _____ -	\$ 9,928,737	\$ _____ -	\$ 9,928,737

4) Fair value of financial instruments that are measured at fair value on a recurring basis

Fair value hierarchy as at September 30, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Derivative financial assets (not under hedge accounting)	\$ -	\$ 61,858	\$ -	\$ 61,858
<u>Financial assets at FVTOCI</u>				
Equity securities				
Domestic listed and emerging securities	\$ 6,713,079	\$ -	\$ -	\$ 6,713,079
Overseas listed securities	524,819	-	-	524,819
Domestic and overseas unlisted securities	-	17,450	1,707,827	1,725,277
	<u>\$ 7,237,898</u>	<u>\$ 17,450</u>	<u>\$ 1,707,827</u>	<u>\$ 8,963,175</u>
<u>Financial liabilities</u>				
Financial liabilities measured at amortized cost				
Bonds payable (unsecured)	\$ 1,864,613	\$ -	\$ -	\$ 1,864,613

Fair value hierarchy as at December 31, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Derivative financial assets (not under hedge accounting)	\$ -	\$ 75,462	\$ -	\$ 75,462
<u>Financial assets at FVTOCI</u>				
Equity securities				
Domestic listed and emerging securities	\$ 7,234,306	\$ -	\$ -	\$ 7,234,306
Overseas listed securities	52,487	-	-	52,487
Domestic and overseas unlisted securities	-	17,240	1,423,311	1,440,551
	<u>\$ 7,286,793</u>	<u>\$ 17,240</u>	<u>\$ 1,423,311</u>	<u>\$ 8,727,344</u>

Fair value hierarchy as at September 30, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Derivative financial assets (not under hedge accounting)	\$ -	\$ 30,200	\$ -	\$ 30,200
<u>Financial assets at FVTOCI</u>				
Equity securities				
Domestic listed and emerging securities	\$ 6,085,018	\$ -	\$ -	\$ 6,085,018
Overseas listed securities	63,330	-	-	63,330
Domestic and overseas unlisted securities	-	17,210	1,421,694	1,438,904
	<u>\$ 6,148,348</u>	<u>\$ 17,210</u>	<u>\$ 1,421,694</u>	<u>\$ 7,587,252</u>

b. Categories of financial instruments

Fair values of financial assets and liabilities were summarized as follows:

	<u>September 30, 2020</u>		<u>December 31, 2019</u>		<u>September 30, 2019</u>	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial assets</u>						
Measured at amortized cost						
Cash and cash equivalents	\$ 9,235,795	\$ 9,235,795	\$ 11,467,907	\$ 11,467,907	\$ 9,422,131	\$ 9,422,131
Notes and accounts receivable (included related parties)	10,462,429	10,462,429	6,130,906	6,130,906	7,227,807	7,227,807
Other receivables	2,663,086	2,663,086	750,720	750,720	850,885	850,885
Refundable deposits (recorded in other non-current assets)	404,019	404,019	396,681	396,681	337,565	337,565
Financial assets at fair value through profit or loss	61,858	61,858	75,462	75,462	30,200	30,200
Financial assets at fair value through other comprehensive income (current and non-current)	8,963,175	8,963,175	8,727,344	8,727,344	7,587,252	7,587,252
<u>Financial liabilities</u>						
Measured at amortized cost						
Short-term borrowings	1,591,112	1,591,112	1,000,000	1,000,000	2,743,120	2,743,120
Notes and accounts payable (included related parties)	8,083,124	8,083,124	5,697,780	5,697,780	5,608,496	5,608,496
Payable on equipment and other payables	8,575,362	8,575,362	6,138,634	6,138,634	4,556,954	4,556,954
Bonds payable	11,625,027	11,805,418	9,931,746	9,931,746	9,928,737	9,928,737
Long-term borrowings (included current portion)	16,850,000	16,850,000	13,997,040	13,997,040	12,608,800	12,608,800
Guarantee deposits (recorded in other non-current liabilities)	78,300	78,300	64,347	64,347	60,331	60,331

c. Financial risk management objectives and policies

The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk, credit risk and liquidity risk.

The use of financial derivatives was governed by the Group's policies approved by the board of directors, which provide written principles on foreign exchange risk, and use of financial derivatives. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis.

1) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group uses forward foreign exchange contracts to hedge the foreign currency risk on export.

There had been no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Group uses forward foreign exchange contracts to hedge the exchange rate risk within approved policy parameters utilizing forward foreign exchange contracts.

The sensitivity analysis included only outstanding foreign currency denominated monetary items at the end of the reporting period and an increase in net income and equity if New Taiwan dollars strengthen by 1% against foreign currencies. For a 1% weakening of New Taiwan dollars against U.S. dollars, there would be impact on net income in the amounts of \$1,783 thousand decrease for the three months ended September 30, 2020, \$8,808 thousand, \$41,459 thousand and \$46,104 thousand increase for the three months ended September 30, 2019, and the nine months ended September 30, 2020 and 2019, respectively. For a 1% weakening of New Taiwan dollars against Chinese Yuan, there would be impact on net income in the amounts of \$6,099 thousand, \$1,803 thousand, \$14,630 thousand and \$3,368 thousand increase for the three months ended September 30, 2020 and 2019, and the nine months ended September 30, 2020 and 2019, respectively.

b) Interest rate risk

The Group's interest rate risk arises primarily from floating rate borrowings.

The carrying amount of the Group's financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Cash flow interest rate risk			
Financial assets	\$ 108,313	\$ 284,413	\$ 108,313
Financial liabilities	18,141,112	13,997,040	12,608,800

The sensitivity analyses below were determined based on the Group's exposure to interest rates for fair value of variable-rate derivatives instruments at the end of the reporting period. If interest rates had been higher by one percentage point, the Group's cash flows for the three months ended September 30, 2020 and 2019, and the nine months ended September 30, 2020 and 2019 would have increased by \$50,911 thousand, increased by \$1,148 thousand, increased by \$180,328 thousand and increased by \$125,005 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. In order to minimize credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, the Group reviews the recoverable amount of each individual accounts receivables at the end of the reporting period to ensure that adequate impairment losses are recognized for irrecoverable amounts. In this regard, the directors of the Group consider that the Group's credit risk was significantly reduced.

3) Liquidity risk

The Group has enough operating capital to comply with loan covenants; liquidity risk is low.

The Group's non-derivative financial liabilities and their agreed repayment period were as follows:

	September 30, 2020			
	Within 1 Year	1-2 Years	Over 2 Years	Total
Non-interest bearing	\$ 16,658,486	\$ 78,300	\$ -	\$ 16,736,786
Lease liabilities	440,126	395,059	3,214,634	4,049,819
Variable interest rate liabilities	4,000,000	3,655,000	9,195,000	16,850,000
Fixed interest rate liabilities	<u>1,591,112</u>	<u>-</u>	<u>11,825,948</u>	<u>13,417,060</u>
	<u>\$ 22,689,724</u>	<u>\$ 4,128,359</u>	<u>\$ 24,235,582</u>	<u>\$ 51,053,665</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 2 Years	2-5 Years	5-10 Years	10-15 Years	Over 15 Years
Lease liabilities	<u>\$ 835,185</u>	<u>\$ 861,637</u>	<u>\$ 1,288,443</u>	<u>\$ 521,091</u>	<u>\$ 543,463</u>

	December 31, 2019			
	Within 1 Year	1-2 Years	Over 2 Years	Total
Non-interest bearing	\$ 11,836,414	\$ 64,347	\$ -	\$ 11,900,761
Lease liabilities	239,834	220,802	2,337,896	2,798,532
Variable interest rate liabilities	4,123,520	5,123,520	4,750,000	13,997,040
Fixed interest rate liabilities	<u>1,000,000</u>	<u>-</u>	<u>10,000,000</u>	<u>11,000,000</u>
	<u>\$ 17,199,768</u>	<u>\$ 5,408,669</u>	<u>\$ 17,087,896</u>	<u>\$ 39,696,333</u>

	September 30, 2019			
	Within 1 Year	1-2 Years	Over 2 Years	Total
Non-interest bearing	\$ 10,165,451	\$ 60,331	\$ -	\$ 10,225,782
Lease liabilities	239,688	215,060	2,370,792	2,825,540
Variable interest rate liabilities	3,923,520	4,123,520	4,561,760	12,608,800
Fixed interest rate liabilities	<u>2,743,120</u>	<u>-</u>	<u>10,000,000</u>	<u>12,743,120</u>
	<u>\$ 17,071,779</u>	<u>\$ 4,398,911</u>	<u>\$ 16,932,552</u>	<u>\$ 38,403,242</u>

4) Transfers of financial assets

NTC's factored accounts receivables that are not yet overdue at the end of the period were as follows:

Counterparty	Receivables Factoring Proceeds	Advances Received - Unused	Advances Received - Used	Annual Interest Rates on Advances Received (Used) (%)
Sumitomo Mitsui Banking Corporation	<u>\$ 251,611</u>	<u>\$ -</u>	<u>\$ 251,611</u>	<u>0.9</u>

Pursuant to the NTC's factoring agreements, losses from commercial disputes (such as sales returns and discounts) are borne by NTC, while losses from credit risk are borne by the banks.

29. RELATED PARTY TRANSACTIONS

a. The names and relationships of related parties are as follows:

Related Party	Relationship with the Group
Walsin Lihwa Corporation	Investor that exercises significant influence over the Group
Hwa Bao Botanic Conservation Corp.	Associate
Chin Xin Investment Co., Ltd.	Associate
Tower Partners Semiconductor Co., Ltd. ("TPSCo.")	Related party in substance
Nyquest Technology Co., Ltd.	Related party in substance
Walton Advanced Engineering Inc.	Related party in substance
Walton Advanced Engineering Ltd. (Suzhou)	Related party in substance
Chin Cherng Construction Co., Ltd.	Related party in substance
Walsin Technology Corporation	Related party in substance
United Industrial Gases Co., Ltd.	Related party in substance
Hannstar Display Corporation	Related party in substance
Harbinger III Venture Capital Corp.	Related party in substance
TDC	Subsidiary (June 10, 2019 as the date of liquidation)

b. Operating activities

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
1) Operating revenue				
Related party in substance	<u>\$ 77,530</u>	<u>\$ 63,048</u>	<u>\$ 163,022</u>	<u>\$ 189,233</u>
2) Purchases of goods				
Related party in substance	<u>\$ 771,855</u>	<u>\$ -</u>	<u>\$ 771,855</u>	<u>\$ -</u>

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
3) Manufacturing expenses				
Related party in substance				
Walton Advanced Engineering Inc.	\$ 885,468	\$ 787,835	\$ 2,435,400	\$ 2,131,095
Others	<u>146,082</u>	<u>146,039</u>	<u>411,268</u>	<u>422,575</u>
	<u>\$ 1,031,550</u>	<u>\$ 933,874</u>	<u>\$ 2,846,668</u>	<u>\$ 2,553,670</u>
4) Operating expenses				
Investor that exercises significant influence over the Group	\$ 3,962	\$ 3,035	\$ 9,389	\$ 8,188
Related party in substance	<u>47,738</u>	<u>2,695</u>	<u>53,128</u>	<u>8,123</u>
	<u>\$ 51,700</u>	<u>\$ 5,730</u>	<u>\$ 62,517</u>	<u>\$ 16,311</u>
5) Dividend income				
Investor that exercises significant influence over the Group				
Walsin Lihwa Corporation	\$ 112,351	\$ -	\$ 112,351	\$ 252,000
Related party in substance				
Walsin Technology Corporation	47,301	160,051	47,301	160,051
5) Dividend income				
Related party in substance				
United Industrial Gases Co., Ltd.	\$ -	\$ -	\$ 64,394	\$ 62,858
Hannstar Display Corporation	-	33,020	-	33,020
Walton Advanced Engineering Inc.	-	15,019	-	15,019
Others	<u>188</u>	<u>1,184</u>	<u>3,488</u>	<u>8,820</u>
	<u>\$ 159,840</u>	<u>\$ 209,274</u>	<u>\$ 227,534</u>	<u>\$ 531,768</u>
6) Other income				
Related party in substance				
Walsin Technology Corporation	\$ -	\$ -	\$ 2,345	\$ 14,669
Associate	<u>30</u>	<u>60</u>	<u>60</u>	<u>60</u>
	<u>\$ 30</u>	<u>\$ 60</u>	<u>\$ 2,405</u>	<u>\$ 14,729</u>

	September 30, 2020	December 31, 2019	September 30, 2019
7) Accounts receivable due from related parties			
Related party in substance	\$ <u>64,333</u>	\$ <u>45,903</u>	\$ <u>46,211</u>
8) Accounts payable to related parties			
Related party in substance			
Walton Advanced Engineering Inc.	\$ 646,762	\$ 773,107	\$ 749,877
TPSCo.	842,316	-	-
Others	<u>144,828</u>	<u>138,422</u>	<u>144,194</u>
	<u>\$ 1,633,906</u>	<u>\$ 911,529</u>	<u>\$ 894,071</u>
9) Other receivables and other current assets			
Investor that exercises significant influence over the Group			
Walsin Lihwa Corporation	\$ 261	\$ -	\$ 235
Related party in substance			
TPSCo.	288,662	-	-
Associate	91,421	-	54,887
Subsidiary	<u>16,552</u>	<u>16,157</u>	<u>16,157</u>
	<u>\$ 396,896</u>	<u>\$ 16,157</u>	<u>\$ 71,279</u>
10) Other payables and other current liabilities			
Related party in substance	\$ 92,711	\$ 34,923	\$ 37,011
Investor that exercises significant influence over the Group	<u>2,122</u>	<u>1,117</u>	<u>1,854</u>
	<u>\$ 94,833</u>	<u>\$ 36,040</u>	<u>\$ 38,865</u>
11) Refundable deposits (recorded as “other non-current assets”)			
Related party in substance	\$ 1,722	\$ 1,722	\$ 1,722
Investor that exercises significant influence over the Group	<u>203</u>	<u>203</u>	<u>203</u>
	<u>\$ 1,925</u>	<u>\$ 1,925</u>	<u>\$ 1,925</u>

The Group’s transactions with the related party were conducted under normal terms.

c. Lease arrangements - Group is lessee

	September 30, 2020	December 31, 2019	September 30, 2019
1) Lease liabilities			
Related party in substance	\$ 25,070	\$ 32,869	\$ 35,447
Investor that exercises significant influence over the Group	<u>3,276</u>	<u>5,160</u>	<u>5,784</u>
	<u>\$ 28,346</u>	<u>\$ 38,029</u>	<u>\$ 41,231</u>
	Three Months Ended September 30	Nine Months Ended September 30	
	2020	2019	2020
			2019
2) Interest expense			
Related party in substance	\$ 104	\$ 146	\$ 344
Investor that exercises significant influence over the Group	<u>13</u>	<u>23</u>	<u>48</u>
	<u>\$ 117</u>	<u>\$ 169</u>	<u>\$ 392</u>
			<u>\$ 547</u>

d. Lease arrangements - Group is lessor/sublease arrangements

Lease arrangements - Group is lessor/sublease arrangement under operating leases

From September 1, 2020 to September 30, 2020, the Group subleases its right-of-use asset to TPSCo. under operating lease with lease term of 1 to 3 years, and the rental is based on similar asset's market rental rates and fixed lease payments are received monthly.

	September 30, 2020
1) Future lease payment receivables	
Related party in substance	<u>\$ 1,029,468</u>
	Nine Months Ended September 30, 2020
2) Lease income	
Related party in substance	<u>\$ 21,483</u>

e. Guarantee

As of September 30, 2020, the chairman of NTC is a joint guarantor of the land-leasing from Taiwan Sugar Corporation. Refer to Note 14.

f. Compensation of key management personnel

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Short-term employment benefits	\$ 70,219	\$ 110,863	\$ 197,286	\$ 275,526
Post-employment benefits	3,471	2,317	28,250	6,839
Compensation costs of employee share options	-	2,315	-	2,315
	\$ 73,690	\$ 115,495	\$ 225,536	\$ 284,680

The remuneration of directors and key management personnel was suggested by the remuneration committee having regard to the performance of individuals and market trends. And the remuneration was resolved by the board of directors.

30. PLEDGED AND COLLATERALIZED ASSETS

Refer to Note 6 and Note 13 to the consolidated financial statements.

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Amounts available under unused letters of credit as of September 30, 2020 and 2019 were approximately US\$7,644 thousand and US\$6,845 thousand, JPY495,160 thousand and JPY272,699 thousand and EUR 0 thousand and EUR45 thousand, respectively.

b. Signed construction contract

	Total Contract Price	Payment as of September 30, 2020
TASA Construction Corporation	<u>\$ 8,551,954</u>	<u>\$ 7,404,199</u>

c. NTC and NTCA received a complaint served by the court on June 29, 2020. The plaintiff charged in the California High Court that the gasoline generator produced by NTCA's client, HD POWER SYSTEMS INC., exploded during use and caused damage to it. At the same time, NTC, NTCA and other related companies shall bear the relevant compensation liabilities. The court stipulated that the defendant must submit a defense within 30 days. NTC continues to evaluate the possible impact of this case on its business and finances, and will also conduct related litigation matters in accordance with the procedures established by the court.

32. OTHER ITEMS

In the first three quarters of 2020, the novel viral pneumonia (Covid-19 pandemic) spread all over the world, causing subsidiaries, customers and suppliers in some regions to implement quarantine and travel restrictions. The Group evaluated that there is no significant impact on the overall business operation and financial position of the Group. There are no doubts about the ability of the Group to going concern, assets impairment and financing risks.

33. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Group entities and the exchange rates between foreign currencies and respective functional currencies were disclosed.

The significant assets and liabilities denominated in foreign currencies were as follows:

	September 30, 2020			December 31, 2019			September 30, 2019		
	Foreign Currencies (In Thousands)	Exchange Rate (Note 1)	New Taiwan Dollars (In Thousands)	Foreign Currencies (In Thousands)	Exchange Rate (Note 1)	New Taiwan Dollars (In Thousands)	Foreign Currencies (In Thousands)	Exchange Rate (Note 1)	New Taiwan Dollars (In Thousands)
Financial assets									
Monetary items									
USD	\$ 275,139	29.10	\$ 8,006,541	\$ 209,636	29.98	\$ 6,284,877	\$ 253,427	31.04	\$ 7,866,379
USD	22,747	105.59	661,949	23,628	108.62	708,381	22,564	107.85	700,381
		(Note 2)			(Note 2)			(Note 2)	
EUR	2,973	34.15	101,518	591	33.59	19,847	1,711	33.95	58,079
JPY	1,908,345	0.2756	525,940	1,615,538	0.2760	445,888	1,960,600	0.2878	564,261
RMB	345,994	4.269	1,477,049	75,469	4.305	324,895	79,852	4.35	347,358
RMB	270,980	0.1467	1,156,813	68,803	0.1436	296,199	45	0.1401	194
		(Note 3)			(Note 3)			(Note 3)	
ILS	18,870	8.4314	159,099	14,128	8.6652	122,421	18,948	8.9183	168,985
Non-monetary items									
USD	-	29.10	-	7,461	29.98	223,667	7,389	31.04	229,363
Financial liabilities									
Monetary items									
USD	128,595	29.10	3,742,109	132,119	29.98	3,960,917	104,240	31.04	3,235,599
USD	15,822	105.59	460,415	14,739	108.62	441,864	12,860	107.85	399,175
		(Note 2)			(Note 2)			(Note 2)	
EUR	3,215	34.15	109,799	2,683	33.59	90,135	2,023	33.95	68,690
JPY	1,477,508	0.2756	398,933	1,636,729	0.2760	451,737	1,591,211	0.2878	457,951
RMB	246,734	0.1467	1,053,307	47,882	0.1436	206,132	1,288	0.1401	5,605
		(Note 3)			(Note 3)			(Note 3)	
ILS	19,959	8.4314	168,284	24,104	8.6652	208,865	22,095	8.9183	197,046

Note 1: Except as otherwise noted, exchange rate represents the number of New Taiwan dollars for which one unit of foreign currency could be exchanged.

Note 2: The exchange rate represents the number of JPY for which one US dollar could be exchanged.

Note 3: The exchange rate represents the number of U.S. dollar for which one RMB could be exchanged.

For the three months ended September 30, 2020 and 2019, and the nine months ended September 30, 2020 and 2019, realized and unrealized net foreign exchange gains (losses) were losses of \$2,120 thousand, losses of \$23,578 thousand, losses of \$51,120 thousand and gains of \$56,334 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

34. ADDITIONAL DISCLOSURE

- a. Following are the additional disclosures for material transactions and; b. investments required by the Securities and Futures Bureau for the Company:

1)	Financings provided	None
2)	Endorsements/guarantees provided	Table 1
3)	Marketable securities held (excluding investments in subsidiaries and associates)	Table 2
4)	Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital	Table 3
5)	Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital	Table 4
6)	Disposal of individual real estate properties 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	Table 5
8)	Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital	Table 6
9)	Information about the derivative financial instruments transaction	Note 7
10)	Names, locations, and related information of investees over which the Company exercises significant influence (excluding information on investment in Mainland China)	Table 7
11)	Major shareholders	Table 10

- 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, income (losses) of the investee, share of profits (losses) of investee, ending balance, amount received as dividends from the investee, and the limitation on investee.	Table 8
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. a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. c) The amount of property transactions and the amount of the resultant gains or losses. d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes. e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds. f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services.	Table 8

- d. Information on intercompany relationships and significant intercompany transactions: Refer to Table 9 attached.

35. SEGMENT INFORMATION

a. Basic information about operating segment

1) Classification of operating segments

The Group's reportable segments under IFRS 8 "Operating Segments" and IAS 34 "Interim Financial Reporting" was as follows:

a) Segment of DRAM IC product

The DRAM IC product segment engages mainly in the manufacturing, selling, researching, designing and after-sales service of Mobile RAM and Specialty DRAM.

b) Segment of Flash Memory product

The Flash Memory product segment engages mainly in the manufacturing, selling, researching, designing and after-sales service of Flash Memory product.

c) Segment of Logic IC product

The Logic IC product segment engages mainly in the manufacturing, selling, researching, designing and after-sales service of Logic IC product.

2) Principles of measuring reportable segments, profit, assets and liabilities

The significant accounting principles of each operating segment are the same as those stated in Note 4 to the consolidated financial statements. The Group's operating segment profit or loss represents the profit or loss earned by each segment. The profit or loss is controllable by segment managers and is the basis for assessment of segment performance. Individual segment assets are disclosed as zero since those measures are not reviewed by the chief operating decision maker. Major liabilities are arranged based on the capital cost and deployment of the whole company, which are not controlled by individual segment managers.

b. Segment revenues and operating results

The following was an analysis of the Group's revenue from continuing operations by reportable segments.

	Segment Revenue		Segment Profit and Loss	
	For the Nine Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
DRAM IC product	\$ 12,956,612	\$ 14,392,297	\$ (671,331)	\$ 607,049
Flash Memory product	16,705,862	14,437,770	3,870,202	3,254,454
Logic IC product	10,672,677	7,487,879	1,734,691	1,087,558
Total of segment revenue	40,335,151	36,317,946	4,933,562	4,949,061
Other revenue	168	820	168	820
Operating revenue	<u>\$ 40,335,319</u>	<u>\$ 36,318,766</u>		
Unallocated expenditure				
Administrative and supporting expenses			(2,093,906)	(1,534,017)
Sales and other common expenses			(1,819,672)	(2,023,260)
Income from operations			<u>1,020,152</u>	<u>1,392,604</u>
Non-operating income and expenses				
Interest income			38,323	75,306
Dividend income			227,534	531,803
Other income			97,866	40,204
Gains (losses) on disposal of property, plant and equipment			(5,889)	(1,164)
Gain from bargain purchase			218,968	-
Gains (losses) on financial instruments at fair value through profit or loss			50,071	(115,742)
Foreign exchange gains (losses)			(51,120)	56,334
Share of profit (loss) of associates accounted for using equity method			64,752	245,975
Interest expense			(209,233)	(154,636)
Other expenses			(144,366)	(90,296)
Profit before income tax			<u>\$ 1,307,058</u>	<u>\$ 1,980,388</u>

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020
(In Thousands of New Taiwan Dollars)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0	Winbond Electronics Corporation ("WEC")	Nuvoton Technology Corporation Japan ("NTCJ")	Indirect subsidiary with 60% ownership	\$ 12,082,736 (Note 1)	\$ 4,464,524 (JPY 16,071,000) (Note 3)	\$ 4,464,524 (JPY 16,071,000) (Note 3)	\$ -	\$ -	7.39	\$ 30,206,840 (Note 5)	Y	N	N	
1	Nuvoton Technology Corporation ("NTC")	Nuvoton Electronics Technology (Shanghai) Limited ("NTSH")	Subsidiary	7,658,949 (Note 2)	2,262,570 (RMB 530,000) (Note 4)	2,262,570 (RMB 530,000) (Note 4)	1,291,112 (RMB 302,439)	-	29.54	7,658,949 (Note 6)	Y	N	Y	
		Nuvoton Technology Corporation Japan ("NTCJ")	Subsidiary	7,658,949 (Note 2)	1,143,740 (JPY 4,150,000) (Note 4)	1,143,740 (JPY 4,150,000) (Note 4)	371,233 (JPY 1,347,000)	-	14.93	7,658,949 (Note 6)	Y	N	N	

Note 1: WEC's maximum amount endorsed are limited to 20% of the net equity in latest financial statements of WEC or 150% of the net value of the endorsee company, whichever is lower. WEC's limitation of maximum endorse amount as described are not limited to subsidiaries that directly or indirectly hold 100% of voting shares.

Note 2: NTC's maximum amount endorsed are limited to 20% of the net equity in latest financial statements of NTC or the net value of the endorsee company, whichever is lower. NTC's limitation of maximum endorse amount as described are not limited to subsidiaries that directly or indirectly hold more than 50% of voting shares.

Note 3: The ending balance is approved by the boards of directors of WEC.

Note 4: The ending balance is approved by the boards of directors of NTC.

Note 5: WEC's total maximum amount endorsed are limited to 50% of the net equity in latest financial statements of WEC.

Note 6: NTC's maximum amount endorsed are based on the net equity in the current financial statements of NTC.

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

SEPTEMBER 30, 2020

(In Thousands of New Taiwan Dollars and Foreign Currencies)

Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	September 30, 2020				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Winbond Electronics Corp. (WEC)	<u>Shares</u> Walsin Lihwa Corporation	The investee's chairman are relatives within the second degree of relationship of WEC's chairman. As WEC's corporate director, the investee held 22% ownership interest in WEC	Current financial assets at fair value through other comprehensive income	222,000,000	\$ 3,563,100	7	\$ 3,563,100	
	Hannstar Display Corporation	The investee's chairman are relatives within the second degree of relationship of WEC's chairman.	"	150,000,210	1,272,002	5	1,272,002	
	Walton Advanced Engineering Inc.	The investee chairman are relatives within the second degree of relationship of WEC's chairman. WEC as the investee's director.	"	50,062,641	491,615	10	491,615	
	Walsin Technology Corporation	The investee's chairman are relatives within the second degree of relationship of WEC's chairman. WEC as the investee's supervisor.	"	8,600,117	1,328,718	2	1,328,718	
	<u>Shares</u> His Chu Golf Country Club	None	Non-current financial assets at fair value through other comprehensive income	3	9,180	-	9,180	
	Linkou Golf Course	"	"	1	8,270	-	8,270	
	Smart Catch International Co., Ltd. Harbinger III Venture Capital Corp.	" WEC as the investee's supervisor	" "	4,000,000 5,440	- 106	16 5	- 106	
WECA	<u>Shares</u> Everspin Technologies, Inc.	None	Current financial assets at fair value through other comprehensive income	332,834	USD 1,887	2	USD 1,887	
	<u>Funds</u> JVP VIII, L.P.	None	Non-current financial assets at fair value through other comprehensive income	-	USD 7,856	7	USD 7,856	
WECJ	<u>Shares</u> Nihon Computer Co., Ltd.	None	Non-current financial assets at fair value through other comprehensive income	10	JPY -	1	JPY -	
GLMTD	<u>Shares</u> TEGNA Electronics Private Limited	The held company as the investee's director	Non-current financial assets at fair value through other comprehensive income	3,001,000	INR 30,010	10	INR 30,010	

(Continued)

Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	September 30, 2020				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
NTC	<u>Shares</u> Yu-Ji Venture Capital Co., Ltd.	The held company as the investee's director	Non-current financial assets at fair value through other comprehensive income	1,125,000	\$ 11,992	5	\$ 11,992	
	United Industrial Gases Co., Ltd.	The held company as the investee's director	"	8,800,000	422,400	4	422,400	
	Brightek Optoelectronic Co., Ltd.	None	"	34,680	801	-	801	
	Autotalks Ltd. - Preferred E. Share	None	"	3,932,816	582,000	8	582,000	
SYI	<u>Shares</u> Nyquest Technology Co., Ltd.	The held company as the investee's director	Non-current financial assets at fair value through other comprehensive income	1,650,000	56,843	5	56,843	
NTCJ	<u>Shares</u> Tower Semiconductor LTD.	None	Non-current financial assets at fair value through other comprehensive income	870,454	469,902	1	469,902	
	Symetrix Corporation	None	"	50,268	-	1	-	
	Tower Partners Semiconductor Co., Ltd.	Related party in substance	"	14,700	450,882	49	450,882	Note 1

Note 1: Under the business combination arrangement, if TPSCo. turns net profit during the period of the effective date of the acquisition to March 31, 2022, NTCJ is required to pay Panasonic Corporation the net profit based on ownership share. Thus, NTC has no significant influence over TPSCo. during the period of the effective date of the acquisition to March 31, 2022. TPSCo. was recognized as non-current financial assets at fair value through other comprehensive income

Note 2: Refer to Tables 7 and 8 for information of investment in subsidiaries, investments in associates and investment in Mainland China.

(Concluded)

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020
 (In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance		
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount
NTC	NTHJ	Investments accounted for using equity method	Panasonic Corporation	None	-	\$ -	100	\$ 6,752,394	-	\$ -	\$ -	Investment income or loss \$ (254,978) Unrealized gain or loss (20,118) Cumulative translation adjustments (76,546)	100	\$ 6,400,752

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

**ACQUISITION OF INDIVIDUAL REAL ESTATE PROPERTIES AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020
(In Thousands of New Taiwan Dollars and Foreign Currencies)**

Company Name	Property	Event Date	Transaction Amount	Payment Term	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
WEC	Buildings	2020.02.05-2020.09.22	\$ 1,191,159	Monthly settlement by the construction progress and acceptance	TASA Construction Corporation	None	N/A	N/A	N/A	N/A	Price comparison and price negotiation	Business purpose	None
	Buildings	2020.02.05-2020.09.21	347,265	Monthly settlement by the construction progress and acceptance	L&K Engineering Co., LTD.	None	N/A	N/A	N/A	N/A	Price comparison and price negotiation	Business purpose	None
	Buildings	2020.02.26-2020.08.26	306,526	Monthly settlement by the construction progress and acceptance	Marketech International Corporation	None	N/A	N/A	N/A	N/A	Price comparison and price negotiation	Business purpose	None

TABLE 5

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020
(In Thousands of New Taiwan Dollars and Foreign Currencies)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
WEC	WEHK	Direct subsidiary with 100% ownership	Sales	\$ 7,716,754	26	Net 90 days from invoice date	N/A	N/A	\$ 1,670,537	29	
	WECJ	Indirect subsidiary with 100% ownership	Sales	3,009,085	10	Net 90 days from invoice date	N/A	N/A	320,864	6	
	WECN	Indirect subsidiary with 100% ownership	Sales	1,046,925	4	Net 90 days from invoice date	N/A	N/A	29,611	1	
	WECA	Indirect subsidiary with 100% ownership	Sales	484,156	2	Net 90 days from invoice date	N/A	N/A	-	-	
	NTC	Direct subsidiary with 59.81% ownership	Sales	141,570	-	Net 30 days from invoice date	N/A	N/A	38,960	1	
WEHK	WEC	Parent company	Purchases	USD 259,672	100	Net 90 days from invoice date	N/A	N/A	USD (57,407)	(100)	
WECJ	WEC	Parent company	Purchases	JPY 10,867,173	98	Net 90 days from invoice date	N/A	N/A	JPY (1,166,532)	(96)	
WECN	WEC	Parent company	Purchases	RMB 247,544	100	Net 90 days from invoice date	N/A	N/A	RMB (6,936)	(100)	
WECA	WEC	Parent company	Purchases	USD 16,301	100	Net 90 days from invoice date	N/A	N/A	USD -	-	
NTC	NTHK	Subsidiary	Sales	2,872,187	34	Net 90 days from invoice date	N/A	N/A	26,759	2	
NTHK	NTC	Parent company	Purchases	USD 96,735	100	Net 90 days from invoice date	N/A	N/A	USD (919)	(100)	
NTSPL	NTCJ	NTC's direct subsidiary with 100% ownership	Sales	USD 8,473	36	Net 10 days end of the month	N/A	N/A	USD 9,017	37	
NTCJ	NTSPL	NTC's direct subsidiary with 100% ownership	Purchases	JPY 892,076	17	Net 10 days end of the month	N/A	N/A	USD (9,017)	(10)	
	NTSPL	NTC's direct subsidiary with 100% ownership	Sales	JPY 1,525,417	25	Net 10 days end of the month	N/A	N/A	USD 14,460	16	
NTSPL	NTCJ	NTC's direct subsidiary with 100% ownership	Purchases	USD 14,460	96	Net 10 days end of the month	N/A	N/A	USD (14,460)	(66)	
NTCJ	NTSH	NTC's direct subsidiary with 100% ownership	Sales	JPY 1,256,224	20	Net 10 days end of the month	N/A	N/A	-	-	
NTSH	NTCJ	NTC's direct subsidiary with 100% ownership	Purchases	JPY 1,256,224	100	Net 10 days end of the month	N/A	N/A	-	-	

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

SEPTEMBER 30, 2020

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
WEC	WEHK	Direct subsidiary with 100% ownership	\$ 1,670,537	7.75	\$ -	-	\$ 697,125	\$ -
	WECJ	Indirect subsidiary with 100% ownership	320,864	10.75	-	-	320,864	-
NTSPL	NTCJ	NTC's direct and indirect subsidiary	USD 9,017	13.04	-	-	USD 9,017	-
NTCJ	NTSPL	NTC's direct and indirect subsidiary	USD 14,460	12.54	-	-	USD 14,460	-

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020
(In Thousands of New Taiwan Dollars and Foreign Currencies)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of September 30, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				September 30, 2020	December 31, 2019	Number of Shares	%	Carrying Amount			
Winbond Electronics Corp.	Nuvoton Technology Corporation	Taiwan	Research, development, design, manufacture and marketing of Logic IC, 6 inch wafer product, test, and OEM	\$ 2,994,644	\$ 2,994,644	177,000,000	60.00	\$ 4,544,836	\$ 463,229	\$ 291,188	
	Winbond Int'l Corporation	British Virgin Islands	Investment holding	2,758,517	2,992,157	87,960,000	100.00	1,413,706	40,117	40,117	
	Winbond Electronics (HK) Limited	Hong Kong	Sales of semiconductor and investment holding	278,158	278,158	71,150,000	100.00	516,304	102,847	102,849	
	Landmark Group Holdings Ltd.	British Virgin Islands	Investment holding	168,755	168,755	5,343,000	100.00	433,936	24,913	24,913	
	Callisto Holding Limited	Hong Kong	Electronic commerce and investment holding	156,292	156,292	40,000,000	100.00	127,800	(10,869)	(10,869)	
	Great Target Development Ltd.	Seychelles	Investment Holding	155,663	155,367	4,470,000	100.00	139,847	(226)	(226)	
	Winbond Electronics Germany GmbH	Germany	Sales and service of semiconductor	28,679	28,679	850,000	100.00	27,092	(1,959)	(1,959)	
	Winbond Technology Ltd.	Israel	Design and service of semiconductor	21,242	21,242	100,000	100.00	75,767	7,667	7,667	
	Pine Capital Investment Limited	Hong Kong	Investment holding	2,967	2,967	780,000	100.00	3,206	(273)	(273)	
	Chin Xin Investment Co., Ltd.	Taiwan	Investment holding	1,874,825	1,874,825	182,840,999	38.00	3,982,169	202,033	64,760	
Hwa Bao Botanic Conservation Corp.	Taiwan	Agriculture and forestry botanic conservation	750	750	75,000	15.00	707	(51)	(7)		
Winbond Int'l Corporation	Winbond Electronics Corporation America	United States of America	Design, sales and after-sales service of semiconductor	1,683,207	1,683,207	3,067	100.00	1,443,783	26,662	26,662	
Landmark Group Holdings Ltd.	Winbond Electronics Corporation Japan	Yokohama, Japan	Research, development, sales and after-sales service of semiconductor	112,644	112,644	2,970	100.00	446,634	25,420	25,420	
	Peaceful River Corp.	British Virgin Islands	Investment holding	20,044	20,044	5,660,000	100.00	(13,348)	(153)	(153)	(Note 1)
Callisto Holding Limited	Callisto Technology Limited	Hong Kong	Electronic commerce and investment holding	30,895	30,895	1,000,000	100.00	29,234	(17)	(17)	
				USD 1,000	USD 1,000			USD 1,005	USD (1)	USD (1)	
Great Target Development Ltd.	GLMTD Technology Private Limited	India	Sales and service of semiconductor	135,415	135,415	27,998,400	99.99	110,000	(41)	(41)	
Nuvoton Technology Corporation	Nuvoton Electronics Technology (H.K.) Limited	Hong Kong	Sales of semiconductor	427,092	427,092	107,400,000	100.00	509,283	56,454	56,454	
	Marketplace Management Limited	British Virgin Islands	Investment holding	273,418	273,418	8,842,789	100.00	100,146	23,103	23,103	
	Nuvoton Investment Holding Ltd.	British Virgin Islands	Investment holding	590,953	590,953	17,960,000	100.00	293,317	23,477	23,477	
	Song Yong Investment Corporation	Taiwan	Investment holding	38,500	38,500	3,850,000	100.00	75,598	3,337	3,337	
	Nuvoton Technology India Private Limited	India	Design, sales and after-sales service of semiconductor	30,211	30,211	600,000	100.00	21,717	878	878	
	Nuvoton Technology Corp. America	United States of America	Design, sales and after-sales service of semiconductor	190,862	190,862	60,500	100.00	183,648	3,127	3,127	
	Nuvoton Technology Singapore Pte. Ltd.	Singapore	Design, sales and after-sales service of semiconductor	1,094,134	-	37,100,000	100.00	1,110,026	30,625	30,625	
	Nuvoton Technology Korea Limited	Korea	Design, sales and after-sales service of semiconductor	30,828	-	125,000	100.00	29,844	(1,281)	(1,281)	
Nuvoton Technology Holding Japan	Japan	Investment holding	6,752,394	-	100	100.00	6,400,752	(144,997)	(254,978)	(Note 2)	
Marketplace Management Limited	Goldbond LLC	United States of America	Investment holding	1,472,903	1,472,903	-	100.00	100,103	23,364	23,364	
Nuvoton Investment Holding Ltd.	Nuvoton Technology Israel Ltd.	Israel	Design and service of semiconductor	46,905	46,905	1,000	100.00	294,509	23,643	23,643	
Nuvoton Technology Holding Japan	Nuvoton Technology Corporation Japan	Japan	Design, sales and after-sales service of semiconductor	111,520	-	9,480	100.00	11,794,784	(144,997)	(144,997)	
Nuvoton Technology Corporation Japan	Miraxia Edge Technology Corporation	Japan	Design and service of semiconductor	55,760	-	4,000	100.00	261,305	1,896	1,896	
	Atfields Manufacturing Technology Corporation	Japan	Design and service of semiconductor	55,760	-	4,000	100.00	120,250	14,778	14,778	

Note 1: PRC has a negative net book value as of September 30, 2020, which is reclassified to other non-current liabilities.

Note 2: Share of profit (loss) includes downstream and upstream transactions and the amortization cost of the difference between the original investment amount and equity.

Note 3: Refer to Table 8 for information on investment in Mainland China.

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020
(In Thousands of New Taiwan Dollars and Foreign Dollars)

1. Information on any investee company in mainland China, main businesses and procedures, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the period and repatriations of investment income:

Investor Company	Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of September 30, 2020	Net Income of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Note 1)	Carrying Amount as of September 30, 2020	Accumulated Repatriation of Investment Income as of September 30, 2020
						Outward	Inward						
WEC	Winbond Electronics (Suzhou) Limited	Design, development and marketing of VLSI integrated ICs	\$ 276,435 USD 9,000	Through investing in WEHK in the third area, which then invested in the investee in Mainland China indirectly	\$ 276,435 USD 9,000	\$ -	\$ -	\$ 276,435 USD 9,000	\$ 18,445	100	\$ 18,445	\$ 308,727	\$ 35,880
NTC	Nuvoton Electronics Technology (Shanghai) Limited	Provide project of sale in China and repair, test and consult of software	68,036 USD 2,000	Through investing in MML in the third area in British Virgin Islands, which then invested in the investee in Mainland China indirectly	68,036 USD 2,000	-	-	68,036 USD 2,000	24,852	60	14,864	61,572	-
	Winbond Electronics (Nanjing) Ltd.	Computer software service (except I.C. design)	16,429 USD 500	Through investing in MML in the third area in British Virgin Islands, which then invested in the investee in Mainland China indirectly	16,429 USD 500	-	-	16,429 USD 500	(1,229)	60	(735)	(1,760) (Note 2)	-
	Nuvoton Electronics Technology (Shenzhen) Limited	Computer software service (except I.C. design), wholesale business for computer, supplement and software	197,670 USD 6,000	Through investing in NTHK in the third area, which then invested in the investee in Mainland China indirectly	197,670 USD 6,000	-	-	197,670 USD 6,000	5,181	60	3,099	126,018	-

Note 1: Investment profit or loss for the nine months ended September 30, 2020 was recognized under the basis of the financial statements reviewed by the Company's auditor.

Note 2: WENJ has a negative net book value as of September 30, 2020, which is reclassified to other non-current liabilities.

2. Information on any investee company in mainland China, main businesses and procedures, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the period and repatriations of investment income:

Company	Accumulated Outward Remittance for Investment in Mainland China as of September 30, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 3)
WEC	\$ 276,435 (USD9,000)	\$ 276,435 (USD9,000)	\$ 36,248,209
NTC	282,135 (USD8,500)	282,135 (USD8,500)	4,595,369

Note 3: Upper limit on the amount of 60% of the investee's net book value.

3. Refer to Table 5 for significant transactions with the investee in Mainland China directly and indirectly through investing in companies in the third area.
4. Refer to Table 1 for handling endorsement, guarantee and collateral to the investee in Mainland China directly and indirectly through investing in companies in the third area.
5. Financing of funds to investee in Mainland China directly and indirectly through investing in companies in the third area: None.
6. Other transactions with significant influence on profit or loss for the period or financial performance: None.

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020
(In Thousands of New Taiwan Dollars)

No.	Company Name	Related Party	Nature of Relationship	Transaction Details			Percentage of Consolidated Total Gross Sales or Total Assets (%)
				Financial Statement Account	Amount	Terms	
0	WEC	WEHK	Transactions between parent company and subsidiaries	Operating revenue	\$ 7,716,754	-	19
		WEHK	Transactions between parent company and subsidiaries	Accounts receivable due from related parties	1,670,537	-	1
		WECA	Transactions between parent company and subsidiaries	Operating revenue	484,156	-	1
		WECA	Transactions between parent company and subsidiaries	Other payables	122,824	-	-
		WECA	Transactions between parent company and subsidiaries	Operating expenses	395,407	-	1
		WECJ	Transactions between parent company and subsidiaries	Accounts receivable due from related parties	320,864	-	-
		WECJ	Transactions between parent company and subsidiaries	Operating revenue	3,009,085	-	7
		WECJ	Transactions between parent company and subsidiaries	Operating expenses	269,222	-	1
		WTL	Transactions between parent company and subsidiaries	Operating expenses	210,726	-	1
		WECN	Transactions between parent company and subsidiaries	Operating revenue	1,046,925	-	3
		NTC	Transactions between parent company and subsidiaries	Operating revenue	141,570	-	-
		1	NTC	NTHK	Transactions between parent company and subsidiaries	Operating revenue	2,872,187
NTCA	Transactions between parent company and subsidiaries			Operating expenses	238,460	-	2
NTIL	Transactions between parent company and subsidiaries			Operating expenses	614,198	-	6
NTIL	Transactions between parent company and subsidiaries			Other payables	147,230	-	-

Note 1: There is no significant difference between the sales conditions of parent-subsidary sales and general sales, and the rest of the transactions have no similar transactions to follow, thus the transactions between the two parties are based on the agreement.

Note 2: Significant intercompany transactions refers to transactions amounted to \$100 million.

TABLE 10**WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS
SEPTEMBER 30, 2020**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Walsin Lihwa Corporation	883,848,423	22.20
Chin Xin Investment Co., Ltd.	235,003,072	5.90

Note 1: Table 10 is based on the information on the last business day of the quarter provided by the Taiwan Depository & Clearing Corporation (TDCC). The TDCC calculate the total number of ordinary shares and preferred shares held by shareholders who retain more than 5% of the Company's share (including treasury shares) that have delivered without physical registration. The number of shares in the Company's consolidated financial report and the actual number of shares delivered without physical registration may differ due to the different calculation basis.

Note 2: As per information above, if the shareholder delivers the shares to the trust, shares will be disclosed based on the trustee's account. Additionally, according to the Securities and Exchange Act, internal stakeholder whom holds more than 10% of the Company's share, which includes shares held by the stakeholder and parts delivered to the trust that have decision making rights, should be declared. For information regarding internal stakeholder declaration, please refer to the Market Observation Post System website of the Taiwan Stock Exchange Corporation.