
**Winbond Electronics Corporation and
Subsidiaries**

**Consolidated Financial Statements for the
Years Ended December 31, 2020 and 2019 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Winbond Electronics Corporation

Opinion

We have audited the accompanying consolidated financial statements of Winbond Electronics Corporation (the "Company") and its subsidiaries (collectively referred as the "Group"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Occurrence of Sales Revenues

There is a significant risk on revenue recognition, and customers' line of credit and delivery of products are highly correlated to recognition of sales revenue. We therefore considered that the occurrence of sales revenue from the ten largest customers with changes in credit limits and temporary increase in credit limits in 2020 as a key audit matter for the year ended December 31, 2020. Refer to Note 4 to the consolidated financial statements for the Group's revenue recognition policies.

Our audit procedures in response to the validity of sales revenue included understanding the design and the implementation of internal control of sales revenue and selecting samples of revenue items to verify that revenue transactions have indeed occurred.

Business Combination

As mentioned in Note 27, Nuvoton Technology Corporation acquired the semiconductor business of Panasonic Corporation. Because this business combination is a significant transaction in 2020 and the decision made by the management about complicated calculations of transferred consideration and the fair value of underlying assets and the reasonableness of the purchase price allocation, we considered the combination transaction as a key audit matter for the year ended December 31, 2020.

Our audit procedures in response to the business combination transaction as follows:

1. Review the meeting minutes of the board of director to confirm the business combination proposal has been properly assessed and approved.
2. Review the payment voucher of NTC to confirm whether it is consistent with the contract's content.
3. Review and assess the reasonableness of the purchase price allocation report, issued by experts entrusted by NTC due to the business combination, and the accounting treatment on the acquisition date.

Other Matter

We have also audited the stand alone financial statements of the Company for the years ended December 31, 2020 and 2019 on which we have issued an unmodified opinion.

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

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

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

Those charged with governance, including audit committees, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Wen-yea Shyu Hung-Bin Yu

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 18, 2021

Notice to Readers

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

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

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 11,744,306	9	\$ 11,467,907	11
Current financial assets at fair value through profit or loss (Notes 4 and 7)	51,603	-	75,462	-
Current financial assets at fair value through other comprehensive income (Notes 4 and 8)	8,837,227	7	7,225,588	7
Notes and accounts receivable, net (Notes 4 and 9)	9,707,378	8	6,085,003	6
Accounts receivable due from related parties, net (Note 30)	77,760	-	45,903	-
Other receivables (Note 10)	1,973,584	2	750,720	1
Inventories (Notes 4 and 11)	14,141,414	11	10,332,143	10
Other current assets	997,529	1	1,574,560	1
Total current assets	47,530,801	38	37,557,286	36
NON-CURRENT ASSETS				
Non-current financial assets at fair value through other comprehensive income (Notes 4 and 8)	2,239,987	2	1,501,756	2
Investments accounted for using equity method (Notes 4 and 12)	6,241,789	5	4,548,939	4
Property, plant and equipment (Notes 4 and 13)	61,452,516	49	56,977,114	54
Right-of-use assets (Notes 4 and 14)	3,200,332	2	2,298,393	2
Investment properties (Notes 4 and 15)	2,466,667	2	44,207	-
Intangible assets (Notes 4 and 16)	891,380	-	407,722	-
Deferred income tax assets (Notes 4 and 24)	908,560	1	923,902	1
Other non-current assets (Note 6)	1,111,208	1	545,581	1
Total non-current assets	78,512,439	62	67,247,614	64
TOTAL	\$ 126,043,240	100	\$ 104,804,900	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 17)	\$ 1,821,210	2	\$ 1,000,000	1
Current financial liabilities at fair value through profit or loss (Notes 4 and 7)	3,191	-	-	-
Notes and accounts payable	6,571,429	5	4,786,251	5
Accounts payable to related parties (Note 30)	1,666,003	1	911,529	1
Payables on machinery and equipment	2,123,189	2	3,013,266	3
Other payables	6,139,723	5	3,125,368	3
Current tax liabilities (Notes 4 and 24)	310,810	-	198,242	-
Provisions - current (Notes 4 and 19)	928,719	1	-	-
Lease liabilities - current (Notes 4 and 14)	388,401	-	186,556	-
Long-term borrowings - current portion (Note 17)	5,000,000	4	4,123,520	4
Other current liabilities	522,331	-	170,736	-
Total current liabilities	25,475,006	20	17,515,468	17
NON-CURRENT LIABILITIES				
Bonds payable (Notes 4 and 18)	11,151,668	9	9,931,746	10
Long-term borrowings (Notes 17 and 26)	9,381,845	7	9,730,473	9
Provisions - non-current (Notes 4 and 19)	3,293,313	3	276,873	-
Lease liabilities - non-current (Notes 4 and 14)	3,119,221	3	2,096,115	2
Net defined benefit liabilities, non-current (Notes 4 and 20)	2,722,544	2	1,251,869	1
Other non-current liabilities	306,956	-	145,169	-
Total non-current liabilities	29,975,547	24	23,432,245	22
Total liabilities	55,450,553	44	40,947,713	39
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Notes 4 and 21)				
Share capital	39,800,002	32	39,800,002	38
Capital surplus	7,770,865	6	7,536,396	7
Retained earnings				
Legal reserve	1,913,317	2	1,798,091	2
Unappropriated earnings	8,094,753	6	6,995,451	6
Exchange differences on translation of foreign financial statements	(271,328)	-	(119,246)	-
Unrealized gains on financial assets measured at fair value through other comprehensive income	8,141,510	6	5,009,928	5
Total equity attributable to owners of the parent	65,449,119	52	61,020,622	58
NON-CONTROLLING INTERESTS				
	5,143,568	4	2,836,565	3
Total equity	70,592,687	56	63,857,187	61
TOTAL	\$ 126,043,240	100	\$ 104,804,900	100

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

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Note 22)	\$ 60,683,171	100	\$ 48,771,434	100
OPERATING COSTS (Note 11)	<u>43,643,035</u>	<u>72</u>	<u>35,857,582</u>	<u>73</u>
GROSS PROFIT	<u>17,040,136</u>	<u>28</u>	<u>12,913,852</u>	<u>27</u>
OPERATING EXPENSES				
Selling expenses	1,598,624	3	1,408,662	3
General and administrative expenses	3,170,173	5	2,123,292	4
Research and development expenses	10,506,230	17	8,132,031	17
Expected credit (gain) loss (Note 9)	<u>137,818</u>	<u>-</u>	<u>(5,342)</u>	<u>-</u>
Total operating expenses	<u>15,412,845</u>	<u>25</u>	<u>11,658,643</u>	<u>24</u>
INCOME FROM OPERATIONS	<u>1,627,291</u>	<u>3</u>	<u>1,255,209</u>	<u>3</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	47,015	-	95,203	-
Dividend income (Note 8)	227,534	-	531,803	1
Gain on bargain purchase (Note 27)	218,968	-	-	-
Other income (Note 14)	254,482	-	49,788	-
Share of profit of associates	62,556	-	241,034	-
Gains (losses) on disposal of property, plant and equipment	44,334	-	(1,039)	-
Gains (losses) on disposal of non-current held for sale assets	27,674	-	-	-
Gains (losses) on financial instruments at fair value through profit or loss	110,312	-	64,016	-
Interest expense	(296,470)	-	(218,980)	-
Other expenses	(251,686)	-	(126,983)	-
Gains (losses) on disposal of investments	(16,146)	-	-	-
Gains (losses) on foreign exchange (Note 34)	(130,651)	-	(137,534)	-
Impairment loss on intangible assets (Note 16)	<u>(112,805)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating income and expenses	<u>185,117</u>	<u>-</u>	<u>497,308</u>	<u>1</u>
INCOME BEFORE INCOME TAX	1,812,408	3	1,752,517	4
INCOME TAX EXPENSE (Notes 4 and 24)	<u>293,365</u>	<u>-</u>	<u>275,230</u>	<u>1</u>
NET INCOME	<u>1,519,043</u>	<u>3</u>	<u>1,477,287</u>	<u>3</u>

(Continued)

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Components of other comprehensive income (loss) that will not be reclassified to profit or loss:				
Gains (losses) on remeasurement of defined benefit plans (Note 20)	\$ (18,697)	-	\$ (135,829)	-
Unrealized gains (losses) from investments in equity instruments at fair value through other comprehensive income	1,819,583	3	724,814	1
Share of other comprehensive income (loss) of associates accounted for using the equity method	1,692,465	3	777,428	2
Components of other comprehensive income (loss) that will be reclassified to profit or loss:				
Exchange differences on translation of foreign financial statements	<u>(202,100)</u>	<u>(1)</u>	<u>(71,657)</u>	<u>-</u>
Other comprehensive income (loss)	<u>3,291,251</u>	<u>5</u>	<u>1,294,756</u>	<u>3</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 4,810,294</u>	<u>8</u>	<u>\$ 2,772,043</u>	<u>6</u>
NET INCOME ATTRIBUTABLE TO:				
Owners of the parent	\$ 1,304,019	2	\$ 1,256,387	3
Non-controlling interests	<u>215,024</u>	<u>-</u>	<u>220,900</u>	<u>-</u>
	<u>\$ 1,519,043</u>	<u>2</u>	<u>\$ 1,477,287</u>	<u>3</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the parent	\$ 4,592,028	8	\$ 2,560,295	5
Non-controlling interests	<u>218,266</u>	<u>-</u>	<u>211,748</u>	<u>1</u>
	<u>\$ 4,810,294</u>	<u>8</u>	<u>\$ 2,772,043</u>	<u>6</u>
EARNINGS PER SHARE (Note 25)				
Basic	<u>\$ 0.33</u>		<u>\$ 0.32</u>	
Diluted	<u>\$ 0.33</u>		<u>\$ 0.32</u>	

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

(Concluded)

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Parent									
	Share Capital	Capital Surplus	Retained Earnings		Other Equity			Total	Non-controlling Interests	Total Equity
			Legal Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Financial Assets Measured at Fair Value Through Other Comprehensive Income				
BALANCE AT 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	-	-	744,650	(744,650)	-	-	-	-	-	
Legal reserve appropriated	-	-	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 year ended December 31, 2019	-	-	-	1,256,387	-	-	1,256,387	220,900	1,477,287	
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	(115,561)	(68,466)	1,487,935	1,303,908	(9,152)	1,294,756	
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	1,140,826	(68,466)	1,487,935	2,560,295	211,748	2,772,043	
Changes in ownership interests in subsidiaries	-	(4,044)	-	-	-	-	(4,044)	-	(4,044)	
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	11,430	-	(11,430)	-	-	-	
Changes in non-controlling interests	-	-	-	-	-	-	-	1,178,091	1,178,091	
BALANCE AT DECEMBER 31, 2019	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	-	-	115,226	(115,226)	-	-	-	-	-	
Legal reserve appropriated	-	-	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 year ended December 31, 2020	-	-	-	1,304,019	-	-	1,304,019	215,024	1,519,043	
Other comprehensive income (loss) for the year ended December 31, 2020	-	-	-	(5,710)	(152,082)	3,445,801	3,288,009	3,242	3,291,251	
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	1,298,309	(152,082)	3,445,801	4,592,028	218,266	4,810,294	
Changes in ownership interests in subsidiaries	-	234,469	-	-	-	-	234,469	-	234,469	
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	314,219	-	(314,219)	-	-	-	
Changes in non-controlling interests	-	-	-	-	-	-	-	2,088,737	2,088,737	
BALANCE AT DECEMBER 31, 2020	\$ 39,800,002	\$ 7,770,865	\$ 1,913,317	\$ 8,094,753	\$ (271,328)	\$ 8,141,510	\$ 65,449,119	\$ 5,143,568	\$ 70,592,687	

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

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 1,812,408	\$ 1,752,517
Adjustments for:		
Depreciation expense	9,240,589	8,666,391
Amortization expense	222,008	111,440
Expected credit (gain) loss recognized on accounts receivable	137,818	(5,342)
(Reversal of) provision for declines in market value, obsolescence and scraps of inventories	(117,786)	1,146,371
Net (gains) losses on financial assets and liabilities at fair value through profit or loss	27,474	(67,172)
Interest expense	296,470	218,980
Interest income	(47,015)	(95,203)
Dividend income	(227,534)	(531,803)
Gain on bargain purchase	(218,968)	-
Share of (profit) loss of associates	(62,556)	(241,034)
(Gains) losses on disposal of property, plant and equipment	(44,334)	1,039
(Gains) losses on disposal of non-current held for sale assets	(27,674)	-
(Gains) losses on disposal of investments	16,146	-
(Reversal of) impairment loss on intangible assets	112,805	-
Compensation costs of employee share options	62,240	49,920
(Gains) losses on other items	(5)	(679)
Changes in operating assets and liabilities		
(Increase) decrease in notes and accounts receivable	(512,580)	391,215
(Increase) decrease in accounts receivable due from related parties	(5,651)	(1,606)
(Increase) decrease in other receivables	629,244	(345,490)
(Increase) decrease in inventories	921,616	(570,408)
(Increase) decrease in other current assets	277,230	68,173
(Increase) decrease in other non-current assets	(562,899)	(118,045)
Increase (decrease) in notes and accounts payable	(33,869)	471,003
Increase (decrease) in accounts payable to related parties	(775,789)	281,848
Increase (decrease) in other payables	(73,968)	(695,784)
Increase (decrease) in other current liabilities	293,960	28,192
Increase (decrease) in other non-current liabilities	10,063	(44,489)
Cash flows from (used in) operations	<u>11,349,443</u>	<u>10,470,034</u>
Interest received	52,120	94,164
Dividends received	318,955	586,655
Interest paid	(443,367)	(348,667)
Income taxes paid	<u>(159,264)</u>	<u>(226,290)</u>
Net cash flows generated by (used in) operating activities	<u>11,117,887</u>	<u>10,575,896</u>

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WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial asset at fair value through other comprehensive income	\$ (719,218)	\$ (992,439)
Proceeds from disposal of financial asset at fair value through other comprehensive income	1,074,374	106,799
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	14,119	4,000
Acquisition of investments accounted for using the equity method	(29,250)	-
Net cash flow from acquisition of subsidiaries (Note 27)	(6,928,207)	(127,514)
Proceeds from disposal of non-current held for sale assets	542,845	-
Acquisition of property, plant and equipment	(8,356,007)	(13,431,076)
Proceeds from disposal of property, plant and equipment	70,027	1,967
Acquisition of intangible assets	(506,222)	(197,990)
Proceeds from disposal of intangible assets	735	-
Acquisition of right-of-use assets	<u>(6,971)</u>	<u>-</u>
Net cash flows generated by (used in) investing activities	<u>(14,843,775)</u>	<u>(14,636,253)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	821,210	1,000,000
Proceeds from issuing bonds	1,998,428	-
Proceeds from long-term borrowings	6,600,000	10,350,000
Repayments of long-term borrowings	(6,047,040)	(5,123,520)
Cash dividends paid	(398,000)	(3,980,000)
Change in non-controlling interests	1,456,227	1,124,126
Repayments of lease liabilities	(278,553)	(202,489)
Other financing activities	<u>-</u>	<u>(135,000)</u>
Net cash flows generated by (used in) financing activities	<u>4,152,272</u>	<u>3,033,117</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(149,985)</u>	<u>(64,484)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	276,399	(1,091,724)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>11,467,907</u>	<u>12,559,631</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 11,744,306</u>	<u>\$ 11,467,907</u>

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

(Concluded)

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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 December 31, 2020 and 2019.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on February 18, 2021.

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

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

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 of materiality that could influence users has been changed to “could reasonably be expected to influence”. Accordingly, disclosures in the consolidated financial statements do not include immaterial information that may obscure material information.

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. The related accounting policies are stated in Note 4. Prior to the application of the amendment, the Group shall determine whether or not the abovementioned rent concessions need to be accounted for as lease modifications.

The Group applied the amendment from January 1, 2020. Because the abovementioned rent concessions affect only in 2020, retrospective application of the amendment has no impact on the retained earnings as of January 1, 2020.

- b. The IFRSs endorsed by the FSC for application starting from 2021

New IFRSs	Effective Date Announced by IASB
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

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of above 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.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
“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 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 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

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

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

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

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of above 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 consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments 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 value. 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. Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate. 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 Group's interests and the non-controlling interests 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	
			2020	2019
The Company	Winbond International Corporation (WIC)	Investment holding	100.00	100.00
WIC	Winbond Electronics Corporation America (WECA)	Design, sales and service of semiconductor	100.00	100.00
The Company	Landmark Group Holdings Ltd. (Landmark)	Investment holding	100.00	100.00
Landmark	Winbond Electronics Corporation Japan (WECJ)	Research, development, sales and after-sales service of semiconductor	100.00	100.00
Landmark	Peaceful River Corp. (PRC) (Note 1)	Investment holding	-	100.00
The Company	Winbond Electronics (HK) Limited (WEHK)	Sales of semiconductor and investment holding	100.00	100.00
WEHK	Winbond Electronics (Suzhou) Limited (WECN)	Design, development and marketing of VLSI integrated ICs	100.00	100.00

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Investor	Investee	Main Business	% of Ownership	
			2020	2019
The Company	Pine Capital Investment Limited (PCI)	Investment holding	100.00	100.00
The Company	Winbond Technology Ltd. (WTL)	Design and service of semiconductor	100.00	100.00
The Company	Callisto Holdings Limited (“Callisto”)	Electronic commerce and investment holding	100.00	100.00
Callisto	Callisto Technology Limited (“CTL”)	Electronic commerce and investment holding	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
GTD	GLMTD Technology Private Limited (“GLMTD”) (Note 3)	Sales and service of semiconductor	99.99	99.99
The Company	Nuvoton Technology Corporation (“NTC”) (Note 4)	Research, development, design, manufacture and marketing of Logic IC, 6 inch wafer product, test, and OEM	55.00	62.00
NTC	Marketplace Management Ltd. (“MML”)	Investment holding	100.00	100.00
MML	Goldbond LLC (“GLLC”)	Investment holding	100.00	100.00
GLLC	Nuvoton Electronics Technology (Shanghai) Limited (“NTSH”)	Provide project of sale in China and repairing, testing and consulting of software	100.00	100.00
GLLC	Winbond Electronics (Nanjing) Ltd. (“WENJ”)	Computer software service (except I.C. design)	100.00	100.00
NTC	Nuvoton Technology Corp. America (“NTCA”)	Design, sales and service of semiconductor	100.00	100.00
NTC	Nuvoton Investment Holding Ltd. (“NIH”)	Investment holding	100.00	100.00
NIH	Nuvoton Technology Israel Ltd. (“NTIL”)	Design and service of semiconductor	100.00	100.00
NTC	Nuvoton Electronics Technology (H.K.) Limited (“NTHK”)	Sales of semiconductor	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
NTC	Song Yong Investment Corporation (“SYI”)	Investment holding	100.00	100.00
NTC	Nuvoton Technology India Private Limited (“NTIPL”)	Design, sales and service of semiconductor	100.00	100.00
NTC	Nuvoton Technology Singapore Pte. Ltd. (“NTSPL”) (Note 5)	Design, sales and service of semiconductor	100.00	-
NTC	Nuvoton Technology Korea Limited (“NTKR”) (Note 6)	Design, sales and service of semiconductor	100.00	-
NTC	Nuvoton Technology Holding Japan (“NTHJ”) (Note 7)	Investment holding	100.00	-
NTHJ	Nuvoton Technology Corporation Japan (“NTCJ”, former “PSCS”) (Note 7)	Design, sales and service of semiconductor	100.00	-
NTCJ	Atfields Manufacturing Technology Corporation (“AMTC”, former “PIDE”) (Note 7)	Design and service of semiconductor	100.00	-
NTCJ	Miraxia Edge Technology Corporation (“METC”, former “PIDST”) (Note 7)	Design and service of semiconductor	100.00	-

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Note 1: PRC completed the liquidation and legal procedures in November 2020. The date of dissolution was on November 26, 2020.

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 held GLMTD with 99.99% ownership.

Note 4: In August 2020, NTC’s board of directors resolved to issue 80,000 thousand ordinary shares to fund working capital. The Company subscribed 37,955 thousand shares of the ordinary shares of NTC at \$38 per share and directly held 55% of ownership.

Note 5: NTSPL was incorporated in March 2020 and NTC had injected a capital.

Note 6: NTKR was incorporated in June 2020 and NTC had injected a capital.

Note 7: 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.

Classification of Current and Non-current Assets and Liabilities

Current assets include cash and cash equivalents and those assets held primarily for trading purposes or to be realized, sold or consumed within twelve months after the reporting period, unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. Current liabilities are obligations incurred for trading purposes or to be settled within twelve months after the reporting period and liabilities that the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Except as otherwise mentioned, assets and liabilities that are not classified as current are classified as non-current.

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.

Foreign Currencies

The consolidated financial statements are presented in the Company’s functional currency, New Taiwan dollars.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's foreign currencies are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement are recognized in profit or loss in the period they arise.

Exchange differences arising on the retranslation of non-monetary items measured at fair value are included in profit or loss for the period at the rates prevailing at the end of reporting period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

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

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, and exchange differences arising are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

Cash Equivalents

Cash equivalents include time deposits and investments, highly liquid, readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

Financial Instruments

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

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

a. Financial assets measurement category

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis, except derivative financial assets which are recognized and derecognized on settlement date basis.

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

1) Financial asset at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 29.

2) Financial assets at amortized cost

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

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

Subsequent to initial recognition, financial assets at amortized cost are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

- a) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and
- b) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

3) Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVOCI. Designation at FVOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. 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.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b. Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivable).

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

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

The Group recognizes an impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

c. Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

d. Equity instruments

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

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

e. Financial liabilities

Financial liabilities are classified as at FVTPL when such financial liabilities are either held for trading or are designated as at FVTPL.

Financial liabilities held for trading are stated at fair value, and any interest paid on such financial liabilities is recognized in finance costs; any remeasurement gains or losses on such financial liabilities are recognized in other gains or losses

Other financial liabilities are measured at amortized cost using the effective interest method.

f. Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

g. Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts and cross currency swaps.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

h. 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.

i. Information about fair value of financial instruments

The Group determined the fair value of financial assets and liabilities as follows:

- 1) The fair values of financial assets and liabilities which have standard terms and conditions and traded in active market are determined by reference to quoted market price. If there is no quoted market price in active market, valuation techniques are applied.
- 2) The fair value of foreign-currency derivative financial instrument could be determined by reference to the price and discount rate of currency swap quoted by financial institutions. Foreign exchange forward contracts use individual maturity rate to calculate the fair value of each contract.
- 3) The fair values of other financial assets and financial liabilities are determined by discounted cash flow analysis in accordance with generally accepted pricing models.

Inventories

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

Investments in Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee without having control or joint control over those policies.

The Group uses equity method to recognize investments in associates. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of equity of associates.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Group subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Group's ownership interest is reduced due to the additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment loss.

Properties, plant and equipment in the course of construction are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation is recognized using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

The Group's property, plant and equipment with residual values were depreciated straight-line basis over the estimated useful life of the asset:

Buildings	8-50 years
Machinery and equipment	3-7 years
Other equipment	5 years

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss, and depreciated over 20 years useful lives after considered residual values, using the straight-line method. Any gain or loss arising on derecognition of the property is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is included in profit or loss in the period in which the property is derecognized.

Intangible Assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period with the effect of any changes in estimate accounted for on a prospective basis.

Impairment of Property, Plant and Equipment, Right-of-use Asset, Intangible Assets Other Than Goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use asset and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset and cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset, cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

Non-current Assets Classified as Held for Sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, and the sale should be expected to qualify for recognition as a completed sale within 1 year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Recognition of depreciation of those assets would cease.

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event and at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

a. Warranties

For potential product risk, the Group accrues reserve for products guarantee based on commitment to specific customers.

b. Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date, when the fair value of the present obligation resulting from past events can be reliably measured. At the end of subsequent reporting periods, such contingent liabilities are measured at their amortized amount. However, if the present obligation amount is assessed to have a probable outflow of resources, the contingent liabilities shall be measured at the higher of the present obligation amount and the amortized amount.

Revenue Recognition

The Group identifies the performance obligations in the contract with customers, allocates the transaction price to the performance obligations in the contracts and recognizes revenue when the Group satisfies a performance obligation.

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

Revenue from sale of goods is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Provision for estimated sales returns and other allowances is generally made and adjusted based on historical experience and on the consideration of varying contractual terms affecting the recognition of a provision, which is classified under other non-current liabilities.

Leasing

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

a. The Group as lessor

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

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

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

b. The Group as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities.

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

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the consolidated balance sheets.

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 June 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 occur, and makes a corresponding adjustment to the lease liability.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

Borrowing Costs

Borrowing costs directly attributable to the acquisition of qualifying assets are added to the cost of those assets, until such time that the assets are substantially ready for their intended use or sale.

Other than state above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Government Grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized in other income on a systematic basis over the periods in which the Group recognizes as expenses the related costs that the grants intend to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they are received.

Government grants that take the form of a transfer of a non-monetary asset for the use of the entity are recognized and measured at the fair value of the non-monetary asset.

The benefit of a government loan received at a below-market rate of interest is treated as a government grant measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

Employee Benefits

a. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

b. 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 rereasurement) 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. Rereasurement, 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. Rereasurement 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.

Taxation

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

a. Current tax

Income tax payable is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

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

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit and it is rereasured at the end of each reporting period and recognized to the extent that it has become probable that there will be future taxable profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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 estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

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

	December 31	
	2020	2019
Cash and deposits in banks	\$ 9,311,306	\$ 9,758,907
Repurchase agreements collateralized by bonds	<u>2,433,000</u>	<u>1,709,000</u>
	<u>\$ 11,744,306</u>	<u>\$ 11,467,907</u>

- a. The Group has time deposits pledged to secure land and building leases, customs tariff obligations, borrowings 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:

	December 31	
	2020	2019
Time deposits	<u>\$ 773,119</u>	<u>\$ 207,903</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 (refer to Note 10):

	December 31	
	2020	2019
Time deposits	<u>\$ 197,489</u>	<u>\$ 447,725</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2020	2019
<u>Financial assets at FVTPL - current</u>		
Derivative financial assets (not under hedge accounting)		
Forward exchange contracts	\$ 33,531	\$ 64,001
Foreign exchange swap contracts	8,977	11,461
Right of redemption of convertible bonds (Note 18)	<u>9,095</u>	<u>-</u>
	<u>\$ 51,603</u>	<u>\$ 75,462</u>

Financial liabilities at FVTPL - current

Derivative financial liabilities (not under hedge accounting)		
Forward exchange contracts	<u>\$ 3,191</u>	<u>\$ -</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>December 31, 2020</u>			
Sell forward exchange contracts	USD to NTD	2021.01.08-2021.03.26	USD187,000/NTD5,307,824
Sell forward exchange contracts	RMB to NTD	2021.01.08-2021.02.19	RMB54,000/NTD232,017
Buy forward exchange contracts	NTD to USD	2021.01.27-2021.03.17	NTD1,361,320/USD49,000
Foreign exchange swap contracts	USD to NTD	2021.01.15-2021.03.19	USD65,000/NTD1,847,107
<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

- 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:

	December 31	
	2020	2019
Domestic listed and emerging stocks		
Walsin Lihwa Corporation	\$ 4,284,600	\$ 3,357,200
Walsin Technology Corporation	1,982,327	2,342,228
Hannstar Display Corporation	1,845,003	890,443
Walton Advanced Engineering Inc.	690,864	583,230
Nyquest Technology Co., Ltd.	80,685	60,720
Brightek Optoelectronic Co., Ltd.	894	485
Domestic unlisted stocks		
United Industrial Gases Co., Ltd.	396,000	440,000
Yu-Ji Venture Capital Co., Ltd.	14,479	16,605
Harbinger III Venture Capital Corp.	107	236
Others	17,970	17,240
Overseas listed stocks		
Tower Semiconductor LTD.	232,110	-
Everspin Technologies, Inc.	34,433	52,487
Overseas unlisted stocks		
Autotalks Ltd. - preferred E. shares	569,600	599,600
Tower Partners Semiconductor Co., LTD. ("TPSCo.")	512,812	-
JVP VIII, L.P.	239,869	130,584
JVP X Funds	106,800	-
Kneron Holding Company	56,960	-
TEGNA Electronics Private Limited	11,701	12,619
LTIP Trust Fund	-	223,667
	<u>\$ 11,077,214</u>	<u>\$ 8,727,344</u>
Current	\$ 8,837,227	\$ 7,225,588
Non-current	<u>2,239,987</u>	<u>1,501,756</u>
	<u>\$ 11,077,214</u>	<u>\$ 8,727,344</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 years ended December 31, 2020 and 2019, the Group disposed the shares for \$1,074,374 thousand and \$106,101 thousand at the fair value for the adjustment of the investment position, respectively. The unrealized gains on financial assets at fair value through other comprehensive income of \$352,016 thousand and \$28,211 thousand were transferred to retained earnings, respectively.

The Group recognized dividend income \$227,534 thousand and \$531,803 thousand for the years ended December 31, 2020 and 2019, respectively. Those related to investments derecognized during the period of the years ended December 31, 2020 and 2019 were \$0 thousand and \$4,006 thousand, respectively. Those related to investments held at the end of the period of the years ended December 31 2020 and 2019 were \$227,534 thousand and \$527,797 thousand, respectively.

NTC acquired the Preferred A Shares of the Symetrix Corporation through the combination of Panasonic semiconductor business on September 1, 2020. The entitled rights of the Preferred A Shares were as follows:

- a. Each Preferred A Share grants its holder a number of votes equal to the number of votes per Ordinary Share.
- b. In the event of liquidation, the Preferred A Shares shall be prior to Ordinary Shares.
- c. The investor shall have the right to nominate board directors.
- d. The conversion rights (Each Preferred A Share converts ten Ordinary Shares).

In August 2019, NTC resolved to invest in the Preferred E Shares of the non-related party communication chip maker in Israel, Autotalks Ltd. The rights of the Preferred E Shares 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 Shares shall be prior to all other equity securities of Autotalks Ltd. in the event of liquidation.
- c. The holders of the Preferred E Shares 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 Shares 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

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Notes receivable</u>	\$ 262	\$ 21
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	9,973,875	6,233,335
Less: Allowance for impairment loss	<u>(266,759)</u>	<u>(148,353)</u>
	<u>\$ 9,707,378</u>	<u>\$ 6,085,003</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 accounts receivable. The expected credit losses on 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 accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For 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 accounts receivable based on the Group's provision matrix.

December 31, 2020

	Not Overdue	Overdue under 30 Days	Overdue 31-90 Days	Overdue 91-180 Days	Over 180 Days	Total
Expected credit loss rate	1-2%	2%	10%	20%	100%	
Gross carrying amount	\$ 9,663,403	\$ 143,331	\$ 41,969	\$ -	\$ 125,172	\$ 9,973,875
Loss allowance (lifetime ECL)	<u>(134,523)</u>	<u>(2,867)</u>	<u>(4,197)</u>	<u>-</u>	<u>(125,172)</u>	<u>(266,759)</u>
Amortized cost	<u>\$ 9,528,880</u>	<u>\$ 140,464</u>	<u>\$ 37,772</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,707,116</u>

December 31, 2019

	Not Overdue	Overdue under 30 Days	Overdue 31-90 Days	Overdue 91-180 Days	Over 180 Days	Total
Expected credit loss rate	2%	2%	10%	20%	100%	
Gross carrying amount	\$ 5,753,803	\$ 448,004	\$ 12,540	\$ 144	\$ 18,844	\$ 6,233,335
Loss allowance (lifetime ECL)	<u>(119,266)</u>	<u>(8,960)</u>	<u>(1,254)</u>	<u>(29)</u>	<u>(18,844)</u>	<u>(148,353)</u>
Amortized cost	<u>\$ 5,634,537</u>	<u>\$ 439,044</u>	<u>\$ 11,286</u>	<u>\$ 115</u>	<u>\$ -</u>	<u>\$ 6,084,982</u>

The movements of loss allowance of accounts receivable were as follows:

	2020	2019
Balance at January 1	\$ 148,353	\$ 155,158
Add: Acquisitions through business combinations	806	-
Add: Recognized impairment loss	137,818	-
Less: Reversal of provision recognized on accounts receivable	-	(5,342)
Less: Amounts written off	(18,844)	-
Effect of exchange rate changes	<u>(1,374)</u>	<u>(1,463)</u>
Balance at December 31	<u>\$ 266,759</u>	<u>\$ 148,353</u>

Refer to Note 29 for details of NTC's factoring agreements for accounts receivable.

10. OTHER RECEIVABLES

	December 31	
	2020	2019
Receivables for acquisition price adjustment	\$ 520,890	\$ -
Royalty receivable	425,453	-
Business tax refund receivable	367,130	228,970
Time deposits (Note 6)	197,489	447,725
Technical service receivable	156,641	-
Others	<u>305,981</u>	<u>74,025</u>
	<u>\$ 1,973,584</u>	<u>\$ 750,720</u>

11. INVENTORIES

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Finished goods	\$ 3,214,933	\$ 2,239,612
Work-in-process	9,988,731	7,381,909
Raw materials and supplies	931,989	702,423
Inventories in transit	<u>5,761</u>	<u>8,199</u>
	<u>\$ 14,141,414</u>	<u>\$ 10,332,143</u>

- a. Operating costs for the years ended December 31, 2020 and 2019 included inventory (reversal of) write-downs for the decline in market value, obsolescence and scrap of inventories of (\$117,786) thousand and \$1,146,371 thousand, respectively.
- b. Unallocated fixed manufacturing costs recognized as cost of sales in the years ended December 31, 2020 and 2019 were \$724,920 thousand and \$1,223,784 thousand, respectively.

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in Associates

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Associates that are not individually material		
Chin Xin Investment Co., Ltd.	\$ 6,211,869	\$ 4,548,224
Hwa Bao Botanic Conservation Corp.	<u>29,920</u>	<u>715</u>
	<u>\$ 6,241,789</u>	<u>\$ 4,548,939</u>

On September 24, 2020, the board of directors of Hwa Bao Botanic Conservation Corp. (“Hwa Bao”) resolved to issue 19,500 thousand ordinary shares, which increased the share capital issued. The Company subscribed 2,925 thousand shares of the ordinary shares with a par value of \$10. As of December 31, 2020, the Company held 3,000 thousand shares of Hwa Bao 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 December 31, 2020, the Company held 182,841 thousand shares of Chin Xin Investment Co., Ltd. with ownership of 38%.

The investments accounted for using equity method and the shares of profit or loss and other comprehensive income of those investments for the years ended December 31, 2020 and 2019 were based on the associates’ financial statements audited by independent auditors.

13. PROPERTY, PLANT AND EQUIPMENT

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Land	\$ 3,322,387	\$ 1,122,431
Buildings	13,339,927	11,605,854
Machinery and equipment	34,238,232	35,939,094
Other equipment	947,273	736,237
Construction in progress and prepayments for purchase of equipment	<u>9,604,697</u>	<u>7,573,498</u>
	<u>\$ 61,452,516</u>	<u>\$ 56,977,114</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	19,911,591	52,834,858	3,543,897	110,089	78,624,013
Additions	-	629,036	4,283,207	325,093	3,568,677	8,806,013
Disposals	-	(17,019)	(1,520,025)	(188,869)	-	(1,725,913)
Reclassified	-	227,690	218,391	1,494	(1,611,820)	(1,164,245)
Effect of exchange rate changes	<u>(23,622)</u>	<u>(191,898)</u>	<u>(455,203)</u>	<u>(32,267)</u>	<u>(1,276)</u>	<u>(704,266)</u>
Balance at December 31, 2020	<u>\$ 3,322,387</u>	<u>\$ 50,113,861</u>	<u>\$ 182,256,279</u>	<u>\$ 7,750,795</u>	<u>\$ 9,639,168</u>	<u>\$ 253,082,490</u>
<u>Accumulated depreciation and impairment</u>						
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	-	1,340,692	7,299,810	263,709	-	8,904,211
Disposals	-	(14,508)	(1,505,681)	(180,031)	-	(1,700,220)
Reclassified	-	-	1,388	-	(1,388)	-
Effect of exchange rate changes	<u>-</u>	<u>(168,160)</u>	<u>(466,145)</u>	<u>(29,648)</u>	<u>(317)</u>	<u>(664,270)</u>
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 36,773,934</u>	<u>\$ 148,018,047</u>	<u>\$ 6,803,522</u>	<u>\$ 34,471</u>	<u>\$ 191,629,974</u>
<u>Cost</u>						
Balance at January 1, 2019	\$ 1,619,877	\$ 26,794,687	\$ 121,948,989	\$ 3,882,485	\$ 2,503,038	\$ 156,749,076
Additions	-	460,883	4,963,752	498,999	7,808,589	13,732,223
Disposals	-	(3,964)	(385,911)	(6,662)	-	(396,537)
Liquidation of subsidiary	-	-	-	(2,123)	-	(2,123)
Reclassified	-	2,632,317	364,778	(258,966)	(2,738,129)	-
Transfers to non-current assets classified as held for sale	(495,641)	(294,298)	-	(16,582)	-	(806,521)
Transfers to other non-current assets	-	(28,660)	-	-	-	(28,660)
Effect of exchange rate changes	<u>(1,805)</u>	<u>(6,504)</u>	<u>3,443</u>	<u>4,296</u>	<u>-</u>	<u>(570)</u>
Balance at December 31, 2019	<u>\$ 1,122,431</u>	<u>\$ 29,554,461</u>	<u>\$ 126,895,051</u>	<u>\$ 4,101,447</u>	<u>\$ 7,573,498</u>	<u>\$ 169,246,888</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2019	\$ -	\$ 16,689,096	\$ 84,379,252	\$ 3,196,545	\$ -	\$ 104,264,893
Depreciation expense	-	1,297,699	6,955,006	187,130	-	8,439,835
Disposals	-	(3,964)	(380,552)	(6,397)	-	(390,913)
Liquidation of subsidiary	-	-	-	(991)	-	(991)
Transfers to non-current assets classified as held for sale	-	(29,475)	-	(12,349)	-	(41,824)
Effect of exchange rate changes	<u>-</u>	<u>(4,749)</u>	<u>2,251</u>	<u>1,272</u>	<u>-</u>	<u>(1,226)</u>
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 17,948,607</u>	<u>\$ 90,955,957</u>	<u>\$ 3,365,210</u>	<u>\$ -</u>	<u>\$ 112,269,774</u>

- a. As of December 31, 2020 and 2019, the carrying amounts of \$22,133,327 thousand and \$21,230,163 thousand of land, buildings, 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

	For the Year Ended December 31	
	2020	2019
Capitalized interest amounts	\$ 175,838	\$ 148,751
Capitalized interest rates	1.79%-1.81%	1.79%-1.81%

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2020	2019
<u>Carrying amounts</u>		
Land	\$ 1,825,502	\$ 1,914,889
Buildings	382,761	334,224
Machinery and equipment	940,670	-
Other equipment	<u>51,399</u>	<u>49,280</u>
	<u>\$ 3,200,332</u>	<u>\$ 2,298,393</u>

	For the Year Ended December 31	
	2020	2019
<u>Additions to right-of-use assets</u>		
Additions	\$ 201,501	\$ 109,701
Acquisitions through business combinations	<u>997,787</u>	<u>-</u>
	<u>\$ 1,199,288</u>	<u>\$ 109,701</u>
<u>Depreciation charge for right-of-use assets</u>		
Land	\$ 107,534	\$ 106,870
Buildings	108,705	99,242
Machinery and equipment	24,792	-
Other equipment	<u>34,189</u>	<u>15,679</u>
	<u>\$ 275,220</u>	<u>\$ 221,791</u>
Income from the subleasing of right-of-use assets (recorded as "other income")	<u>\$ (1,762)</u>	<u>\$ (1,941)</u>

b. Lease liabilities

	December 31	
	2020	2019
<u>Carrying amounts</u>		
Current	<u>\$ 388,401</u>	<u>\$ 186,556</u>
Non-current	<u>\$ 3,119,221</u>	<u>\$ 2,096,115</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2020	2019
Land	1.76%-2.47%	1.76%-2.47%
Buildings	0.33%-3.75%	1.34%-3.75%
Machinery and equipment	0.33%-0.80%	-
Other equipment	0.33%-3.61%	1.34%-3.61%

For the years ended December 31, 2020 and 2019, the interest expense under lease liabilities were amounts of \$56,235 thousand and \$54,611 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 Group leased lands from Science Park Administration, and the lease term will expire in 2023, 2027 and 2037, 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 can be extended after expiration of the lease periods. The chairman of NTC is a joint guarantor of such lease, refer to Note 30.

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 2029 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 and 5 years.

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

	December 31	
	2020	2019
Year 1	\$ 1,632	\$ 1,985
Year 2	1,632	1,985
Year 3	1,223	1,985
Year 4	<u>-</u>	<u>1,985</u>
	<u>\$ 4,487</u>	<u>\$ 7,940</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

	For the Year Ended December 31	
	2020	2019
Expenses relating to short-term leases	\$ 143,609	\$ 31,197
Expenses relating to low-value asset leases	\$ 828	\$ 946
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$ 21,109	\$ 23,780
Total cash outflow for leases	\$ (504,459)	\$ (307,634)

The Group has elected to apply the recognition exemption for short-term leases and low-value assets leases and, thus, did not to recognize the 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

	December 31	
	2020	2019
Investment properties, net	\$ 2,466,667	\$ 44,207

NTC 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. NTC'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 years ended December 31, 2020.

NTC's other investment properties is in Shen-Zhen, China. As of December 31, 2020 and 2019, the fair value of such investment properties were both approximately \$200,000 thousand, which was referred by the neighborhood transactions. NTC'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 year ended December 31, 2020.

	Investment Properties
<u>Cost</u>	
Balance at January 1, 2020	\$ 98,511
Acquisitions through business combinations	9,072,159
Effect of exchange rate changes	<u>(79,702)</u>
Balance at December 31, 2020	9,090,968
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2020	54,304
Acquisitions through business combinations	6,568,568
Depreciation expense	59,248
Effect of exchange rate changes	<u>(57,819)</u>
Balance at December 31, 2020	6,624,301
Investment properties, net	<u>\$ 2,466,667</u>

(Continued)

	Investment Properties
<u>Cost</u>	
Balance at January 1, 2019	\$ 102,333
Effect of exchange rate changes	<u>(3,822)</u>
Balance at December 31, 2019	<u>98,511</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2019	51,806
Depreciation expense	4,605
Effect of exchange rate changes	<u>(2,107)</u>
Balance at December 31, 2019	<u>54,304</u>
Investment properties, net	<u>\$ 44,207</u> (Concluded)

The investment properties were leased out for 3 to 12 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:

	<u>December 31</u>	
	2020	2019
Year 1	\$ 265,390	\$ 7,832
Year 2	203,485	4,120
Year 3	178,214	2,270
Year 4	159,218	-
Year 5	102,231	-
Year 6 onwards	<u>741,175</u>	<u>-</u>
	<u>\$ 1,649,713</u>	<u>\$ 14,222</u>

To reduce the residual asset risk related to the subleased asset at the end of the relevant sublease, the lease contract between NTC 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

	<u>December 31</u>	
	2020	2019
Deferred technical assets, net	\$ 561,869	\$ 371,074
Other intangible assets, net	<u>329,511</u>	<u>36,648</u>
	<u>\$ 891,380</u>	<u>\$ 407,722</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	462,472	238,771	701,243
Acquisitions through business combinations	-	1,200,865	1,200,865
Disposals	-	(35,704)	(35,704)
Effect of exchange rate changes	<u>(481)</u>	<u>(10,689)</u>	<u>(11,170)</u>
Balance at December 31, 2020	<u>\$ 19,550,666</u>	<u>\$ 1,452,139</u>	<u>\$ 21,002,805</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2020	\$ 18,717,601	\$ 22,248	\$ 18,739,849
Amortization expense	159,673	27,615	187,288
Impairment loss	112,805	-	112,805
Acquisitions through business combinations	-	1,117,819	1,117,819
Disposals	-	(34,969)	(34,969)
Effect of exchange rate changes	<u>(1,282)</u>	<u>(10,085)</u>	<u>(11,367)</u>
Balance at December 31, 2020	<u>\$ 18,988,797</u>	<u>\$ 1,122,628</u>	<u>\$ 20,111,425</u>
<u>Cost</u>			
Balance at January 1, 2019	\$ 18,901,179	\$ 25,240	\$ 18,926,419
Additions	235,706	34,700	270,406
Disposals	(53,844)	(742)	(54,586)
Effect of exchange rate changes	<u>5,634</u>	<u>(302)</u>	<u>5,332</u>
Balance at December 31, 2019	<u>\$ 19,088,675</u>	<u>\$ 58,896</u>	<u>\$ 19,147,571</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2019	\$ 18,675,462	\$ 21,762	\$ 18,697,224
Amortization expense	90,192	1,528	91,720
Disposals	(53,844)	(742)	(54,586)
Effect of exchange rate changes	<u>5,791</u>	<u>(300)</u>	<u>5,491</u>
Balance at December 31, 2019	<u>\$ 18,717,601</u>	<u>\$ 22,248</u>	<u>\$ 18,739,849</u>

The amounts of deferred technical assets were the technical transfer fees in connection with certain technical transfer agreements. The above technical assets pertained to different products or process technology. The assets were depreciated on a straight-line basis from the commencement of production or over the estimated useful life of the assets. The estimated useful lives of technical assets were based on the economic benefits generated from the assets or the terms of the technical asset contracts.

The Group reviewed the carrying amounts of deferred technical assets to determine whether those assets have suffered an impairment loss. The Group thought a part of those assets will have no future economic benefits, and impairment losses of \$112,805 thousand was recognized.

17. BORROWINGS

a. Short-term borrowings

	December 31			
	2020		2019	
	Interest Rate %	Amount	Interest Rate %	Amount
<u>Secured borrowings</u>				
Bank of Taiwan (Note 6)	4.35%	\$ 1,544,910	-	\$ -
CTBC Bank Co., Ltd.	1.29%	<u>276,300</u>	-	<u>-</u>
		<u>\$ 1,821,210</u>		<u>\$ -</u>
<u>Unsecured borrowings</u>				
Bank lines of credit	-	<u>\$ -</u>	1.00%	<u>\$ 1,000,000</u>

The CTBC Bank Co., Ltd.'s secured borrowing 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. The computations of financial ratios mentioned above are done based on the audited consolidated financial statements.

b. Long-term borrowings

	Period	Interest Rate	December 31	
			2020	2019
<u>Secured borrowings</u>				
Bank of Taiwan secured medium-term loan	2014.12.29-2021.12.29	1.11%-1.70%	\$ -	\$ 247,040
Bank of Taiwan syndicated loan (IV)	2016.08.15-2021.12.29	1.79%-1.81%	5,000,000	9,000,000
Bank of Taiwan syndicated loan (V)	2019.01.14-2026.09.19	1.89%	7,050,000	4,250,000
<u>Unsecured borrowings</u>				
The Export - Import Bank of ROC	2019.09.20-2026.09.21	0.92%	500,000	500,000
The Export - Import Bank of ROC	2020.08.25-2027.08.25	0.92%	1,000,000	-
Taiwan Cooperative Bank medium-term loan (Note 26)	2020.12.28-2027.12.15	0.50%	<u>1,000,000</u>	<u>-</u>
			14,550,000	13,997,040
Less: Current portion			(5,000,000)	(4,123,520)
Less: Syndication agreement management fee			(108,327)	(143,047)
Less: Government loan discount (Note 26)			<u>(59,828)</u>	<u>-</u>
			<u>\$ 9,381,845</u>	<u>\$ 9,730,473</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 had been 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 Taiwan Cooperative Bank medium-term loan is a government grant discounted interest loan. Refer to Note 26. The principal will be repaid every month from January 15, 2024 until maturity.
- 5) 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 and Taiwan Cooperative Bank medium-term loan. The computations of financial ratios mentioned above are done based on the audited consolidated financial statements.
- 6) The proceeds of the Export-Import Bank of ROC unsecured loans were provided NTC for investing in Autotalks Ltd. and acquiring Panasonic Semiconductor Solutions., Co., Ltd.

18. BONDS PAYABLE

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Domestic secured bonds	<u>\$ 9,943,848</u>	<u>\$ 9,931,746</u>
Domestic unsecured bonds	<u>\$ 1,207,820</u>	<u>\$ -</u>

- a. On July 10, 2018, the Company was approved by the FSC 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's surplus distribution of cash dividends, the conversion price was adjusted according to the issuance and conversion measures, so the conversion price has been adjusted to \$38.2 since 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 \$9,095 thousand on December 31, 2020. Refer to Note 7.
- 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	(809,516)
Interest charged at an effective interest rate of 1.22%	<u>13,708</u>
Liability component at December 31, 2020	<u>\$ 1,207,820</u>

19. PROVISION

	December 31	
	2020	2019
<u>Current</u>		
Decommissioning liabilities	\$ 612,281	\$ -
Employee benefits	<u>316,438</u>	<u>-</u>
	<u>\$ 928,719</u>	<u>\$ -</u>

(Continued)

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Non-current</u>		
Employee benefits	\$ 1,765,833	\$ -
Warranties	776,497	276,873
Decommissioning liabilities	<u>750,983</u>	<u>-</u>
	<u>\$ 3,293,313</u>	<u>\$ 276,873</u>
		(Concluded)

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

a. Defined contribution plan

The Company, NTC, and SYI adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group's subsidiaries in the United States, Japan, Hong Kong, Israel, Korea, Singapore and China are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plan

The defined benefit plans adopted by the Company and NTC in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average of monthly salaries of the 6 months before retirement. The Company contributed amounts equal to 2% of total monthly salaries and wages; NTC contributed amounts equal to 15% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee of the Company. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

The payables for employee turnover of WTL and NTIL are calculated on the basis of the length of service and the last month's salary under a defined benefit plan.

The amount included in the consolidated balance sheet in respect of the Group's obligation to its defined benefit plan was as follows:

	December 31	
	2020	2019
Present value of the defined benefit obligation	\$ 4,578,390	\$ 3,064,210
Fair value of the plan assets	<u>(1,855,846)</u>	<u>(1,812,341)</u>
Net defined benefit liabilities, non-current	<u>\$ 2,722,544</u>	<u>\$ 1,251,869</u>

Movements in net defined benefit liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2020	<u>\$ 3,064,210</u>	<u>\$ (1,812,341)</u>	<u>\$ 1,251,869</u>
Service cost			
Current service cost	79,258	-	79,258
Net interest expense (income)	32,839	(18,536)	14,303
Others	<u>(59)</u>	<u>82</u>	<u>23</u>
Recognized in profit or loss	<u>112,038</u>	<u>(18,454)</u>	<u>93,584</u>
Remeasurement			
Actuarial (gain) loss			
- realized rate greater than the discounted rate	-	(41,941)	(41,941)
- changes in financial assumptions	78,467	(2,995)	75,472
- experience adjustments	<u>(29,952)</u>	<u>15,118</u>	<u>(14,834)</u>
Recognized in other comprehensive income	<u>48,515</u>	<u>(29,818)</u>	<u>18,697</u>
Contributions from the employer	-	(75,862)	(75,862)
Benefits paid	(94,125)	94,125	-
Acquisitions through business combinations	1,473,458	-	1,473,458
Settlements	(27,298)	-	(27,298)
Effect of exchange rate changes	<u>1,592</u>	<u>(13,496)</u>	<u>(11,904)</u>
Balance at December 31, 2020	<u>\$ 4,578,390</u>	<u>\$ (1,855,846)</u>	<u>\$ 2,722,544</u>
Balance at January 1, 2019	<u>\$ 2,792,238</u>	<u>\$ (1,624,913)</u>	<u>\$ 1,167,325</u>
Service cost			
Current service cost	80,427	-	80,427
Net interest expense (income)	47,117	(25,023)	22,094
Others	<u>1,062</u>	<u>286</u>	<u>1,348</u>
Recognized in profit or loss	<u>128,606</u>	<u>(24,737)</u>	<u>103,869</u>
Remeasurement			
Actuarial (gain) loss			
- realized rate greater than the discounted rate	-	(38,635)	(38,635)
- changes in demographic assumptions	(4,210)	-	(4,210)
- changes in financial assumptions	187,779	(42,433)	145,346
- experience adjustments	<u>40,737</u>	<u>(7,409)</u>	<u>33,328</u>
Recognized in other comprehensive income	<u>224,306</u>	<u>(88,477)</u>	<u>135,829</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Contributions from the employer	\$ -	\$ (155,408)	\$ (155,408)
Benefits paid	(106,716)	106,716	-
Effect of exchange rate changes	<u>25,776</u>	<u>(25,522)</u>	<u>254</u>
Balance at December 31, 2019	<u>\$ 3,064,210</u>	<u>\$ (1,812,341)</u>	<u>\$ 1,251,869</u> (Concluded)

Amounts recognized in profit or loss in respect of these defined benefit plans analyzed by function were as follows:

	For the Year Ended December 31	
	2020	2019
Operating cost	\$ 21,389	\$ 20,819
Selling expenses	2,580	2,224
General and administrative expenses	21,743	14,400
Research and development expenses	<u>47,872</u>	<u>66,426</u>
	<u>\$ 93,584</u>	<u>\$ 103,869</u>

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

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

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

	December 31	
	2020	2019
Discount rates	0.40%-2.50%	0.75%-4.18%
Expected rates of salary increase	1.00%-3.36%	1.00%-3.46%

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

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Discount rates		
0.25%-0.50% increase	<u>\$ (112,244)</u>	<u>\$ (114,858)</u>
0.25%-0.50% decrease	<u>\$ 122,541</u>	<u>\$ 125,741</u>
Expected rates of salary increase		
0.25%-0.50% increase	<u>\$ 117,629</u>	<u>\$ 120,099</u>
0.25%-0.50% decrease	<u>\$ (107,581)</u>	<u>\$ (109,476)</u>

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

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
The expected contribution to the plan for the next year	<u>\$ 91,413</u>	<u>\$ 83,692</u>
The average duration of defined benefit obligation	7.51-12.21 years	7.47-12.74 years

21. EQUITY

a. Share capital

Common stock

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Number of shares authorized (in thousands)	<u>6,700,000</u>	<u>6,700,000</u>
Shares authorized	<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>
Shares issued	<u>\$ 39,800,002</u>	<u>\$ 39,800,002</u>

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

b. Capital surplus

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital		
Arising from issuance of share capital	\$ 4,787,673	\$ 4,787,673
Arising from treasury share transactions	2,342,036	2,342,036
Arising from conversion of bonds	136,352	136,352

(Continued)

	December 31	
	2020	2019
<u>May only be used to offset a deficit</u>		
Arising from changes in percentage of ownership interest in subsidiaries	\$ 236,467	\$ 1,998
Arising from share of changes in capital surplus of associates	29,137	29,137
Cash capital increase reserved for employee share options	208,451	208,451
Others	<u>30,749</u>	<u>30,749</u>
	<u>\$ 7,770,865</u>	<u>\$ 7,536,396</u>
		(Concluded)

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 follows:

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 distributed 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 bonuses 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 shares, such distribution shall be resolved by the shareholders' meeting.

Appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. 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.

As of the date of the Company's board meeting, the appropriation of earnings for 2020 are not subjected.

The appropriations of earnings for 2019 and 2018 were approved in the shareholders' meetings 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

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ (119,246)	\$ (50,780)
Exchange differences arising on translating the financial statements of foreign operations	<u>(152,082)</u>	<u>(68,466)</u>
Balance at December 31	<u>\$ (271,328)</u>	<u>\$ (119,246)</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

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ 5,009,928	\$ 3,533,423
Unrealized gains (losses) on revaluation of financial assets at FVTOCI	1,753,336	710,507
Share of unrealized gains (losses) on revaluation of financial assets at FVTOCI of associates accounted for using equity method	1,692,465	777,428
Disposal of investments in equity instruments designated at FVTOCI	<u>(314,219)</u>	<u>(11,430)</u>
Balance at December 31	<u>\$ 8,141,510</u>	<u>\$ 5,009,928</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

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ 2,836,565	\$ 1,446,726
Share attributable to non-controlling interests		
Profit for the year	215,024	220,900
Exchange differences on translation of foreign financial statements	(50,018)	(3,191)
Remeasurement of defined benefit plans	(12,987)	(20,268)
Unrealized losses on investments in equity instruments measured at fair value through other comprehensive income	66,247	14,307
Cash dividends issued by subsidiaries to non-controlling interests	(132,665)	(202,336)
Changes in ownership interests in subsidiaries	<u>2,221,402</u>	<u>1,380,427</u>
Balance at December 31	<u>\$ 5,143,568</u>	<u>\$ 2,836,565</u>

22. REVENUE

Refer to Note 36 for the Group's revenue.

23. EMPLOYEE BENEFITS EXPENSE, DEPRECIATION, AND AMORTIZATION

	For the Year Ended December 31, 2020			Total
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	
Short-term employee benefits	<u>\$ 2,847,782</u>	<u>\$ 7,198,169</u>	<u>\$ -</u>	<u>\$ 10,045,951</u>
Post-employment benefits	<u>\$ 137,317</u>	<u>\$ 354,382</u>	<u>\$ -</u>	<u>\$ 491,699</u>
Compensation costs of employee share options	<u>\$ 16,945</u>	<u>\$ 45,295</u>	<u>\$ -</u>	<u>\$ 62,240</u>
Depreciation	<u>\$ 8,051,980</u>	<u>\$ 1,123,552</u>	<u>\$ 65,057</u>	<u>\$ 9,240,589</u>
Amortization	<u>\$ 34,330</u>	<u>\$ 152,958</u>	<u>\$ 34,720</u>	<u>\$ 222,008</u>

	For the Year Ended December 31, 2019			Total
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	
Short-term employee benefits	<u>\$ 2,635,857</u>	<u>\$ 5,479,081</u>	<u>\$ -</u>	<u>\$ 8,114,938</u>
Post-employment benefits	<u>\$ 131,266</u>	<u>\$ 327,166</u>	<u>\$ -</u>	<u>\$ 458,432</u>
Compensation costs of employee share options	<u>\$ 16,667</u>	<u>\$ 33,253</u>	<u>\$ -</u>	<u>\$ 49,920</u>
Depreciation	<u>\$ 7,847,263</u>	<u>\$ 811,480</u>	<u>\$ 7,648</u>	<u>\$ 8,666,391</u>
Amortization	<u>\$ 33,506</u>	<u>\$ 58,214</u>	<u>\$ 19,720</u>	<u>\$ 111,440</u>

The Company has established the Audit Committee. There was no supervisor, and no remuneration of supervisors, either.

The remuneration policies of the Company were as follows:

a. Directors

In accordance with the Article 22 of the Company's Articles of Incorporation, the distribution of the remuneration of directors shall be appropriated at the rates no more than 1% of net profit before income tax before deducting remuneration to employees and directors. The Remuneration Committee will recommend remuneration to directors in accordance with the Company's Articles of Incorporation, the internal Rules for Remuneration of Directors and Performance Assessment of The Board of Directors, board members' self-assessment results, and annual profit deduct the accumulative losses. The remuneration was resolved by the board of directors and reported to the shareholders' meeting.

b. Managers

The remuneration of the managers, which depends on responsibilities and performance of individuals to encourage managers to take responsibilities and achieve performance, shall be competitive to attract external talent and stabilize internal talent. The managers have the responsibilities for operating performance, the encouragement shall be taken both short-term and long-term performance into account.

c. Employees

Employees' compensation, including fixed and variable compensation, was taken both internal fairness and external competitiveness into consideration. The Company gives bonus immediately and shares operating performance with the employees to attract, encourage and retain the talent. In accordance with the Articles of Incorporation, it stipulates distribution of the compensation of employees at the rates no less than 1% of net profit before income tax before deducting remuneration to employees and directors. Personal salary is determined by responsibilities and professional skills. Bonus and compensation are in relation to individual's performance and contribution.

For the years ended December 31, 2020 and 2019, the employees' compensation and remuneration of directors were as follows:

	For the Year Ended December 31			
	2020		2019	
	Amounts	Accrual Rate	Amounts	Accrual Rate
Employees' compensation	<u>\$ 27,831</u>	2%	<u>\$ 28,038</u>	2%
Remuneration of directors	<u>\$ 13,916</u>	1%	<u>\$ 14,019</u>	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

	For the Year Ended December 31	
	2020	2019
Current income tax expense		
Current tax expense	\$ 282,699	\$ 158,549
Additional income tax expense on unappropriated earnings	-	88,192
Income tax adjustments on prior years	(93,740)	21,617
Deferred income tax		
Current tax expense	<u>104,406</u>	<u>6,872</u>
Income tax expense recognized in profit or loss	<u>\$ 293,365</u>	<u>\$ 275,230</u>

Reconciliation of accounting profit and income tax expense were as follows:

	For the Year Ended December 31	
	2020	2019
Income tax expense from continuing operations at the statutory rate	\$ 524,136	\$ 480,125
Tax effect of adjustment item		
Permanent differences	(36,002)	(255,813)
Others	<u>(30,029)</u>	<u>5,109</u>
Current income tax	458,105	229,421
Unrecognized loss carryforwards, investment credits and deductible temporary differences	(71,000)	(64,000)
Additional income tax on unappropriated earnings	-	88,192
Adjustment for prior years' income tax expense	<u>(93,740)</u>	<u>21,617</u>
Tax expense recognized in profit or loss	<u>\$ 293,365</u>	<u>\$ 275,230</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.

b. Current tax assets and liabilities

	December 31	
	2020	2019
Current tax assets		
Tax refund receivables (recorded as "other receivables and notes receivable")	<u>\$ 16,173</u>	<u>\$ 9,971</u>
Current tax liabilities		
Income tax payables	<u>\$ 310,810</u>	<u>\$ 198,242</u>

c. Deferred tax assets

As of December 31, 2020 and 2019, deferred income tax assets of \$908,560 thousand and \$923,902 thousand, respectively, were mainly generated from unused net operating loss carryforwards.

d. Deferred tax liabilities

As of December 31, 2020 and 2019, deferred income tax liabilities of \$52,132 thousand and \$0 thousand, respectively, were mainly generated from unrealized valuation gains or losses on financial assets at FVTOCI.

e. Operating loss carryforwards

Information about the Group's operating loss carryforwards as of December 31, 2020 was as follows:

As of December 31, 2020, WECA's operating loss carryforward was US\$9,337 thousand, and will expire in 2025.

As of December 31, 2020, the Company's operating loss carryforwards comprised as below:

Operating Loss Carryforwards	Expiry Year
<u>\$ 109,000</u>	2022

f. Information about investment credits

The Company apply the Statute for Industrial Innovation Article 10, up to ten percent of the R&D expenses may be credited against the profit-seeking enterprise income tax payable by it in each of the three years following the then current year.

g. Tax return assessments

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

25. EARNINGS PER SHARE

	For the Year Ended December 31					
	2020			2019		
	<u>Amounts (Numerator)</u>		<u>Earnings Per Share (NT\$)</u>	<u>Amounts (Numerator)</u>		<u>Earnings Per Share (NT\$)</u>
	After Income Tax	Shares	After Income Tax	After Income Tax	Shares	After Income Tax
	(Attributable to Owners of the Parent)	(Denominator) (In Thousands)	(Attributable to Owners of the Parent)	(Attributable to Owners of the Parent)	(Denominator) (In Thousands)	(Attributable to Owners of the Parent)
Basic earnings per share						
Net income attributed to ordinary shareholders	\$ 1,304,019	3,980,000	<u>\$ 0.33</u>	\$ 1,256,387	3,980,000	<u>\$ 0.32</u>
Effect of dilutive potential ordinary share						
Employees' compensation	-	958		-	1,434	
Diluted earnings per share						
Net income attributed to ordinary shareholders	<u>\$ 1,304,019</u>	<u>3,980,958</u>	<u>\$ 0.33</u>	<u>\$ 1,256,387</u>	<u>3,981,434</u>	<u>\$ 0.32</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 bonuses 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. GOVERNMENT GRANTS

As of December 31, 2020, the Company received a government loan of \$1,000,000 thousand at a below-market rate of interest, which is 0.5%. It will be used in purchase of machinery and equipments. The loan is repayable in full upon maturity at 2027. Using prevailing market interest rates for an equivalent loan of 1.79%, the fair value of the loan was estimated at \$940,172 thousand on initial recognition. The difference of \$59,828 thousand between the proceeds and the fair value of the loan is the benefit derived from the below-market rate of interest which has been recognized as deferred revenue. The deferred revenue will be recognized as other income during the loan period accordingly.

27. 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 Great Target Development Ltd.’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)	<u>74,440</u>	<u>-</u>
	<u>\$ 7,936,496</u>	<u>\$ 155,367</u>

Note: 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 JPY267,000 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>
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>

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 as of the acquisition year, which are included in the consolidated statements of comprehensive income, are as follows:

	Panasonic Semiconductor Solutions Co., Ltd.	Great Target Development Ltd.
Revenue	<u>\$ 8,993,175</u>	<u>\$ -</u>
Profit (loss)	<u>\$ (460,607)</u>	<u>\$ 118</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.

28. 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.

29. 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 derivative foreign exchange contracts are measured using quoted middle and discount rates of foreign exchange contracts matching the foreign 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 December 31, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial liabilities</u>				
Financial liabilities measured at amortized cost				
Bonds payable (secured)	\$ _____ -	\$ 9,943,848	\$ _____ -	\$ 9,943,848

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

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

Fair value hierarchy as at December 31, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>				
<u>Financial assets at FVTPL</u>				
Derivative financial assets (not under hedge accounting)	\$ _____	\$ 51,603	\$ _____	\$ 51,603
<u>Financial assets at FVTOCI</u>				
Equity securities				
Domestic listed and emerging securities	\$ 8,884,373	\$ -	\$ -	\$ 8,884,373
Overseas listed securities	266,543	-	-	266,543
Domestic and overseas unlisted securities	_____	17,970	1,908,328	1,926,298
	<u>\$ 9,150,916</u>	<u>\$ 17,970</u>	<u>\$ 1,908,328</u>	<u>\$ 11,077,214</u>
<u>Financial liabilities</u>				
<u>Financial liabilities at FVTPL</u>				
Derivative financial liabilities	\$ _____	\$ 3,191	\$ _____	\$ 3,191
Financial liabilities measured at amortized cost				
Bonds payable (unsecured)	\$ 1,483,908	\$ _____	\$ _____	\$ 1,483,908

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>

b. Categories of financial instruments

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

	December 31			
	2020		2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial assets</u>				
Measured at amortized cost				
Cash and cash equivalents	\$ 11,744,306	\$ 11,744,306	\$ 11,467,907	\$ 11,467,907
Notes and accounts receivable (included related parties)	9,785,138	9,785,138	6,130,906	6,130,906
Other receivables	1,973,584	1,973,584	750,720	750,720
Refundable deposits (recorded in other non-current assets)	972,089	972,089	396,681	396,681
Financial assets at fair value through profit or loss	51,603	51,603	75,462	75,462
Financial assets at fair value through other comprehensive income (current and non-current)	11,077,214	11,077,214	8,727,344	8,727,344
<u>Financial liabilities</u>				
Measured at amortized cost				
Short-term borrowings	1,821,210	1,821,210	1,000,000	1,000,000
Notes and accounts payable (included related parties)	8,237,432	8,237,432	5,697,780	5,697,780
Payable on equipment and other payables	8,262,912	8,262,912	6,138,634	6,138,634
Bonds payable	11,151,668	11,427,756	9,931,746	9,931,746
Long-term borrowings (included current portion)	14,550,000	14,550,000	13,997,040	13,997,040
Guarantee deposits (recorded in other non-current liabilities)	90,248	90,248	64,347	64,347
Financial liabilities at fair value through profit or loss	3,191	3,191	-	-

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 increase in the amounts of \$44,645 thousand and \$23,287 thousand for the years ended December 31, 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:

	December 31	
	2020	2019
Cash flow interest rate risk		
Financial assets	\$ 7,749	\$ 284,413
Financial liabilities	14,550,000	13,997,040

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 would have increased by \$145,423 thousand and \$137,126 thousand for the years ended December 31, 2020 and 2019, 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:

	December 31, 2020			
	Within 1 Year	1-2 Years	Over 2 Years	Total
Non-interest bearing	\$ 16,500,344	\$ 90,248	\$ -	\$ 16,590,592
Lease liabilities	443,531	388,324	3,186,034	4,017,889
Variable interest rate liabilities	5,000,000	2,205,000	7,345,000	14,550,000
Fixed interest rate liabilities	<u>1,821,210</u>	<u>-</u>	<u>11,305,480</u>	<u>13,126,690</u>
	<u>\$ 23,765,085</u>	<u>\$ 2,683,572</u>	<u>\$ 21,836,514</u>	<u>\$ 48,285,171</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>\$ 823,899</u>	<u>\$ 839,286</u>	<u>\$ 1,263,164</u>	<u>\$ 533,185</u>	<u>\$ 516,312</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>

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>\$ 460,636</u>	<u>\$ 538,384</u>	<u>\$ 651,067</u>	<u>\$ 526,818</u>	<u>\$ 621,627</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:

December 31, 2020

Counterparty	Receivables Factoring Proceeds	Advances Received - Unused	Advances Received - Used	Annual Interest Rates on Advances Received (Used) (%)
Sumitomo Mitsui Banking Corporation	<u>\$ 230,449</u>	<u>\$ -</u>	<u>\$ 230,449</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.

30. RELATED PARTY TRANSACTIONS

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

<u>Related Party</u>	<u>Relationship with the Group</u>
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 Cherg 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
Glorystone Inc.	Related party in substance
TDC	Subsidiary (June 10, 2019 as the date of liquidation)

- b. Operating activities

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
1) Operating revenue		
Related party in substance	<u>\$ 300,890</u>	<u>\$ 246,399</u>
2) Purchases of goods		
Related party in substance TPSCo.	<u>\$ 2,101,947</u>	<u>\$ -</u>
3) Manufacturing expenses		
Related party in substance		
Walton Advanced Engineering Inc.	\$ 3,223,498	\$ 2,957,727
TPSCo.	720,784	-
Walton Advanced Engineering Ltd. (Suzhou)	<u>548,436</u>	<u>562,033</u>
	<u>\$ 4,492,718</u>	<u>\$ 3,519,760</u>
4) Operating expenses		
Investor that exercises significant influence over the Group	\$ 12,146	\$ 11,467
Related party in substance		
TPSCo.	190,014	-
Others	<u>11,507</u>	<u>10,818</u>
	<u>\$ 213,667</u>	<u>\$ 22,285</u>

	For the Year Ended December 31	
	2020	2019
5) Dividend income		
Investor that exercises significant influence over the Group		
Walsin Lihwa Corporation	\$ 112,351	\$ 252,000
Related party in substance		
Walsin Technology Corporation	47,301	160,051
United Industrial Gases Co., Ltd.	64,394	62,858
Nyquest Technology Co., Ltd.	3,300	4,006
HannStar Display Corporation	-	33,020
Walton Advanced Engineering Inc.	-	15,019
Others	<u>136</u>	<u>4,814</u>
	<u>\$ 227,482</u>	<u>\$ 531,768</u>
6) Other income		
Associate	\$ 72	\$ 72
Related party in substance		
Walsin Technology Corporation	2,345	14,669
Others	<u>-</u>	<u>299</u>
	<u>\$ 2,417</u>	<u>\$ 15,040</u>
	December 31	
	2020	2019
7) Accounts receivable due from related parties		
Related party in substance	<u>\$ 77,760</u>	<u>\$ 45,903</u>
8) Accounts payable to related parties		
Related party in substance		
TPSCo.	\$ 788,043	\$ -
Walton Advanced Engineering Inc.	782,278	773,107
Others	<u>95,682</u>	<u>138,422</u>
	<u>\$ 1,666,003</u>	<u>\$ 911,529</u>
9) Other receivables and other current assets		
Related party in substance		
TPSCo.	\$ 278,957	\$ -
Subsidiary	<u>16,552</u>	<u>16,157</u>
	<u>\$ 295,509</u>	<u>\$ 16,157</u>

	December 31	
	2020	2019
10) Other payables and other current liabilities		
Related party in substance		
TPSCo.	\$ 65,978	\$ -
Others	11,760	34,923
Investor that exercises significant influence over the Group	<u>-</u>	<u>1,117</u>
	<u>\$ 77,738</u>	<u>\$ 36,040</u>
11) Refundable deposits (recorded as “other non-current assets”)		
Related party in substance	\$ 1,722	\$ 1,722
Investor that exercises significant influence over the Group	<u>203</u>	<u>203</u>
	<u>\$ 1,925</u>	<u>\$ 1,925</u>

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

c. Acquisition of property, plant and equipment

	Purchase Price	
	For the Year Ended December 31	
	2020	2019
Related party in substance	<u>\$ 8,352</u>	<u>\$ -</u>

d. Lease arrangements - Group is lessee

	December 31	
	2020	2019
1) Lease liabilities		
Related party in substance	\$ 22,450	\$ 32,869
Investor that exercises significant influence over the Group	<u>2,642</u>	<u>5,160</u>
	<u>\$ 25,092</u>	<u>\$ 38,029</u>
	For the Year Ended December 31	
	2020	2019
2) Interest expense		
Related party in substance	\$ 438	\$ 604
Investor that exercises significant influence over the Group	<u>59</u>	<u>100</u>
	<u>\$ 497</u>	<u>\$ 704</u>

- e. Lease arrangements - Group is lessor/sublease arrangements

Lease arrangements - sublease arrangement under operating leases

From September 1, 2020 to December 31, 2020, NTC subleases its right-of-use asset to TPSCo. under operating lease with lease term of 1 to 12 years, and the rental is based on similar asset's market rental rates and fixed lease payments are received monthly.

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
1) Operating lease receivables		
Investor that exercises significant influence over the Group	\$ <u>245</u>	\$ <u>-</u>
		December 31, 2019
2) Future lease payment receivables		
Related party in substance		\$ <u>1,635,005</u>
		For the Year Ended December 31
3) Lease income		
Related party in substance		\$ <u>85,353</u>

- f. Guarantee

The chairman of NTC is a joint guarantor of the land-leasing from Taiwan Sugar Corporation. Refer to Note 14.

- g. Compensation of key management personnel

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Short-term employment benefits	\$ 275,970	\$ 342,723
Post-employment benefits	47,590	8,590
Compensation costs of employee share options	<u>2,957</u>	<u>2,072</u>
	<u>\$ 326,517</u>	<u>\$ 353,385</u>

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.

31. PLEDGED AND COLLATERALIZED ASSETS

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

32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant contingent liabilities and unrecognized commitments of the Group as of the end of the reporting period, excluding those disclosed in other notes, were as follows:

- a. Amounts available under unused letters of credit as of December 31, 2020 and 2019 were approximately US\$5,535 thousand and US\$6,592 thousand and JPY246,613 thousand and JPY449,780 thousand, respectively.
- b. Signed construction contract

	Total Contract Price	Payment as of December 31, 2020
TASA Construction Corporation	<u>\$ 8,736,454</u>	<u>\$ 7,603,779</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.

33. OTHER ITEMS

In 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.

34. 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:

	December 31					
	2020			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)
Financial assets						
Monetary items						
USD	\$ 269,426	28.48	\$ 7,673,245	\$ 209,636	29.98	\$ 6,284,877
USD	24,365	103.08	693,912	23,628	108.62	708,381
		(Note 2)			(Note 2)	
EUR	2,342	35.02	82,028	591	33.59	19,847
JPY	1,570,680	0.2763	433,979	1,615,538	0.276	445,888
RMB	82,515	4.377	361,168	75,469	4.305	324,895
ILS	23,042	8.8712	204,409	14,128	8.6652	122,421
Non-monetary items						
USD	-	28.48	-	7,461	29.98	223,667

(Continued)

	December 31					
	2020			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)
<u>Financial liabilities</u>						
Monetary items						
USD	\$ 110,623	28.48	\$ 3,150,531	\$ 132,119	29.98	\$ 3,960,917
USD	14,973	103.08	426,430	14,739	108.62	441,864
		(Note 2)			(Note 2)	
EUR	2,803	35.02	98,166	2,683	33.59	90,135
JPY	1,444,374	0.2763	399,080	1,636,729	0.276	451,737
RMB	7,083	0.1537	31,003	47,882	0.1436	206,132
		(Note 3)			(Note 3)	
ILS	21,479	8.8712	190,547	24,104	8.6652	208,865
						(Concluded)

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 U.S. 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 years ended December 31, 2020 and 2019, realized and unrealized net foreign exchange gain (loss) were loss of \$130,651 thousand and loss of \$137,534 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.

35. ADDITIONAL DISCLOSURE

a. Following are the additional disclosures for material transactions:

1)	Financings provided	None
2)	Endorsement and guarantee 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	Table 5
7)	Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital	Table 6
8)	Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital	Table 7
9)	Information about the derivative financial instruments transaction	Note 7
10)	Intercompany relationships and significant intercompany transactions	Table 10

b. Information on investments: Refer to Table 8 attached.

c. Information on investment in mainland China

1)	The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, 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 9
2)	<p>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.</p> <p>a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.</p> <p>b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.</p> <p>c) The amount of property transactions and the amount of the resultant gains or losses.</p> <p>d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.</p> <p>e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds.</p> <p>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.</p>	Table 9

d. Information on major shareholders: Refer to Table 11 attached.

36. SEGMENT INFORMATION

a. Basic information about operating segment

1) Classification of operating segments

The Group's reportable segments under IFRS 8 "Operating Segments" 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 Year Ended December 31		For the Year Ended December 31	
	2020	2019	2020	2019
DRAM IC product	\$ 17,458,114	\$ 18,790,988	\$ (602,590)	\$ 98,225
Flash Memory product	22,747,656	19,723,011	5,421,058	4,298,936
Logic IC product	<u>20,477,170</u>	<u>10,256,574</u>	<u>2,372,378</u>	<u>1,507,729</u>
Total of segment revenue	60,682,940	48,770,573	7,190,846	5,904,890
Other revenue	<u>231</u>	<u>861</u>	231	861
Operating revenue	<u>\$ 60,683,171</u>	<u>\$ 48,771,434</u>		
Unallocated expenditure				
Administrative and supporting expenses			(3,170,173)	(2,123,292)
Sales and other common expenses			<u>(2,393,613)</u>	<u>(2,527,250)</u>
Income from operations			<u>1,627,291</u>	<u>1,255,209</u>
Non-operating income and expenses				
Interest income			47,015	95,203
Dividend income			227,534	531,803
Gain on bargain purchase			218,968	-
Other income			254,482	49,788
Share of profit of associates			62,556	241,034
Gains (losses) on disposal of property, plant and equipment			44,334	(1,039)
Gains (losses) on disposal of non-current held for sale assets			27,674	-
Gains (losses) on financial instruments at fair value through profit or loss			110,312	64,016
Interest expense			(296,470)	(218,980)
Other expenses			(251,686)	(126,983)
Gains (losses) on disposal of investments			(16,146)	-

(Continued)

	<u>Segment Revenue</u>		<u>Segment Profit and Loss</u>	
	<u>For the Year Ended</u>		<u>For the Year Ended</u>	
	<u>December 31</u>		<u>December 31</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Gains (losses) on foreign exchange			\$ (130,651)	\$ (137,534)
Impairment loss on intangible assets			<u>(112,805)</u>	<u>-</u>
Income before income tax			<u>\$ 1,812,408</u>	<u>\$ 1,752,517</u> (Concluded)

c. Geographical information

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets (non-current assets exclude financial instruments, deferred income tax assets and post-employment benefit assets) by location of assets are detailed below.

	<u>Revenue from</u>		<u>Non-current Assets</u>	
	<u>External Customers</u>		<u>For the Year Ended</u>	
	<u>December 31</u>		<u>December 31</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Asia	\$ 56,770,463	\$ 44,709,682	\$ 67,882,414	\$ 59,631,806
Americas	2,203,356	2,492,029	243,925	244,530
Europe	1,594,040	1,528,999	-	-
Others	<u>115,312</u>	<u>40,724</u>	<u>-</u>	<u>-</u>
	<u>\$ 60,683,171</u>	<u>\$ 48,771,434</u>	<u>\$ 68,126,339</u>	<u>\$ 59,876,336</u>

d. Major customer information

For the years ended December 31, 2020 and 2019, the Group's operating revenue were \$60,683,171 thousand and \$48,771,434 thousand and single customer contacting 10% or more to the Group's operating revenue were \$5,842,435 thousand and \$5,153,522 thousand, respectively. For the years ended December 31, 2020 and 2019, there was no other individual customer exceeded 10% of the Group's operating revenue.

WINBOND ELECTRONICS CORPORATION

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period (Note 2)	Actual Borrowing Amount (Note 2)	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 3)	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")	NTCJ	Indirect subsidiary with 55% ownership	\$ 13,089,824 (Note 1)	\$ 4,440,417 (JPY 16,071,000) (Note 3)	\$ 4,440,417 (JPY 16,071,000) (Note 3)	\$ 276,300 (JPY 1,000,000)	\$ -	6.78	\$ 32,724,559 (Note 5)	Y	N	N	
1	NTC	NTSH	Subsidiary	11,521,368 (Note 2)	2,319,810 (RMB 530,000) (Note 4)	2,319,810 (RMB 530,000) (Note 4)	1,544,910 (RMB 352,961)	541,120	20.13	11,521,368 (Note 6)	Y	N	Y	
1	NTC	NTCJ	Subsidiary	11,521,368 (Note 2)	1,146,645 (JPY 4,150,000) (Note 4)	1,146,645 (JPY 4,150,000) (Note 4)	385,991 (JPY 1,397,000)	-	9.95	11,521,368 (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

MARKETABLE SECURITIES HELD

DECEMBER 31, 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	December 31, 2020				Note	
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value		
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	\$ 4,284,600	7	\$ 4,284,600		
	Walsin Technology Corporation	The investee's chairman are relatives within the second degree of relationship of WEC's chairman.	"	8,600,117	1,982,327	2	1,982,327		
	Hannstar Display Corporation	The investee's chairman are relatives within the second degree of relationship of WEC's chairman.	"	150,000,210	1,845,003	5	1,845,003		
	Walton Advanced Engineering Inc.	The investee's chairman are relatives within the second degree of relationship of WEC's chairman. WEC as the investee's director.	"	50,062,641	690,864	10	690,864		
	<u>Shares</u> His Chu Golf Country Club	None	Non-current financial assets at fair value through other comprehensive income	3	9,600	-	9,600		
	Linkou Golf Course	"	"	1	8,370	-	8,370		
	Smart Catch International Co., Ltd.	"	"	4,000,000	-	16	-		
	Harbinger III Venture Capital Corp.	WEC as the investee's supervisor	"	5,440	107	5	107		
	WECA	<u>Shares</u> Everspin Technologies, Inc.	None	Current financial assets at fair value through other comprehensive income	262,834	USD 1,209	1	USD 1,209	
		Kneron Holding Company	"	Non-current financial assets at fair value through other comprehensive income	377,808	USD 2,000	1	USD 2,000	
<u>Funds</u> JVP VIII, L.P.		None	Non-current financial assets at fair value through other comprehensive income	-	USD 8,422	7	USD 8,422		
JVP X Funds		"	"	-	USD 3,750	4	USD 3,750		
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	December 31, 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	\$ 14,479	5	\$ 14,479	
	Brightek Optoelectronic Co., Ltd.	None	"	34,680	894	-	894	
	United Industrial Gases Co., Ltd.	The held company as the investee's director	"	8,800,000	396,000	4	396,000	
	Autotalks Ltd. - Preferred E. Share	None	"	3,932,816	569,600	9	569,600	
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	80,685	5	80,685	
NTCJ	<u>Shares</u> Tower Semiconductor LTD.	None	Non-current financial assets at fair value through other comprehensive income	314,291	232,110	-	232,110	
	Symetrix Corporation	None	"	50,268	-	1	-	
	Tower Partners Semiconductor Co., Ltd.	Related party in substance	"	14,700	512,812	49	512,812	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 8 and 9 for information of investment in subsidiaries, investments in associates and investment in Mainland China.

(Concluded)

WINBOND ELECTRONICS CORPORATION

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Amount (Note 3)	Gain (Loss) on Disposal	Shares	Amount
WEC	NTC	Investments accounted for using equity method	Subscription of shares	Related party	177,000,000	\$ 4,528,887	37,954,635	\$ 2,033,316 (Note 1)	-	\$ -	\$ (212,400) (Note 2)	\$ -	214,954,635	\$ 6,349,803
NTC	NTHJ	Investments accounted for using equity method	Panasonic Corporation	None	-	-	100	5,941,896	-	-	-	-	100	5,675,964
	NTSG	Investments accounted for using equity method	-	Subsidiary	-	-	37,100,000	Investment income or loss (441,519) Unrealized gain or loss 153,024 Cumulative translation adjustments (59,836) Gains (losses) on disposal of financial liabilities at fair value through other comprehensive income 82,399 1,094,134	-	-	-	-	37,100,000	1,083,105
NTCJ	Tower Semiconductor LTD.	Financial assets at fair value through other comprehensive income	-	None	870,454 (Note 3)	504,684	-	Unrealized gain or loss 49,886	556,163	402,003	322,460	Disposal income or loss 82,399 Cumulative translation adjustments (2,856)	314,291	232,110

(Continued)

Note 1: Include adjustment for equity method.

Note 2: Cash dividends.

Note 3: NTC acquired from the purchase of the semiconductor business of Panasonic Corporation on September 1, 2020.

(Concluded)

WINBOND ELECTRONICS CORPORATION

**ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020**

(In Thousands of New Taiwan Dollars)

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	2020.02.05-2020.12.14	\$ 1,422,216	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	2020.02.05-2020.12.21	534,734	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	2020.06.18-2020.12.21	374,799	Monthly settlement by the construction progress and acceptance	Exyte Taiwan Co., Ltd.	None	N/A	N/A	N/A	N/A	Price comparison and price negotiation	Business purpose	None
	Buildings	2020.02.26-2020.11.25	325,986	Monthly settlement by the construction progress and acceptance	Marketch International Corporation	None	N/A	N/A	N/A	N/A	Price comparison and price negotiation	Business purpose	None

WINBOND ELECTRONICS CORPORATION

**DISPOSAL OF INDIVIDUAL REAL ESTATE PROPERTIES AT PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Seller	Property	Event Date	Original Acquisition Date	Carrying Amount	Transaction Amount	Collection	Gain (Loss) on Disposal	Counterparty	Relationship	Purpose of Disposal	Price Reference	Other Terms
WEC	Land and buildings	2020.10.15- 2020.11.12	2014.11.20	\$ 515,171	\$ 542,845	Collect after ownership transfer	\$ 27,674	Amazing Microelectronic Corp.	None	Sale	Price comparison and price negotiation	None

TABLE 6

WINBOND ELECTRONICS CORPORATION

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

FOR THE YEAR ENDED DECEMBER 31, 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	\$ 9,959,520	25	Net 90 days from invoice date	N/A	N/A	\$ 684,631	14	
	WECJ	Indirect subsidiary with 100% ownership	Sales	4,090,095	10	Net 90 days from invoice date	N/A	N/A	288,362	6	
	WECN	Indirect subsidiary with 100% ownership	Sales	1,503,988	4	Net 90 days from invoice date	N/A	N/A	61,920	1	
	WECA	Indirect subsidiary with 100% ownership	Sales	625,242	2	Net 90 days from invoice date	N/A	N/A	1,456	-	
	NTC	Direct subsidiary with 55% ownership	Sales	210,753	1	Net 30 days from invoice date	N/A	N/A	39,669	1	
WEHK	WEC	Parent company	Purchases	USD 337,706	100	Net 90 days from invoice date	N/A	N/A	USD (24,039)	(100)	
WECJ	WEC	Parent company	Purchases	JPY 14,799,481	98	Net 90 days from invoice date	N/A	N/A	JPY (1,047,778)	(96)	
WECN	WEC	Parent company	Purchases	RMB 353,691	100	Net 90 days from invoice date	N/A	N/A	RMB (14,147)	(100)	
WECA	WEC	Parent company	Purchases	USD 21,227	100	Net 90 days from invoice date	N/A	N/A	USD (60)	(27)	
NTC	WEC	Parent company	Purchases	209,957	5	Net 30 days from invoice date	N/A	N/A	(39,500)	(3)	
NTC	NTHK	NTC's direct subsidiary with 100% ownership	Sales	4,084,959	36	Net 90 days from invoice date	N/A	N/A	17,518	2	
NTHK	NTC	Parent company	Purchases	USD 139,065	100	Net 90 days from invoice date	N/A	N/A	USD (615)	(100)	
NTC	Nyquest Technology Co., Ltd.	Related party in substance	Sales	200,205	2	Net 90 days from invoice date	N/A	N/A	50,780	5	
NTSPL	NTCJ	NTC's direct subsidiary with 100% ownership	Sales	USD 28,937	31	Net 10 days end of the month	N/A	N/A	USD 7,165	28	
NTCJ	NTSPL	NTC's direct subsidiary with 100% ownership	Purchases	JPY 3,050,414	20	Net 10 days end of the month	N/A	N/A	USD (7,165)	(10)	
	NTSPL	NTC's direct subsidiary with 100% ownership	Sales	JPY 6,058,562	23	Net 10 days end of the month	N/A	N/A	USD 15,110	16	
NTSPL	NTCJ	NTC's direct subsidiary with 100% ownership	Purchases	USD 57,688	24	Net 10 days end of the month	N/A	N/A	USD (15,110)	(66)	
NTCJ	NTSH	NTC's direct subsidiary with 100% ownership	Sales	JPY 5,350,943	20	Net 15 days end of the month	N/A	N/A	-	-	

(Continued)

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	
NTSH	NTCJ	NTC's direct subsidiary with 100% ownership	Purchases	JPY 5,350,943	100	Net 15 days end of the month	N/A	N/A	\$ -	-	
	NTCJ	NTC's direct subsidiary with 100% ownership	Sales	RMB 92,709	20	Net 15 days end of the month	N/A	N/A	-	-	
NTCJ	NTSH	NTC's direct subsidiary with 100% ownership	Purchases	RMB 92,709	13	Net 15 days from invoice date	N/A	N/A	-	-	
	TPSCo.	Related party in substance	Purchases	JPY 7,616,477	51	Net 10 days from invoice date	N/A	N/A	JPY (2,852,129)	(39)	

(Concluded)

WINBOND ELECTRONICS CORPORATION

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

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars and Foreign Currencies)

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	\$ 684,631	11.94	\$ -	-	\$ 536,272	\$ -
	WECJ	Indirect subsidiary with 100% ownership	288,362	11.46	-	-	288,362	-
NTSPL	NTCJ	NTC's direct and indirect subsidiary	USD 7,165	12.63	-	-	USD 7,165	-
NTCJ	NTSPL	NTC's direct and indirect subsidiary	USD 15,110	12.23	-	-	USD 15,110	-
NTCJ	TPSCo.	Related party in substance	JPY 1,009,617	(Note)	-	-	JPY 1,009,617	-

Note: Other receivables is not applicable to calculation of turnover rate.

WINBOND ELECTRONICS CORPORATION

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 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	\$ 4,436,920	\$ 2,994,644	214,954,635	55	\$ 6,349,803	\$ 532,785	\$ 328,442	
	Winbond International Corporation	British Virgin Islands	Investment holding	2,758,517	2,992,157	87,960,000	100	1,396,823	50,811	50,811	
	Winbond Electronics (HK) Limited	Hong Kong	Sales of semiconductor and investment holding	278,158	278,158	71,150,000	100	570,123	154,266	154,272	
	Landmark Group Holdings Ltd.	British Virgin Islands	Investment holding	168,755	168,755	5,343,000	100	377,539	(32,272)	(32,272)	
	Great Target Development Ltd.	Seychelles	Investment holding	155,663	155,367	4,470,000	100	138,284	(506)	(506)	
	Callisto Holding Limited	Hong Kong	Electronic commerce and investment holding	156,292	156,292	40,000,000	100	121,876	(14,625)	(14,625)	
	Winbond Technology Ltd.	Israel	Design and service of semiconductor	21,242	21,242	100,000	100	77,647	6,025	6,025	
	Winbond Electronics Germany GmbH	Germany	Sales and service of semiconductor	28,679	28,679	850,000	100	26,066	(3,628)	(3,628)	
	Pine Capital Investment Limited	Hong Kong	Investment holding	2,967	2,967	780,000	100	3,168	(311)	(311)	
	Chin Xin Investment Co., Ltd.	Taiwan	Investment holding	1,874,825	1,874,825	182,840,999	38	6,211,869	196,303	62,600	
Hwa Bao Botanic Conservation Corp.	Taiwan	Agriculture and forestry botanic conservation	30,000	750	3,000,000	15	29,920	(296)	(44)		
Winbond International Corporation	Winbond Electronics Corporation America	United States of America	Design, sales and service of semiconductor	1,683,207	1,683,207	3,067	100	1,427,060	37,515	37,515	
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	388,539	(33,463)	(33,463)	
	Peaceful River Corp.	British Virgin Islands	Investment holding	-	20,044	-	-	-	12,009	(160)	(Note 1)
Callisto Holding Limited	Callisto Technology Limited	Hong Kong	Electronic commerce and investment holding	30,895	30,895	1,000,000	100	28,539	(89)	(89)	
				USD 1,000	USD 1,000			USD 1,002	USD (3)	USD (3)	
Great Target Development Ltd.	GLMTD Technology Private Limited	India	Sales and service of semiconductor	135,415	135,415	27,998,400	99.99	108,487	(273)	(273)	
Nuvoton Technology Corporation	Nuvoton Electronics Technology (H.K.) Limited	Hong Kong	Sales of semiconductor	427,092	427,092	107,400,000	100	481,285	32,149	32,149	
	Marketplace Management Limited	British Virgin Islands	Investment holding	273,418	273,418	8,842,789	100	120,740	41,055	41,055	
	Nuvoton Investment Holding Ltd.	British Virgin Islands	Investment holding	590,953	590,953	17,960,000	100	319,938	44,067	44,067	
	Song Yong Investment Corporation	Taiwan	Investment holding	38,500	38,500	3,850,000	100	99,346	3,242	3,242	
	Nuvoton Technology India Private Limited	India	Design, sales and service of semiconductor	30,211	30,211	600,000	100	21,389	805	805	
	Nuvoton Technology Corp. America	United States of America	Design, sales and service of semiconductor	190,862	190,862	60,500	100	181,972	5,381	5,381	
	Nuvoton Technology Singapore Pte. Ltd.	Singapore	Design, sales and service of semiconductor	1,094,134	-	37,100,000	100.00	1,083,105	27,829	27,829	
	Nuvoton Technology Korea Limited	Korea	Design, sales and service of semiconductor	30,828	-	125,000	100.00	28,780	(3,828)	(3,828)	
Nuvoton Technology Holding Japan	Japan	Investment holding	5,941,896	-	100	100.00	5,675,964	(214,674)	(441,519)	(Note 2)	
Marketplace Management Limited	Goldbond LLC	United States of America	Investment holding	1,472,903	1,472,903	-	100	120,783	41,402	41,402	
Nuvoton Investment Holding Ltd.	Nuvoton Technology Israel Ltd.	Israel	Design and service of semiconductor	46,905	46,905	1,000	100	321,118	44,220	44,220	
Nuvoton Technology Holding Japan	Nuvoton Technology Corporation Japan	Japan	Design, sales and service of semiconductor	111,520	-	9,480	100	11,948,721	(214,662)	(214,662)	
Nuvoton Technology Corporation Japan	Miraxia Edge Technology Corporation	Japan	Design and service of semiconductor	55,760	-	4,000	100	313,282	53,127	53,127	
	Atfields Manufacturing Technology Corporation	Japan	Design and service of semiconductor	55,760	-	4,000	100	172,800	66,853	66,853	

Note 1: PRC completed the liquidation and legal procedures in November 2020.

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 9 for information on investment in mainland China.

WINBOND ELECTRONICS CORPORATION

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars and USD 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 December 31, 2020	Net Income of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Note 1)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 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	\$ 25,731	100	\$ 25,731	\$ 323,343	\$ 35,880
NTC	Nuvoton Electronics Technology (Shanghai) Limited	Provide project of sale in China and repairing, testing and consulting 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	42,980	55	23,785	68,505	-
	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)	55	(680)	(1,670) (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	7,700	55	4,261	120,902	-
	Song Zhi Electronics Technology (Suzhou)	Provide development, consult and equipment lease of semiconductor	- (Note 3)	Through investing in NTSK in the third area, which then invested in the investee in mainland China indirectly	-	-	-	-	-	-	-	-	-

Note 1: Investment profit or loss for the year ended December 31, 2020 was recognized under the basis of the financial statements audited by the Company's auditor.

Note 2: WENJ has a negative net book value as of December 31, 2020, which is reclassified to other non-current liabilities.

Note 3: As of December 31, 2020, NTC has not injected the capital in Song Zhi Electronics Technology (Suzhou).

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 December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 4)
WEC	\$ 276,435 (USD9,000)	\$ 276,435 (USD9,000)	\$ 39,269,471
NTC	282,135 (USD8,500)	282,135 (USD8,500)	6,912,821

Note 4: Upper limit on the amount of 60% of the investee's net book value.

3. Refer to Table 6 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 YEAR ENDED DECEMBER 31, 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	\$ 9,959,520	-	16
		WEHK	Transactions between parent company and subsidiaries	Accounts receivable due from related parties	684,631	-	1
		WECA	Transactions between parent company and subsidiaries	Operating revenue	625,242	-	1
		WECA	Transactions between parent company and subsidiaries	Other payables	118,115	-	-
		WECA	Transactions between parent company and subsidiaries	Operating expenses	514,560	-	1
		WECJ	Transactions between parent company and subsidiaries	Accounts receivable due from related parties	288,362	-	-
		WECJ	Transactions between parent company and subsidiaries	Operating revenue	4,090,095	-	7
		WECJ	Transactions between parent company and subsidiaries	Operating expenses	355,342	-	1
		WTL	Transactions between parent company and subsidiaries	Operating expenses	280,094	-	-
		WECN	Transactions between parent company and subsidiaries	Operating revenue	1,503,988	-	2
		NTC	Transactions between parent company and subsidiaries	Operating revenue	210,753	-	-
		1	NTC	NTHK	Transactions between parent company and subsidiaries	Operating revenue	4,084,959
NTCA	Transactions between parent company and subsidiaries			Operating expenses	310,515	-	-
NTIL	Transactions between parent company and subsidiaries			Operating expenses	857,575	-	1
NTIL	Transactions between parent company and subsidiaries			Other payables	174,487	-	-
2	NTCJ	NTSG	Transactions between subsidiaries	Operating revenue	JPY 6,058,562	-	3
		NTSH	Transactions between subsidiaries	Operating revenue	JPY 5,350,940	-	2
		NTSG	Transactions between subsidiaries	Accounts receivable due from related parties	USD 15,110	-	-
3	NTSG	NTCJ	Transactions between subsidiaries	Operating revenue	USD 28,937	-	1
		NTCJ	Transactions between subsidiaries	Accounts receivable due from related parties	USD 7,165	-	-
4	NTSH	NTCJ	Transactions between subsidiaries	Operating revenue	RMB 92,709	-	1

Note 1: There is no significant difference between the sales conditions of parent-subsidiary 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.

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES**INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 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.	239,003,072	6.00

Note 1: Table 11 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.