# Winbond Electronics Corporation

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

Deloitte.

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# INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Winbond Electronics Corporation

## Opinion

We have audited the accompanying financial statements of Winbond Electronics Corporation (the "Company"), which comprise the balance sheets as of December 31, 2021 and 2020, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

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

## Basis for Opinion

We conducted our audit 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 Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the 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 Revenue

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 facilities and temporary increase in credit facilities in 2021 as a key audit matter for the year ended December 31, 2021. Refer to Note 4 to the financial statements for the Company'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.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the 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 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

Wen-yea Shyu

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 11, 2022

<u>Notice to Readers</u>

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

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

## WINBOND ELECTRONICS CORPORATION

**BALANCE SHEETS**
**DECEMBER 31, 2021 AND 2020**
**(In Thousands of New Taiwan Dollars)**

| | 2021 | | 2020 | |
|---|---|---|---|---|
| **ASSETS** | **Amount** | **%** | **Amount** | **%** |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Notes 4 and 6) | $ 20,226,289 | 16 | $ 4,818,337 | 5 |
| Current financial assets at fair value through profit or loss (Notes 4 and 7) | 50,057 | - | 38,380 | - |
| Current financial assets at fair value through other comprehensive income (Notes 4 and 8) | 10,977,904 | 9 | 8,802,794 | 9 |
| Notes and accounts receivable, net (Notes 4 and 9) | 5,556,897 | 4 | 3,828,445 | 4 |
| Accounts receivable due from related parties, net (Note 26) | 1,944,639 | 2 | 1,077,501 | 1 |
| Other receivables | 283,312 | - | 248,394 | - |
| Inventories (Notes 4 and 10) | 9,195,814 | 7 | 7,919,624 | 8 |
| Other current assets | 680,687 | 1 | 725,566 | - |
| Total current assets | 48,915,599 | 39 | 27,459,041 | 27 |
| NON-CURRENT ASSETS | | | | |
| Non-current financial assets at fair value through other comprehensive income (Notes 4 and 8) | 29,086 | - | 18,077 | - |
| Investments accounted for using equity method (Notes 4 and 11) | 18,878,347 | 15 | 15,303,118 | 15 |
| Property, plant and equipment (Notes 4 and 12) | 55,352,300 | 44 | 54,399,180 | 55 |
| Right-of-use assets (Notes 4 and 13) | 1,558,921 | 1 | 1,650,011 | 2 |
| Investment properties (Notes 4 and 14) | 285,814 | - | 292,195 | - |
| Intangible assets (Notes 4 and 15) | 43,999 | - | 57,563 | - |
| Deferred income tax assets (Notes 4 and 21) | 445,000 | 1 | 518,000 | 1 |
| Other non-current assets (Note 6) | 435,513 | - | 356,115 | - |
| Total non-current assets | 77,028,980 | 61 | 72,594,259 | 73 |
| TOTAL | $ 125,944,579 | 100 | $ 100,053,300 | 100 |
| **LIABILITIES AND EQUITY** | | | | |
| CURRENT LIABILITIES | | | | |
| Short-term borrowings (Note 16) | $ 1,430,417 | 1 | $ - | - |
| Notes payable | 61,648 | - | 185,729 | - |
| Accounts payable | 3,520,195 | 3 | 3,362,133 | 4 |
| Accounts payable due to related parties (Note 26) | 913,581 | 1 | 877,960 | 1 |
| Payables on machinery and equipment | 4,393,748 | 3 | 2,066,672 | 2 |
| Other payables | 5,157,125 | 4 | 2,350,134 | 2 |
| Current tax liabilities (Note 21) | 2,256,788 | 2 | - | - |
| Lease liabilities - current (Notes 4 and 13) | 75,578 | - | 78,038 | - |
| Long-term borrowings - current portion (Note 16) | 785,000 | 1 | 5,000,000 | 5 |
| Other current liabilities | 93,942 | - | 71,353 | - |
| Total current liabilities | 18,688,022 | 15 | 13,992,019 | 14 |
| NON-CURRENT LIABILITIES | | | | |
| Bonds payable (Notes 4 and 17) | 9,956,086 | 8 | 9,943,848 | 10 |
| Long-term borrowings (Notes 16 and 23) | 11,848,865 | 9 | 7,881,845 | 8 |
| Lease liabilities - non-current (Notes 4 and 13) | 1,535,495 | 1 | 1,604,911 | 2 |
| Net defined benefit liabilities, non-current (Notes 4 and 18) | 944,555 | 1 | 929,544 | 1 |
| Other non-current liabilities | 527,443 | 1 | 252,014 | - |
| Total non-current liabilities | 24,812,444 | 20 | 20,612,162 | 21 |
| Total liabilities | 43,500,466 | 35 | 34,604,181 | 35 |
| EQUITY (Note 19) | | | | |
| Share capital | 39,800,002 | 32 | 39,800,002 | 40 |
| Capital surplus | 7,786,124 | 6 | 7,770,865 | 8 |
| Retained earnings | | | | |
| Legal reserve | 2,074,570 | 2 | 1,913,317 | 2 |
| Unappropriated earnings | 20,733,450 | 16 | 8,094,753 | 8 |
| Exchange differences on translation of foreign financial statements | (861,389) | (1) | (271,328) | (1) |
| Unrealized gains on financial assets measured at fair value through other comprehensive income | 12,911,356 | 10 | 8,141,510 | 8 |
| Total equity | 82,444,113 | 65 | 65,449,119 | 65 |
| TOTAL | $ 125,944,579 | 100 | $ 100,053,300 | 100 |

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

# WINBOND ELECTRONICS CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME
## FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
## (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Amount | % | Amount | % |
| OPERATING REVENUE | $ 57,532,802 | 100 | $ 39,649,875 | 100 |
| OPERATING COSTS (Note 10) | 32,775,614 | 57 | 30,842,706 | 78 |
| GROSS PROFIT | 24,757,188 | 43 | 8,807,169 | 22 |
| OPERATING EXPENSES | | | | |
| Selling expenses | 1,200,719 | 2 | 866,694 | 2 |
| General and administrative expenses | 2,756,183 | 5 | 1,468,085 | 4 |
| Research and development expenses | 6,088,149 | 10 | 5,363,963 | 13 |
| Expected credit loss (Note 9) | 34,000 | - | 17,844 | - |
| Total operating expenses | 10,079,051 | 17 | 7,716,586 | 19 |
| INCOME FROM OPERATIONS | 14,678,137 | 26 | 1,090,583 | 3 |
| NON-OPERATING INCOME AND EXPENSES | | | | |
| Interest income | 25,480 | - | 16,536 | - |
| Dividend income | 336,520 | - | 159,788 | - |
| Other income | 87,948 | - | 75,600 | - |
| Share of profit (loss) of subsidiaries and associates | 1,985,911 | 3 | 550,764 | 1 |
| Gains (losses) on disposal of property, plant and equipment | 41,973 | - | 6,097 | - |
| Gains (losses) on disposal of non-current held for sale assets | 30,371 | - | 27,674 | - |
| Gains (losses) on financial instruments at fair value through profit or loss | 48,733 | - | 76,346 | - |
| Interest expense | (136,158) | - | (224,749) | (1) |
| Other expenses | (165,769) | - | (163,775) | - |
| Gains (losses) on disposal of investments | (436) | - | (16,146) | - |
| Gains (losses) on foreign exchange (Note 30) | (109,015) | - | (136,087) | - |
| Impairment loss recognized on property, plant and equipment (Note 12) | (782,949) | (1) | - | - |
| Impairment loss recognized on intangible assets (Note 15) | - | - | (112,805) | - |
| Total non-operating income and expenses | 1,362,609 | 2 | 259,243 | - |
| INCOME BEFORE INCOME TAX | 16,040,746 | 28 | 1,349,826 | 3 |
| INCOME TAX EXPENSE (Notes 4 and 21) | 2,446,103 | 4 | 45,807 | - |
| NET INCOME | 13,594,643 | 24 | 1,304,019 | 3 |

(Continued)

## WINBOND ELECTRONICS CORPORATION

**STATEMENTS OF COMPREHENSIVE INCOME**
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**
**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | **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 18) | $ (51,661) | - | $ 10,891 | - |
| Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive loss | 2,176,120 | 4 | 1,608,878 | 4 |
| Share of other comprehensive income (loss) of subsidiaries and associates accounted for using equity method | 2,646,694 | 4 | 1,820,322 | 5 |
| Components of other comprehensive income (loss) that will be reclassified to profit or loss: | | | | |
| Exchange differences on translation of foreign financial statements | (22,955) | - | (30,052) | - |
| Share of other comprehensive income (loss) of subsidiaries and associates accounted for using equity method | (567,106) | (1) | (122,030) | - |
| Other comprehensive income (loss) | 4,181,092 | 7 | 3,288,009 | 9 |
| TOTAL COMPREHENSIVE INCOME | $ 17,775,735 | 31 | $ 4,592,028 | 12 |
| EARNINGS PER SHARE (Note 22) | | | | |
| Basic | $ 3.42 | | $ 0.33 | |
| Diluted | $ 3.41 | | $ 0.33 | |

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

## WINBOND ELECTRONICS CORPORATION

**STATEMENTS OF CHANGES IN EQUITY**
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**
**(In Thousands of New Taiwan Dollars)**

| | | | Retained Earnings | | Other Equity | | |
|---|---|---|---|---|---|---|---|
| | Share Capital | Capital Surplus | 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 | Total Equity |
| BALANCE AT JANUARY 1, 2020 | $ 39,800,002 | $ 7,536,396 | $ 1,798,091 | $ 6,995,451 | $ (119,246) | $ 5,009,928 | $ 61,020,622 |
| Appropriation of 2019 earnings | | | | | | | |
| Legal reserve appropriated | - | - | 115,226 | (115,226) | - | - | - |
| Cash dividends | - | - | - | (398,000) | - | - | (398,000) |
| Total appropriations | - | - | 115,226 | (513,226) | - | - | (398,000) |
| Net income for the year ended December 31, 2020 | - | - | - | 1,304,019 | - | - | 1,304,019 |
| Other comprehensive income (loss) for the year ended December 31, 2020 | - | - | - | (5,710) | (152,082) | 3,445,801 | 3,288,009 |
| Total comprehensive income (loss) for the year ended December 31, 2020 | - | - | - | 1,298,309 | (152,082) | 3,445,801 | 4,592,028 |
| Changes in ownership interest in subsidiaries | - | 234,469 | - | - | - | - | 234,469 |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | - | - | - | 314,219 | - | (314,219) | - |
| 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 |
| Appropriation of 2020 earnings | | | | | | | |
| Legal reserve appropriated | - | - | 161,253 | (161,253) | - | - | - |
| Cash dividends | - | - | - | (796,000) | - | - | (796,000) |
| Total appropriations | - | - | 161,253 | (957,253) | - | - | (796,000) |
| Net income for the year ended December 31, 2021 | - | - | - | 13,594,643 | - | - | 13,594,643 |
| Other comprehensive income (loss) for the year ended December 31, 2021 | - | - | - | (92,951) | (590,061) | 4,864,104 | 4,181,092 |
| Total comprehensive income (loss) for the year ended December 31, 2021 | - | - | - | 13,501,692 | (590,061) | 4,864,104 | 17,775,735 |
| Changes in ownership interest in subsidiaries | - | 15,259 | - | - | - | - | 15,259 |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | - | - | - | 94,258 | - | (94,258) | - |
| BALANCE AT DECEMBER 31, 2021 | $ 39,800,002 | $ 7,786,124 | $ 2,074,570 | $ 20,733,450 | $ (861,389) | $ 12,911,356 | $ 82,444,113 |

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

# WINBOND ELECTRONICS CORPORATION

**STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**
**(In Thousands of New Taiwan Dollars)**

| | 2021 | 2020 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before income tax | $ 16,040,746 | $ 1,349,826 |
| Adjustments for: | | |
| Depreciation expense | 10,231,678 | 8,593,723 |
| Amortization expense | 53,712 | 51,065 |
| Expected credit loss recognized on accounts receivable | 34,000 | 17,844 |
| (Gains) losses on financial assets or liabilities at fair value through profit or loss | (11,677) | 31,044 |
| Interest expense | 136,158 | 224,749 |
| Interest income | (25,480) | (16,536) |
| Dividend income | (336,520) | (159,788) |
| Share of (profit) loss of subsidiaries and associates | (1,985,911) | (550,764) |
| (Gains) losses on disposal of investments | 436 | 16,146 |
| (Gains) losses on disposal of property, plant and equipment | (41,973) | (6,097) |
| (Gains) losses on disposal of non-current held for sale assets | (30,371) | (27,674) |
| Impairment loss on property, plant and equipment | 782,949 | - |
| Impairment loss on intangible assets | - | 112,805 |
| Unrealized profit (loss) on the transactions with subsidiaries | 93,720 | 5,754 |
| (Gains) losses on other items | (15) | (1) |
| Changes in operating assets and liabilities | | |
| (Increase) decrease in notes and accounts receivable | (1,762,452) | (906,000) |
| (Increase) decrease in accounts receivable due from related parties | (867,138) | 399,812 |
| (Increase) decrease in other receivables | (56,187) | (23,330) |
| (Increase) decrease in inventories | (1,276,190) | 830,448 |
| (Increase) decrease in other current assets | (204,647) | 173,042 |
| Increase (decrease) in notes payable | (124,081) | 4,377 |
| Increase (decrease) in accounts payable | 158,062 | (126,380) |
| Increase (decrease) in accounts payable due to related parties | 35,621 | (33,569) |
| Increase (decrease) in other payables | 2,804,097 | (60,900) |
| Increase (decrease) in other current liabilities | 22,589 | 3 |
| Increase (decrease) in other non-current liabilities | 27,238 | (14,967) |
| Cash flows generated by (used in) operations | 23,698,364 | 9,884,632 |
| Interest received | 23,337 | 16,464 |
| Dividends received | 1,081,156 | 467,410 |
| Interest paid | (374,197) | (388,527) |
| Income taxes paid | (109,456) | (1,391) |
| Net cash flows generated by (used in) operating activities | 24,319,204 | 9,978,588 |

(Continued)

# WINBOND ELECTRONICS CORPORATION

**STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**
**(In Thousands of New Taiwan Dollars)**

| | 2021 | 2020 |
|---|---|---|
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of financial assets at fair value through other comprehensive income | $ (10,000) | $ (457,202) |
| Proceeds from disposal of financial assets at fair value through other comprehensive income | - | 435,785 |
| Acquisition of investments accounted for using the equity method | (357,898) | (1,471,822) |
| Proceeds from capital reduction of investments accounted for using equity method | 16,116 | 233,640 |
| Acquisition of property, plant and equipment | (9,292,410) | (7,885,047) |
| Proceeds from disposal of property, plant and equipment | 61,082 | 23,143 |
| Acquisition of intangible assets | (6,070) | (62,764) |
| Acquisition of right-of-use assets | - | (6,971) |
| Acquisition of investment properties | (2,712) | (5,754) |
| Proceeds from disposal of non-current held for sale assets | 279,897 | 542,845 |
| (Increase) decrease in refundable deposits | (81,309) | (7,195) |
| Net cash flows generated by (used in) investing activities | (9,393,304) | (8,661,342) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Increase (decrease) in short-term borrowings | 1,430,417 | (1,000,000) |
| Proceeds from long-term borrowings | 4,931,600 | 3,800,000 |
| Repayments of long-term borrowings | (5,000,000) | (4,247,040) |
| Cash dividends paid | (796,000) | (398,000) |
| Repayments of lease liabilities | (83,965) | (78,835) |
| Net cash flows generated by (used in) financing activities | 482,052 | (1,923,875) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 15,407,952 | (606,629) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | 4,818,337 | 5,424,966 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | $ 20,226,289 | $ 4,818,337 |

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

# WINBOND ELECTRONICS CORPORATION

**NOTES TO FINANCIAL STATEMENTS**
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**
**(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) in September 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, 2021 and 2020.

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

## 2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on February 11, 2022.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Statement of Compliance

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

### Basis of Preparation

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

The Company used equity method to account for its investment in subsidiaries and associates for the stand-alone financial statements. The amounts of the net profit, other comprehensive income and total equity in stand-alone financial statements are same with the amounts attributable to the owner of the Company in its consolidated financial statements since there is no difference in accounting treatment between stand-alone basis and consolidated basis.

### 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 Company 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.

### Foreign Currencies

In preparing the financial statements, transactions in currencies other than the entity's functional currency 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 financial statements, the assets and liabilities of the Company's foreign operations (including subsidiaries and associates in other countries that use currencies which are different from the currency of the Company) are translated into New Taiwan dollars using exchange rate prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. The exchange differences arising are recognized in other comprehensive income and accumulated in balance of foreign currency translation of equity.

**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 a Company entity 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 25 to the financial statements.

   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 Company may make an irrevocable selection 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 Company’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 Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivable).

The Company always recognizes lifetime Expected Credit Loss (ECL) on accounts receivable. On all other financial instruments, the Company 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 Company 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 Company 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 Company 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 Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Company 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 fair value through profit or loss when the financial liability is either held for trading or it is measured at fair value through profit or loss. Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in other profit or loss.

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 Company 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 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. Information about fair value of financial instruments

The Company 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 Accounted for Using Equity Method**

Investment accounted for using equity method include investments in subsidiaries and associates.

a. Investment in subsidiaries

Subsidiaries are the entities controlled by the Company.

Under the equity method, the investment in a subsidiary is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company’s share of the profit or loss and other comprehensive income of the subsidiary after the date of acquisition. Besides, the Company also recognizes the Company’s share of the change in other equity of the subsidiary.

Changes in the Company’s ownership interests in subsidiaries that do not result in the Company’s loss of control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amount of the investment and the fair value of the consideration paid or received is recognized directly in equity.

When the Company’s share of losses of a subsidiary equals or exceeds its interest in that subsidiary (which includes any carrying amount of the investment in subsidiary accounted for by the equity method and long-term interests that, in substance, form part of the Company’s net investment in the subsidiary), the Company continues recognizing its share of further losses.

Profits and losses from downstream transactions with a subsidiary are eliminated in full. Profits and losses from upstream transactions with a subsidiary and sidestream transactions between subsidiaries are recognized in the Company’s financial statements only to the extent of interests in the subsidiary that are not related to the Company.

b. Investment in associates

An associate is an entity over which the Company 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 Company 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 Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the Company's share of equity of associates.

Any excess of the cost of acquisition over the Company'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 Company'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 Company 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 Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Company'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 as 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 Company'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 substances, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized 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 Company 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 Company 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 Company transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Company's financial statements only to the extent of interests in the associate that are not related to the Company.

**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 Company'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 to 50 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, Investment Properties, Intangible Assets Other than Goodwill**

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right-of-use asset, investment properties 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 subsequently is reversed, the carrying amount of the asset, 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 for 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 Company 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. For potential product risk, the Company accrues reserve for products guarantee based on commitment to specific customers.

**Revenue Recognition**

The Company 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 Company 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.

**Leases**

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

a. The Company as lessor

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

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

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 Company as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities 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 Company 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 Company 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 Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Company 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 balance sheets.

The Company 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, 2022, 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 Company 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 Company recognizes the reduction in lease payment in profit or loss in the period in which the events or conditions that trigger the concession occurs, and makes a corresponding adjustment to the lease liability.

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 Company 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 Company recognizes as expenses the related costs that the grants intend to compensate. Specifically, government grants whose primary condition is that the Company 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 Company 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 rendered by employees.

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 remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost and net interest on the net defined benefit liability are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

   Net defined benefit liability represents the actual deficit in the Company’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 in the financial statements and the corresponding tax bases used in the computation of taxable profit and it is remeasured 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 Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets 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 Company 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 Company's accounting policies, management is required to make judgments, estimations and assumptions on 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 Company considers the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates in cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. 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 Company’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 on probability of default and loss given default. The Company uses judgement in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company’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 to the financial statements. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

## 6. CASH AND CASH EQUIVALENTS

| | December 31 | |
|---|---|---|
| | **2021** | **2020** |
| Cash and deposits in banks | $ 17,161,232 | $ 3,368,337 |
| Repurchase agreements collateralized by bonds | 3,065,057 | 1,450,000 |
| | $ 20,226,289 | $ 4,818,337 |

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

| | December 31 | |
|---|---|---|
| | **2021** | **2020** |
| Time deposits | $ 127,101 | $ 126,443 |

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

| | December 31 | |
|---|---|---|
| | **2021** | **2020** |
| Financial assets at FVTPL - current | | |
| Derivative financial assets (not under hedge accounting) | | |
| Forward exchange contracts | $ 50,057 | $ 33,531 |
| Foreign exchange swap contracts | - | 4,849 |
| | $ 50,057 | $ 38,380 |

At the end of the reporting period, outstanding forward exchange contracts not under hedge accounting were as follows:

| | Currencies | Maturity Date | Contract Amount (In Thousands) |
|---|---|---|---|
| December 31, 2021 | | | |
| Sell forward exchange contracts | USD to NTD | 2022.01.07-2022.03.04 | USD268,000/NTD7,449,265 |
| Sell forward exchange contracts | RMB to NTD | 2022.01.14-2022.01.21 | RMB75,000/NTD325,655 |
| Buy forward exchange contracts | NTD to USD | 2022.02.17-2022.02.25 | NTD965,550/USD35,000 |
| December 31, 2020 | | | |
| Sell forward exchange contracts | USD to NTD | 2021.01.08-2021.03.26 | USD166,000/NTD4,712,935 |
| 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 | USD49,000/NTD1,387,299 |

The Company 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 Company did not meet the criteria for hedge accounting; therefore, the Company did not apply hedge accounting treatment.

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Equity instruments at FVTOCI:

| | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Domestic listed and emerging stocks | | |
| Walsin Lihwa Corporation | $ 5,883,000 | $ 4,284,600 |
| Hannstar Display Corporation | 2,715,004 | 1,845,003 |
| Walsin Technology Corporation | 1,436,219 | 1,982,327 |
| Walton Advanced Engineering Inc. | 943,681 | 690,864 |
| Domestic unlisted stocks | 29,086 | 18,077 |
| | $ 11,006,990 | $ 8,820,871 |
| Current | $ 10,977,904 | $ 8,802,794 |
| Non-current | 29,086 | 18,077 |
| | $ 11,006,990 | $ 8,820,871 |

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the management decided 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 Company's strategy of holding these investments for long-term purposes.

For the year ended December 31, 2021, the Company did not dispose the shares for the adjustment of the investment position. For the year ended December 31, 2020, the Company disposed the shares for the adjustment of the investment position, and the unrealized gains on financial assets at fair value through other comprehensive income of NT$257,641 thousand were transferred to retained earnings.

For the years ended December 31, 2021 and 2020, the dividend income were NT$336,520 thousand and NT$159,788 thousand, respectively. The dividend income were all related to investments held at December 31, 2021 and 2020.

## 9. NOTES AND ACCOUNTS RECEIVABLE

| | December 31 | |
|---|---|---|
| | **2021** | **2020** |
| Notes receivable | $ - | $ 262 |
| Accounts receivable | | |
| At amortized cost | | |
| Gross carrying amount | 5,671,897 | 3,909,183 |
| Less: Allowance for impairment loss | (115,000) | (81,000) |
| Total accounts receivable | 5,556,897 | 3,828,183 |
| Total notes and accounts receivable | $ 5,556,897 | $ 3,828,445 |

The average credit period of sales of goods was 30 to 60 days. No interest was charged on accounts receivable. The Company 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 Company uses other publicly available financial information and its own trading records to rate its major customers. The Company'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 Company 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 Company 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 Company's credit risk was significantly reduced.

The Company 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 Company estimates expected credit losses based on past due days. As the Company'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 Company's different customer base.

The Company 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 Company 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 Company's provision matrix.

December 31, 2021

| | 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 | $ 5,464,287 | $ 201,323 | $ 6,287 | $ - | $ - | $ 5,671,897 |
| Loss allowance (Lifetime ECL) | (110,345) | (4,026) | (629) | - | - | (115,000) |
| Amortized cost | $ 5,353,942 | $ 197,297 | $ 5,658 | $ - | $ - | $ 5,556,897 |

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 | 2% | 2% | 10% | 20% | 100% | |
| Gross carrying amount | $ 3,770,952 | $ 114,133 | $ 24,098 | $ - | $ - | $ 3,909,183 |
| Loss allowance (Lifetime ECL) | (76,307) | (2,283) | (2,410) | - | - | (81,000) |
| Amortized cost | $ 3,694,645 | $ 111,850 | $ 21,688 | $ - | $ - | $ 3,828,183 |

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

| | 2021 | 2020 |
|---|---|---|
| Balance at January 1 | $ 81,000 | $ 82,000 |
| Add: Recognized impairment loss | 34,000 | 17,844 |
| Less: Amounts written off | - | (18,844) |
| Balance at December 31 | $ 115,000 | $ 81,000 |

## 10. INVENTORIES

| | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Finished goods | $ 1,847,501 | $ 1,308,980 |
| Work-in-process | 6,656,812 | 5,979,784 |
| Raw materials and supplies | 691,445 | 630,225 |
| Inventories in transit | 56 | 635 |
| | $ 9,195,814 | $ 7,919,624 |

a. Operating costs for the years ended December 31, 2021 and 2020 included inventory reversal of for the decline in market value, obsolescence and scrap of inventories were NT$642,892 thousand and NT$56,957 thousand, respectively. The increase in net realizable value of inventory decreased operating costs due to the improvement of the condition that the net realizable value of inventory were lower than operating cost and obsolescence.

b. Unallocated fixed manufacturing costs recognized as cost of sales for the years ended December 31, 2021 and 2020 were NT$543,075 thousand and NT$724,920 thousand, respectively.

## 11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

| | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Investments in subsidiaries | $ 10,591,884 | $ 9,061,329 |
| Investments in associates | 8,286,463 | 6,241,789 |
| | $ 18,878,347 | $ 15,303,118 |

a. Investments in subsidiaries

| Name of Subsidiaries | December 31 | | | |
|---|---|---|---|---|
| | 2021 | | 2020 | |
| | Carrying Value | Ownership Percentage | Carrying Value | Ownership Percentage |
| Listed companies | | | | |
| Nuvoton Technology Corporation (“NTC”) | $ 7,844,763 | 51% | $ 6,349,803 | 55% |
| Unlisted companies | | | | |
| Winbond International Corporation (“WIC”) | 1,666,124 | 100% | 1,396,823 | 100% |
| Winbond Electronics (H.K.) Limited (“WEHK”) | 435,975 | 100% | 570,123 | 100% |
| Miraxia Edge Technology Corporation (“METC”) | 168,518 | 100% | - | - |
| Landmark Group Holdings Ltd. (“Landmark”) | 151,284 | 100% | 377,539 | 100% |
| Great Target Development Ltd. (“GTD”) | 132,662 | 100% | 138,284 | 100% |
| Callisto Holding Limited (“Callisto”) | 103,563 | 100% | 121,876 | 100% |
| Winbond Technology Ltd. (“WTL”) | 62,301 | 100% | 77,647 | 100% |
| Winbond Electronics Germany GmbH (“WEG”) | 23,791 | 100% | 26,066 | 100% |
| Pine Capital Investment Limited (“PCI”) | 2,903 | 100% | 3,168 | 100% |
| | $ 10,591,884 | | $ 9,061,329 | |

Refer to Table 7 for information of above subsidiaries’ company name, main business and products, and registered location.

1) The fair value of investment in subsidiaries for which there are published price quotations, based on closing price of those investments at the balance sheet date, are summarized as follows:

| Name of Subsidiary | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| NTC | $ 30,308,604 | $ 10,199,597 |

2) On August 21, 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 NT$38 per share and directly owned 55% of interest. Additionally, in May 2020, NTC issued 20 thousand units of unsecured convertible bonds in Taiwan. During 2021, due to the conversion of unsecured convertible bonds by the bondholders, the ownership directly held by the Company dropped to 51% as of December 31, 2021.

3) In September 2020, the board of directors of WIC resolved the capital reductions for the repayment of shares in the amount of NT$233,640 thousand.

4) The Company acquired 100% ownership interest of METC from the sub-subsidiary NTCJ on November 1, 2021. Since the ultimate parent company remain the same, the acquired transaction was classified as a reorganization. The Company has provided the financial information of the subsidiaries acquired in the consolidated financial statements. The stand-alone financial statements do not provide such information.

5) In May 2020 GTD board of directors resolved to issue 10 thousand ordinary shares with a par value of US$1. After the issuance, the company still holds 100% ownership of GTD.

6) TDC filed for liquidation in June 2019 and the date of dissolution was on June 10, 2019. The liquidation procedures were completed on April 1, 2021.

7) In 2021 and 2020, the Company recognized shares of subsidiaries' profit in the amounts of NT$1,788,003 thousand and NT$488,208 thousand, respectively.

b. Investments in associates

1) Aggregate information of associates that are not individually material

| | December 31 | |
|---|---|---|
| | **2021** | **2020** |
| Associates that are not individually material | | |
| Chin Xin Investment Co., Ltd. | $ 8,257,867 | $ 6,211,869 |
| Hwa Bao Botanic Conservation Corp. | 28,596 | 29,920 |
| | $ 8,286,463 | $ 6,241,789 |

On September 24, 2020, the board of directors of Hwa Bao Botanic Conservation Corp. ("Hwa Bao") resolved to additionally issue 19,500 thousand ordinary shares. The Company subscribed 2,925 thousand shares of the ordinary shares with a par value of NT$10. As of December 31, 2021, 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 41% consolidated ownership interest of Hwa Bao.

As of December 31, 2021, the Company held 182,841 thousand shares of Chin Xin Investment Co., Ltd. with a 38% ownership interest.

2) Aggregate information of associates that are not individually material

| | For the Year Ended December 31 | |
|---|---|---|
| | 2021 | 2020 |
| The Company's share of: | | |
| Profit from continuing operations for the year | $ 197,908 | $ 62,556 |
| Other comprehensive income (loss) | 1,901,619 | 1,692,465 |
| Total comprehensive income | $ 2,099,527 | $ 1,755,021 |

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, 2021 and 2020 were based on the subsidiaries' and associates' financial statements audited by independent auditors.

## 12. PROPERTY, PLANT AND EQUIPMENT

| | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Land | $ 1,012,705 | $ 977,945 |
| Buildings | 9,571,018 | 10,682,437 |
| Machinery and equipment | 27,329,533 | 32,649,257 |
| Other equipment | 741,850 | 623,194 |
| Construction in progress and prepayments for purchase of equipment | 16,697,194 | 9,466,347 |
| | $ 55,352,300 | $ 54,399,180 |

| | Land | Buildings | Machinery and Equipment | Other Equipment | Construction in Progress and Prepayments on Purchase of Equipment | Total |
|---|---|---|---|---|---|---|
| Cost | | | | | | |
| Balance at January 1, 2021 | $ 977,945 | $ 26,197,116 | $ 118,930,247 | $ 3,770,476 | $ 9,466,347 | $ 159,342,131 |
| Additions | 34,760 | 246,696 | 3,818,896 | 320,930 | 7,450,872 | 11,872,154 |
| Disposals | - | - | (771,690) | (7,943) | - | (779,633) |
| Reclassified | - | 116,690 | 100,215 | 3,120 | (220,025) | - |
| Balance at December 31, 2021 | $ 1,012,705 | $ 26,560,502 | $ 122,077,668 | $ 4,086,583 | $ 16,697,194 | $ 170,434,652 |
| Accumulated depreciation and impairment | | | | | | |
| Balance at January 1, 2021 | $ - | $ 15,514,679 | $ 86,280,990 | $ 3,147,282 | $ - | $ 104,942,951 |
| Depreciation expense | - | 1,474,805 | 8,436,818 | 205,353 | - | 10,116,976 |
| Disposals | - | - | (752,622) | (7,902) | - | (760,524) |
| Impairment loss | - | - | 782,949 | - | - | 782,949 |
| Balance at December 31, 2021 | $ - | $ 16,989,484 | $ 94,748,135 | $ 3,344,733 | $ - | $ 115,082,352 |
| Cost | | | | | | |
| Balance at January 1, 2020 | $ 977,945 | $ 25,398,614 | $ 115,264,079 | $ 3,566,267 | $ 7,572,082 | $ 152,778,987 |
| Additions | - | 574,471 | 4,138,367 | 227,125 | 3,432,191 | 8,372,154 |
| Disposals | - | (271) | (616,116) | (28,378) | - | (644,765) |
| Reclassified | - | 224,302 | 143,917 | 5,462 | (1,537,926) | (1,164,245) |
| Balance at December 31, 2020 | $ 977,945 | $ 26,197,116 | $ 118,930,247 | $ 3,770,476 | $ 9,466,347 | $ 159,342,131 |
| Accumulated depreciation and impairment | | | | | | |
| Balance at January 1, 2020 | $ - | $ 14,283,403 | $ 79,807,532 | $ 2,996,647 | $ - | $ 97,087,582 |
| Depreciation expense | - | 1,231,328 | 7,078,731 | 173,029 | - | 8,483,088 |
| Disposals | - | (52) | (605,273) | (22,394) | - | (627,719) |
| Balance at December 31, 2020 | $ - | $ 15,514,679 | $ 86,280,990 | $ 3,147,282 | $ - | $ 104,942,951 |

a. As of December 31, 2021 and 2020, the carrying amounts of NT$9,507,995 thousand and NT$22,133,327 thousand of property, plant and equipment were pledged to secure long-term borrowings and corporate bonds.

b. Information about capitalized interest

| | For the Year Ended December 31 | |
|---|---|---|
| | **2021** | **2020** |
| Capitalized interest amounts | $ 252,668 | $ 175,838 |
| Capitalized interest rate | 1.79%-1.89% | 1.79%-1.81% |

c. For the year ended December 31, 2021, the Company recognized an impairment loss of NT$782,949 thousand for certain machinery and equipment which will not be used in the future after evaluation.

## 13. LEASE ARRANGEMENTS

a. Right-of-use assets

| | December 31 | |
|---|---|---|
| | **2021** | **2020** |
| Carrying amounts | | |
| Land | $ 1,544,632 | $ 1,626,955 |
| Buildings | 4,454 | 10,160 |
| Other equipment | 9,835 | 12,896 |
| | $ 1,558,921 | $ 1,650,011 |

| | For the Year Ended December 31 | |
|---|---|---|
| | **2021** | **2020** |
| Additions to right-of-use assets | $ 13,306 | $ 47,240 |
| Depreciation charge for right-of-use assets | | |
| Land | $ 82,323 | $ 82,323 |
| Buildings | 9,944 | 6,396 |
| Other equipment | 11,431 | 11,195 |
| | $ 103,698 | $ 99,914 |

b. Lease liabilities

| | December 31 | |
|---|---|---|
| | **2021** | **2020** |
| Carrying amounts | | |
| Current | $ 75,578 | $ 78,038 |
| Non-current | $ 1,535,495 | $ 1,604,911 |

Range of discount rate for lease liabilities are as follows:

| | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Land | 2.47% | 2.47% |
| Buildings | 0.9%-1.6% | 1.27%-1.6% |
| Other equipment | 0.9%-1.86% | 1.27%-1.86% |

For the years ended December 31, 2021 and 2020 the interest expense under lease liabilities amounted to NT$39,538 thousand and NT$41,260 thousand, respectively.

c. Material lease-in activities and terms

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

d. Other lease information

| | For the Year Ended December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Expenses relating to short-term leases | $ 1,885 | $ 6,409 |
| Expenses relating to variable lease payments not included in the measurement of lease liabilities | $ 13,569 | $ 16,762 |
| Total cash outflow for leases | $ 139,461 | $ 150,345 |

The Company leases certain building qualify as short-term leases and certain other equipment qualify as low-value lease. The Company has selected to apply the recognition exemption and, thus, did not recognize right-of-use assets and lease liabilities for these leases.

## 14. INVESTMENT PROPERTIES

| | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Investment properties, net | $ 285,814 | $ 292,195 |

The Company has been subleasing its offices located in Hsinchu to its subsidiary, NTC, since November 2019, which was classified as operating lease with lease terms of 5 years and with an extension option. As of December 31, 2021, the fair value of such investment properties was approximately NT$359,731 thousand, which was referred by the neighborhood transactions.

| | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Cost | | |
| Balance at January 1 | $ 302,341 | $ 296,587 |
| Additions | 2,712 | 5,754 |
| Balance at December 31 | $ 305,053 | $ 302,341 |

(Continued)

| | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Accumulated depreciation and impairment | | |
| Balance at January 1 | $ 10,146 | $ 1,336 |
| Depreciation expense | 9,093 | 8,810 |
| Balance at December 31 | $ 19,239 | $ 10,146 |

(Concluded)

## 15. INTANGIBLE ASSETS

| | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Deferred technical assets, net | $ 16,248 | $ 27,838 |
| Other intangible assets | 27,751 | 29,725 |
| | $ 43,999 | $ 57,563 |

| | Deferred Technical Assets | Other Intangible Assets | Total |
|---|---|---|---|
| Cost | | | |
| Balance at January 1, 2021 | $ 17,900,729 | $ 35,670 | $ 17,936,399 |
| Additions | - | 6,071 | 6,071 |
| Balance at December 31, 2021 | $ 17,900,729 | $ 41,741 | $ 17,942,470 |
| Accumulated amortization and impairment | | | |
| Balance at January 1, 2021 | $ 17,872,891 | $ 5,945 | $ 17,878,836 |
| Amortization expense | 11,590 | 8,045 | 19,635 |
| Balance at December 31, 2021 | $ 17,884,481 | $ 13,990 | $ 17,898,471 |
| Cost | | | |
| Balance at January 1, 2020 | $ 17,873,635 | $ - | $ 17,873,635 |
| Additions | 27,094 | 35,670 | 62,764 |
| Balance at December 31, 2020 | $ 17,900,729 | $ 35,670 | $ 17,936,399 |
| Accumulated amortization and impairment | | | |
| Balance at January 1, 2020 | $ 17,749,686 | $ - | $ 17,749,686 |
| Amortization expense | 10,400 | 5,945 | 16,345 |
| Impairment losses | 112,805 | - | 112,805 |
| Balance at December 31, 2020 | $ 17,872,891 | $ 5,945 | $ 17,878,836 |

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 lives 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.

For the year ended December 31, 2020, the Company recognized an impairment loss of NT$112,805 thousand for certain deferred technical assets which will have no future economic benefits.

## 16. BORROWINGS

a. Short-term borrowings

| | December 31 | | | |
|---|---|---|---|---|
| | 2021 | | 2020 | |
| | Interest Rate % | Amount | Interest Rate % | Amount |
| Bank lines of credit | 0.30-0.48 | $ 1,430,417 | - | $ - |

b. Long-term borrowings

| | Period | Interest Rate | December 31 2021 | December 31 2020 |
|---|---|---|---|---|
| Secured borrowings | | | | |
| Bank of Taiwan syndicated loan (IV) | 2016.08.15-2021.12.29 | 1.79%-1.81% | $ - | $ 5,000,000 |
| Bank of Taiwan syndicated loan (V) | 2019.01.14-2026.09.19 | 1.89% | 7,850,000 | 7,050,000 |
| Unsecured borrowings | | | | |
| Government grants (Note 23) | 2020.12.28-2028.11.15 | 0.50%-0.70% | 5,131,600 | 1,000,000 |
| | | | 12,981,600 | 13,050,000 |
| Less: Current portion | | | (785,000) | (5,000,000) |
| Less: Syndication agreement management fee | | | (74,250) | (108,327) |
| Less: Government loan discount (Note 23) | | | (273,485) | (59,828) |
| | | | $ 11,848,865 | $ 7,881,845 |

1) 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 NT$10 billion and NT$2 billion, respectively; and the total line of credit amounted to NT$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. On October 25, 2021, the loan had been fully repaid in advance.

c) Refer to Note 12 to the financial statements for collateral on bank borrowings.

2) 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 NT$42 billion. The principal will be repaid every six months from September 19, 2022 until maturity.

b) Refer to Note 12 to the financial statements for collateral on bank borrowings.

3) 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 government grants. The computations of financial ratios mentioned above are done based on the audited (reviewed) consolidated financial statements.

## 17. BONDS PAYABLE

| | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Domestic secured bonds | $ 10,000,000 | $ 10,000,000 |
| Less: Discounts on bonds payable | (43,914) | (56,152) |
| | $ 9,956,086 | $ 9,943,848 |

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 NT$10 billion. 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 billion | 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 12 for collateral of 12-inch Fab Manufacturing facilities on corporate bonds.

## 18. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Company 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.

b. Defined benefit plan

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contribute amounts equal to 2% 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 amount included in the balance sheet in respect of the Company's obligation to its defined benefit plan was as follows:

| | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Present value of the defined benefit obligation | $ 1,522,597 | $ 1,525,037 |
| Fair value of the plan assets | (578,042) | (595,493) |
| Net defined benefit liabilities, non-current | $ 944,555 | $ 929,544 |

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, 2021 | $ 1,525,037 | $ (595,493) | $ 929,544 |
| Service cost | | | |
| Current service cost | 25,883 | - | 25,883 |
| Net interest expense (income) | 6,028 | (2,346) | 3,682 |
| Recognized in profit or loss | 31,911 | (2,346) | 29,565 |
| Remeasurement | | | |
| Actuarial (gain) loss | | | |
| - realized rate greater than the discounted rate | - | (8,116) | (8,116) |
| - changes in financial assumptions | (61,284) | - | (61,284) |
| - changes in demographic assumptions | 41,795 | - | 41,795 |
| - experience adjustments | 79,266 | - | 79,266 |
| Recognized in other comprehensive income | 59,777 | (8,116) | 51,661 |
| Contributions from the employer | - | (37,306) | (37,306) |
| Benefits paid | (65,219) | 65,219 | - |
| Settlements | (28,909) | - | (28,909) |
| Balance at December 31, 2021 | $ 1,522,597 | $ (578,042) | $ 944,555 |
| Balance at January 1, 2020 | $ 1,543,793 | $ (591,018) | $ 952,775 |
| Service cost | | | |
| Current service cost | 30,479 | - | 30,479 |
| Net interest expense (income) | 11,420 | (4,351) | 7,069 |
| Recognized in profit or loss | 41,899 | (4,351) | 37,548 |
| Remeasurement | | | |
| Actuarial (gain) loss | | | |
| - realized rate greater than the discounted rate | - | (19,889) | (19,889) |
| - changes in financial assumptions | 53,893 | - | 53,893 |
| - experience adjustments | (44,895) | - | (44,895) |
| Recognized in other comprehensive income | 8,998 | (19,889) | (10,891) |
| Contributions from the employer | - | (22,590) | (22,590) |
| Benefits paid | (42,355) | 42,355 | - |
| Settlements | (27,298) | - | (27,298) |
| Balance at December 31, 2020 | $ 1,525,037 | $ (595,493) | $ 929,544 |

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 | |
|---|---|---|
| | 2021 | 2020 |
| Operating cost | $ 12,901 | $ 16,276 |
| Selling expenses | 1,902 | 2,482 |
| General and administrative expenses | 5,043 | 6,375 |
| Research and development expenses | 9,719 | 12,415 |
| | $ 29,565 | $ 37,548 |

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

1) Investment risk: The plan assets are invested in domestic/and foreign/equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

| | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Discount rate | 0.80% | 0.40% |
| Expected rate of salary increase | 1.00%-3.00% | 1.00%-3.00% |

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:

| | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Discount rate | | |
| 0.5% increase | $ (71,998) | $ (76,177) |
| 0.5% decrease | $ 77,146 | $ 81,750 |
| Expected rate of salary | | |
| 0.5% increase | $ 75,229 | $ 79,506 |
| 0.5% decrease | $ (70,991) | $ (74,821) |

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

| | December 31 | |
|---|---|---|
| | **2021** | **2020** |
| The expected contribution to the plan for the next year | $ 19,088 | $ 17,764 |
| The average duration of defined benefit obligation | 10.10 years | 10.30 years |

## 19. EQUITY

a. Share capital

Common stock

| | December 31 | |
|---|---|---|
| | **2021** | **2020** |
| Number of shares authorized (in thousands) | 6,700,000 | 6,700,000 |
| Shares authorized | $ 67,000,000 | $ 67,000,000 |
| Number of shares issued and fully paid (in thousands) | 3,980,000 | 3,980,000 |
| Shares issued | $ 39,800,002 | $ 39,800,002 |

As of December 31, 2021 and 2020, the balance of the Company's capital account amounted to NT$39,800,002 thousand, divided into 3,980,000 thousand common shares with a par value of NT$10.

b. Capital surplus

| | December 31 | |
|---|---|---|
| | **2021** | **2020** |
| 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 |
| May only be used to offset a deficit | | |
| Arising from changes in percentage of ownership interest in subsidiaries | 251,726 | 236,467 |
| 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 | 30,749 | 30,749 |
| | $ 7,786,124 | $ 7,770,865 |

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 August 12, 2021 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 (The Company shall not issue dividends if the dividend is less than NT$0.1.), 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 (February 11, 2022), the appropriation of earnings for 2021 are not subjected.

The appropriations of earnings and the dividends per share for 2020 and 2019 were approved in the shareholders' meeting on August 12, 2021 and June 12, 2020, respectively, as follows:

| | **Appropriation of Earnings** | | **Dividends Per Share (NT$)** | |
|---|---|---|---|---|
| | **For Year 2020** | **For Year 2019** | **For Year 2020** | **For Year 2019** |
| Legal reserve appropriated | $ 161,253 | $ 115,226 | | |
| Cash dividends | 796,000 | 398,000 | $ 0.2 | $ 0.1 |
| | $ 957,253 | $ 513,226 | | |

d. Other equity items

1) Exchange differences on translation of foreign financial statements

| | **For the Year Ended December 31** | |
|---|---|---|
| | **2021** | **2020** |
| Balance at January 1 | $ (271,328) | $ (119,246) |
| Exchange differences arising on translating the financial statements of foreign operations | (22,955) | (30,052) |
| Share of exchange difference of subsidiaries and associates accounted for using the equity method | (567,106) | (122,030) |
| Balance at December 31 | $ (861,389) | $ (271,328) |

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

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

| | For the Year Ended December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Balance at January 1 | $ 8,141,510 | $ 5,009,928 |
| Unrealized gains (losses) on revaluation of financial assets at FVTOCI | 2,176,120 | 1,608,878 |
| Share of unrealized gains (losses) on revaluation of financial assets at FVTOCI of associates accounted for using equity method | 2,687,984 | 1,836,923 |
| Disposal of investments in equity instruments designated at FVTOCI | (94,258) | (314,219) |
| Balance at December 31 | $ 12,911,356 | $ 8,141,510 |

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.

## 20. EMPLOYEE BENEFITS EXPENSE, DEPRECIATION, AND AMORTIZATION

| | For the Year Ended December 31, 2021 | | | |
|---|---|---|---|---|
| | Classified as Operating Costs | Classified as Operating Expenses | Classified as Non-operating Income and Losses | Total |
| Short-term employee benefits | | | | |
| Salary | $ 3,201,718 | $ 4,338,035 | $ - | $ 7,539,753 |
| Insurance | $ 158,572 | $ 176,911 | $ - | $ 335,483 |
| Board compensation | $ - | $ 173,929 | $ - | $ 173,929 |
| Post-employment benefits | | | | |
| Pension | $ 106,604 | $ 115,800 | $ - | $ 222,404 |
| Depreciation | $ 9,246,634 | $ 974,041 | $ 11,003 | $ 10,231,678 |
| Amortization | $ - | $ 19,635 | $ 34,077 | $ 53,712 |

| | For the Year Ended December 31, 2020 | | | |
|---|---|---|---|---|
| | Classified as Operating Costs | Classified as Operating Expenses | Classified as Non-operating Income and Losses | Total |
| Short-term employee benefits | | | | |
| Salary | $ 1,841,139 | $ 2,328,947 | $ - | $ 4,170,086 |
| Insurance | $ 132,343 | $ 143,502 | $ - | $ 275,845 |
| Board compensation | $ - | $ 20,115 | $ - | $ 20,115 |
| Post-employment benefits | | | | |
| Pension | $ 103,096 | $ 111,796 | $ - | $ 214,892 |
| Depreciation | $ 7,765,178 | $ 817,824 | $ 10,721 | $ 8,593,723 |
| Amortization | $ - | $ 16,345 | $ 34,720 | $ 51,065 |

There were 3,257 and 2,907 employees in the Company as of December 31, 2021 and 2020, respectively. There were 8 full time board directors as of December 31, 2021 and 2020.

As of December 31, 2021 and 2020, the average employee benefits and average salaries and wages were NT$2,492 thousand and NT$1,608 thousand, NT$2,321 thousand and NT$1,438 thousand, respectively. The average salaries and wages increase 61%.

The Company has established the Audit Committee. There was neither supervisors nor remuneration to supervisors.

The remuneration policies of the Company were as follows:

1) 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.

2) 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.

3) 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. The remuneration of employees may be distributed in stock or cash upon resolution of the board of directors and reported to the shareholders' meeting. 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, 2021 and 2020, the employees' compensation and remuneration of directors were as follows:

| | For the Year Ended December 31 | | | |
|---|---|---|---|---|
| | 2021 | | 2020 | |
| | Amounts | Accrual Rate | Amounts | Accrual Rate |
| Employees' compensation | $ 330,737 | 2% | $ 27,831 | 2% |
| Remuneration of directors | $ 165,369 | 1% | $ 13,916 | 1% |

If there is a change in the proposed amounts after the annual 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 2020 and 2019 were approved by the Company's board of directors on March 16, 2021 and April 30, 2020, respectively, were as below:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2020 | 2019 |
| Employees' compensation | $ 27,831 | $ 28,038 |
| Remuneration of directors | $ 13,916 | $ 14,019 |

There was no difference between the amounts of the compensation of employees and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2020 and 2019.

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.

## 21. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Current income tax expense | | |
| Current tax expense | $ 2,356,684 | $ - |
| Adjustment for prior years | 16,419 | (88,193) |
| Deferred income tax | | |
| Current tax expense | 73,000 | 134,000 |
| Income tax expense recognized in profit or loss | $ 2,446,103 | $ 45,807 |

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

| | For the Year Ended December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Income tax expense from continuing operations at the statutory rate | $ 3,208,000 | $ 270,000 |
| Tax effect of adjustment item | | |
| Permanent differences | (422,316) | (123,000) |
| Current income tax expense | 2,785,684 | 147,000 |
| Unrecognized loss carryforwards, investment credits and deductible temporary differences | (356,000) | (13,000) |
| Adjustment for prior years' income tax expense | 16,419 | (88,193) |
| Tax expense recognized in profit or loss | $ 2,446,103 | $ 45,807 |

Based on the Income Tax Act in the ROC, the corporate income tax rate is 20%.

b. Current tax assets and liabilities

| | December 31 | |
|---|---|---|
| | **2021** | **2020** |
| Current income tax assets | | |
| Tax refund receivable (recorded as “other receivables”) | $ 2,337 | $ 9,197 |
| Current income tax liabilities | | |
| Income tax payable | $ 2,256,788 | $ - |

c. Deferred tax assets

As of December 31, 2021 and 2020, deferred tax assets were as follows:

| | December 31 | |
|---|---|---|
| | **2021** | **2020** |
| Deferred tax assets | | |
| Operating loss carryforwards | $ - | $ 109,000 |
| Temporary differences | | |
| Allowance for loss on inventories | 172,000 | 307,000 |
| Others | 273,000 | 102,000 |
| | $ 445,000 | $ 518,000 |

d. 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.

e. Tax return assessments

The tax returns through 2019 have been assessed and approved by the tax authorities.

## 22. EARNINGS PER SHARE

| | For the Year Ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | **2021** | | | **2020** | | |
| | **Amounts (Numerator) Net profit** | **Shares (Denominator) (In Thousands)** | **Earnings Per Share (NT$) Net profit** | **Amounts (Numerator) Net profit** | **Shares (Denominator) (In Thousands)** | **Earnings Per Share (NT$) Net profit** |
| Basic earnings per share | | | | | | |
| Net income attributed to common shareholders | $ 13,594,643 | 3,980,000 | $ 3.42 | $ 1,304,019 | 3,980,000 | $ 0.33 |
| Effect of dilutive potential common shares | | | | | | |
| Employees’ compensation | - | 9,728 | | - | 958 | |
| Diluted earnings per share | | | | | | |
| Net income attributed to common shareholders | $ 13,594,643 | 3,989,728 | $ 3.41 | $ 1,304,019 | 3,980,958 | $ 0.33 |

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.

## 23. GOVERNMENT GRANTS

As of December 31, 2021, the Company received government loan of NT$5,131,600 thousand at a below-market rate of interest, which is 0.5%-0.7%. It will be used in purchase of machinery and equipments and turnovers of operating capital. The loan is repayable over a seven-year period. Using prevailing market interest rates for an equivalent loan of 1.79%-1.89%, the fair value of the loan was estimated at NT$4,837,630 thousand on initial recognition. The difference of NT$293,970 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. For the year ended December 31,2021, the other income under government grants were amounts of NT$20,485 thousand, and the interest expense under loans were amounts of NT$30,607 thousand.

## 24. CAPITAL MANAGEMENT

The Company’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.

## 25. 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 discounted cash flow of income approach and 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 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, 2021

| | Carrying Amount | Fair Value Level 1 | Fair Value Level 2 | Fair Value Level 3 | Fair Value Total |
|---|---|---|---|---|---|
| Financial liabilities | | | | | |
| Financial liabilities measured at amortized cost | | | | | |
| Bonds payable | $ 9,956,086 | $ - | $ 9,956,086 | $ - | $ 9,956,086 |

Fair value hierarchy as at December 31, 2020

| | Carrying Amount | Fair Value Level 1 | Fair Value Level 2 | Fair Value Level 3 | Fair Value Total |
|---|---|---|---|---|---|
| Financial liabilities | | | | | |
| Financial liabilities measured at amortized cost | | | | | |
| Bonds payable | $ 9,943,848 | $ - | $ 9,943,848 | $ - | $ 9,943,848 |

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

Fair value hierarchy as at December 31, 2021

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at FVTPL | | | | |
| Derivative financial assets (not under hedge accounting) | $ - | $ 50,057 | $ - | $ 50,057 |
| Financial assets at FVTOCI | | | | |
| Equity securities | | | | |
| Domestic listed and emerging securities | $ 10,977,904 | $ - | $ - | $ 10,977,904 |
| Domestic unlisted securities | - | 21,010 | 8,076 | 29,086 |
| | $ 10,977,904 | $ 21,010 | $ 8,076 | $ 11,006,990 |

Fair value hierarchy as at December 31, 2020

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at FVTPL | | | | |
| Derivative financial assets (not under hedge accounting) | $ - | $ 38,380 | $ - | $ 38,380 |
| Financial assets at FVTOCI | | | | |
| Equity securities | | | | |
| Domestic listed and emerging securities | $ 8,802,794 | $ - | $ - | $ 8,802,794 |
| Domestic unlisted securities | - | 17,970 | 107 | 18,077 |
| | $ 8,802,794 | $ 17,970 | $ 107 | $ 8,820,871 |

5) Reconciliation of Level 3 fair value measurements of financial instruments

The financial assets measured at Level 3 fair value were equity investments classified as financial assets at FVTOCI. Reconciliations for the year ended December 31, 2021 and 2020 were as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Balance at January 1 | $ 107 | $ 236 |
| Additions | 10,000 | - |
| Recognized in other comprehensive income | (2,031) | (129) |
| Balance at December 31 | $ 8,076 | $ 107 |

b. Categories of financial instruments

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

| | December 31 | | | |
|---|---|---|---|---|
| | 2021 | | 2020 | |
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Financial assets | | | | |
| Measured at amortized cost | | | | |
| Cash and cash equivalents | $ 20,226,289 | $ 20,226,289 | $ 4,818,337 | $ 4,818,337 |
| Notes and accounts receivable (included related parties) | 7,501,536 | 7,501,536 | 4,905,946 | 4,905,946 |
| Other receivables | 283,312 | 283,312 | 248,394 | 248,394 |
| Refundable deposits (recorded in other non-current assets) | 380,255 | 380,255 | 298,946 | 298,946 |
| Financial assets at fair value through profit or loss | 50,057 | 50,057 | 38,380 | 38,380 |
| Financial assets at fair value through other comprehensive income (current and non-current) | 11,006,990 | 11,006,990 | 8,820,871 | 8,820,871 |

(Continued)

| | December 31 | | | |
|---|---|---|---|---|
| | 2021 | | 2020 | |
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Financial liabilities | | | | |
| Measured at amortized cost | | | | |
| Short-term borrowings | $ 1,430,417 | $ 1,430,417 | $ - | $ - |
| Notes and accounts payable (included related parties) | 4,495,424 | 4,495,424 | 4,425,822 | 4,425,822 |
| Payable on equipment and other payables | 9,550,873 | 9,550,873 | 4,416,806 | 4,416,806 |
| Bonds payable | 9,956,086 | 9,956,086 | 9,943,848 | 9,943,848 |
| Long-term borrowings (included current portion) | 12,981,600 | 12,981,600 | 13,050,000 | 13,050,000 |
| Guarantee deposits (recorded in other non-current liabilities) | 1,810 | 1,810 | 1,810 | 1,810 |

(Concluded)

c. Financial risk management objectives and policies

The Company'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 Company 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 Company's policies approved by the board of directors, which provided 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 Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company uses forward foreign exchange contracts to hedge the foreign currency risk on export.

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

a) Foreign currency risk

The Company 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 US dollars, there would be impact on net income increase in the amounts of NT$71,384 thousand and NT$41,583 thousand for the years ended December 31, 2021 and 2020. For a 1% weakening of New Taiwan dollars against EURO, there would be impact on net income decrease in the amounts of NT$14,950 thousand and NT$148 thousand for the years ended December 31, 2021 and 2020, respectively.

b) Interest rate risk

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

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

| | December 31 | |
|---|---|---|
| | **2021** | **2020** |
| Cash flow interest rate risk | | |
| Financial liabilities | $ 14,199,041 | $ 13,050,000 |

The sensitivity analyses below were determined based on the Company'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 Company's cash flows would increase by NT$141,990 thousand and NT$130,500 thousand for the years ended December 31, 2021 and 2020, respectively.

2) Credit risk

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

The Company 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 Company 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 Company reviews the recoverable amount of each individual accounts receivable 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 Company consider that the Company's credit risk was significantly reduced.

3) Liquidity risk

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

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

| | December 31, 2021 | | | |
|---|---|---|---|---|
| | **Within 1 Year** | **1-2 Years** | **Over 2 Years** | **Total** |
| Non-interest bearing | $ 14,046,296 | $ 1,810 | $ - | $ 14,048,106 |
| Lease liabilities | 114,444 | 108,298 | 1,789,192 | 2,011,934 |
| Variable interest rate liabilities | 2,002,441 | 1,570,000 | 10,626,600 | 14,199,041 |
| Fixed interest rate liabilities | 212,976 | - | 10,000,000 | 10,212,976 |
| | $ 16,376,157 | $ 1,680,108 | $ 22,415,792 | $ 40,472,057 |

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 | $ 222,742 | $ 320,784 | $ 528,984 | $ 528,890 | $ 410,534 |

| | December 31, 2020 | | | |
|---|---|---|---|---|
| | Within 1 Year | 1-2 Years | Over 2 Years | Total |
| Non-interest bearing | $ 8,842,629 | $ 1,810 | $ - | $ 8,844,439 |
| Lease liabilities | 117, 539 | 112,838 | 1,892,723 | 2,123,100 |
| Variable interest rate liabilities | 5,000,000 | 705,000 | 7,345,000 | 13,050,000 |
| Fixed interest rate liabilities | - | - | 10,000,000 | 10,000,000 |
| | $ 13,960,168 | $ 819,648 | $ 19,237,723 | $ 34,017,539 |

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 | $ 230,377 | $ 318,631 | $ 528,890 | $ 528,890 | $ 516,312 |

## 26. RELATED PARTY TRANSACTIONS

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

| Related Party | Relationship with the Company |
|---|---|
| Walsin Lihwa Corporation | Investor that exercises significant influence over the Company |
| WEHK | Subsidiary |
| WEG | Subsidiary |
| WTL | Subsidiary |
| Callisto | Subsidiary |
| Winbond Electronics (Suzhou) Limited (“WECN”) | Subsidiary |
| Winbond Electronics Corporation America (“WECA”) | Subsidiary |
| Winbond Electronics Corporation Japan (“WECJ”) | Subsidiary |
| NTC | Subsidiary |
| METC | Subsidiary |
| TDC | Subsidiary (June 10, 2019 as the date of liquidation and completed the liquidation and legal procedures on April 1, 2021) |
| Nuvoton Technology Corporation Japan (“NTCJ”) | Sub-subsidiary |
| Chin Xin Investment Co., Ltd. | Associate |
| Hwa Bao Botanic Conservation Corp. | Associate |
| Walton Advanced Engineering Inc. | Related party in substance |
| Walton Advanced Engineering (Suzhou) Inc. | Related party in substance |
| HannStar Display Corporation | Related party in substance |
| Walsin Technology Corporation | Related party in substance |
| Harbinger III Venture Capital Corp. | Related party in substance |

b. Operating activities

| | For the Year Ended December 31 | |
|---|---|---|
| | 2021 | 2020 |
| 1) Operating revenue | | |
| Subsidiaries | | |
| WEHK | $ 9,936,348 | $ 9,959,520 |
| WECJ | 5,884,031 | 4,090,095 |
| WECN | 4,022,285 | 1,503,988 |
| Others | 1,983,885 | 835,995 |
| | $ 21,826,549 | $ 16,389,598 |
| 2) Manufacturing expenses | | |
| Related party in substance | | |
| Walton Advanced Engineering Inc. | $ 3,244,368 | $ 3,222,665 |
| Others | 570,694 | 548,435 |
| | $ 3,815,062 | $ 3,771,100 |
| 3) Selling expenses | | |
| Subsidiaries | | |
| WECA | $ 229,478 | $ 180,869 |
| Others | 73,887 | 48,649 |
| Related party in substance | 335 | - |
| | $ 303,700 | $ 229,518 |
| 4) General and administrative expenses | | |
| Investor that exercises significant influence over the Company | $ 13,788 | $ 12,146 |
| Subsidiaries | 3,977 | 4,253 |
| Related party in substance | - | 628 |
| | $ 17,765 | $ 17,027 |
| 5) Research and development expenses | | |
| Subsidiaries | $ 853,873 | $ 922,377 |
| 6) Dividend income | | |
| Investor that exercises significant influence over the Company | | |
| Walsin Lihwa Corporation | $ 199,800 | $ 112,351 |
| Related party in substance | | |
| HannStar Display Corporation | 75,000 | - |
| Walsin Technology Corporation | 51,707 | 47,301 |
| Others | 10,013 | 136 |
| | $ 336,520 | $ 159,788 |

| | For the Year Ended December 31 | |
|---|---|---|
| | 2021 | 2020 |
| 7) Other income | | |
| Associate | $ 64 | $ 72 |
| Subsidiaries | | |
| NTC | 26,282 | 21,748 |
| Related party in substance | 971 | 2,345 |
| | $ 27,317 | $ 24,165 |

| | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| 8) Accounts receivable due from related parties | | |
| Subsidiaries | | |
| WEHK | $ 840,586 | $ 684,631 |
| WECJ | 703,787 | 288,362 |
| WECA | 303,816 | 1,456 |
| Others | 96,450 | 103,052 |
| | $ 1,944,639 | $ 1,077,501 |
| 9) Accounts payable to related parties | | |
| Related party in substance | | |
| Walton Advanced Engineering Inc. | $ 814,340 | $ 782,278 |
| Others | 99,241 | 95,682 |
| | $ 913,581 | $ 877,960 |
| 10) Other receivables and other current assets | | |
| Subsidiaries | $ 21,817 | $ 26,550 |
| Related party in substance | 154 | - |
| | $ 21,971 | $ 26,550 |
| 11) Other payables | | |
| Subsidiaries | $ 207,530 | $ 198,090 |
| Related party in substance | 31,922 | 34,269 |
| Investor that exercises significant influence over the Company | 4 | - |
| | $ 239,456 | $ 232,359 |

| | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| 12) Refundable deposits paid (recorded as "other non-current assets") | | |
| Subsidiaries | $ 545 | $ 545 |
| Investor that exercises significant influence over the Company | 203 | 203 |
| | $ 748 | $ 748 |
| 13) Refundable deposits received (recorded as "other non-current liabilities") | | |
| Subsidiaries | $ 1,780 | $ 1,780 |

The Company's transactions with the related party were conducted under normal terms.

c. Disposals of property, plant and equipment

| | Disposal Price For the Year Ended December 31 | | Gain (Loss) on Disposal For the Year Ended December 31 | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Related party in substance | $ 479 | $ - | $ 479 | $ - |

d. Acquisition of financial assets

For the year ended December 31, 2021

| | Line Item | Number of Shares | Underlying Assets | Purchase Price |
|---|---|---|---|---|
| Sub-subsidiary | Investments accounted for using equity method | 4,000 shares | METC | $ 357,898 |

e. Lease arrangements

| | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| 1) Acquisition of right-of-use assets | | |
| Subsidiaries | $ 197 | $ 268 |
| Related party in substance | 1,350 | - |
| | $ 1,547 | $ 268 |

| | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| 2) Lease liabilities | | |
| Subsidiaries | $ 3,867 | $ 7,674 |
| Investor that exercises significant influence over the Company | - | 2,642 |
| Related party in substance | 678 | - |
| | $ 4,545 | $ 10,316 |

| | For the Year Ended December 31 | |
|---|---|---|
| | 2021 | 2020 |
| 3) Interest expense | | |
| Subsidiaries | $ 91 | $ 145 |
| Investor that exercises significant influence over the Company | 19 | 59 |
| Related party in substance | 9 | - |
| | $ 119 | $ 204 |

f. Subleasing

Refer to Note 14.

g. Compensation of key management personnel

| | For the Year Ended December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Short-term employment benefits | $ 334,753 | $ 96,700 |
| Post-employment benefits | 18,154 | 39,230 |
| | $ 352,907 | $ 135,930 |

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

## 27. PLEDGED AND COLLATERALIZED ASSETS

Refer to Notes 6 and 12 to the financial statements.

## 28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant contingent liabilities and unrecognized commitments of the Company 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, 2021 and 2020 were approximately US$75,493 thousand and US$5,535 thousand, JPY310,190 thousand and JPY246,613 thousand and EUR550 thousand and EUR0 thousand, respectively.

b. Signed construction contract

| | Total Contract Price | Payment as of December 31, 2021 |
|---|---|---|
| TASA Construction Corporation | $ 8,829,621 | $ 8,263,896 |

## 29. OTHER ITEMS

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 Company has evaluated that there is no significant impact on the overall business operation and financial position of the Company. There are no concerns about the ability of the Company to going concern, assets impairment and fund-raising risks.

## 30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Company 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 | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | | 2020 | | |
| | Foreign Currencies (In Thousands) | Exchange Rate | New Taiwan Dollars (In Thousands) | Foreign Currencies (In Thousands) | Exchange Rate | New Taiwan Dollars (In Thousands) |
| Financial assets | | | | | | |
| Monetary items | | | | | | |
| USD | $ 356,115 | 27.68 | $ 9,857,260 | $ 215,190 | 28.48 | $ 6,128,609 |
| EUR | 1,202 | 31.32 | 37,645 | 2,267 | 35.02 | 79,389 |
| JPY | 1,850,370 | 0.2405 | 445,014 | 1,521,857 | 0.2763 | 420,489 |
| RMB | 124,519 | 4.344 | 540,912 | 77,858 | 4.377 | 340,785 |
| Non-monetary items | | | | | | |
| USD | 19,492 | 27.68 | 539,527 | 24,297 | 28.48 | 691,983 |
| EUR | 760 | 31.32 | 23,791 | 744 | 35.02 | 26,066 |
| JPY | 700,608 | 0.2405 | 168,518 | - | - | - |
| ILS | 7,007 | 8.8912 | 62,301 | 8,810 | 8.8712 | 78,154 |
| Financial liabilities | | | | | | |
| Monetary items | | | | | | |
| USD | 98,224 | 27.68 | 2,718,845 | 69,184 | 28.48 | 1,970,348 |
| EUR | 48,935 | 31.32 | 1,532,653 | 2,689 | 35.02 | 94,185 |
| JPY | 2,704,144 | 0.2405 | 650,347 | 1,375,402 | 0.2763 | 380,024 |
| ILS | 2,098 | 8.8912 | 18,654 | 2,774 | 8.8712 | 24,604 |

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

| | For the Year Ended December 31 | |
|---|---|---|
| **Foreign Currencies** | **2021** | **2020** |
| USD | $ (131,846) | $ (195,107) |
| RMB | 14,699 | 51,691 |
| | $ (117,147) | $ (143,416) |

## 31. ADDITIONAL DISCLOSURE

a. Following are the additional disclosures for material transactions for the Company:

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

b. Information on investments: Refer to Table 7.

c. Information on investment in mainland China

| | | |
|---|---|---|
| 1) | The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits (losses) of investee, ending balance, amount received as dividends from the investee, and the limitation on investee. | Table 8 |
| 2) | Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports.<br><br>a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.<br><br>b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.<br><br>c) The amount of property transactions and the amount of the resultant gains or losses.<br><br>d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.<br><br>e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds.<br><br>f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services. | Table 8 |

d. Information on major shareholders: Refer to Table 9 attached.

## 32. SEGMENT INFORMATION

The Company has provided the financial information of the operating segments in the consolidated financial statements. These parent company only financial statements do not provide such information.

## WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

**ENDORSEMENTS/GUARANTEES PROVIDED**
**FOR THE YEAR ENDED DECEMBER 31, 2021**
**(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

| No. | Endorser/Guarantor | Endorsee/Guarantee | | Limit on Endorsement/ Guarantee Given on Behalf of Each Party | Maximum Amount Endorsed/ Guaranteed During the Period | Outstanding Endorsement/ Guarantee at the End of the Period | Actual Borrowing Amount | Amount Endorsed/ Guaranteed by Collateral | Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%) | Aggregate Endorsement/ Guarantee Limit | Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries | Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent | Endorsement/ Guarantee Given on Behalf of Companies in Mainland China | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Name | Relationship | | | | | | | | | | | |
| 0 | Winbond Electronics Corporation (“WEC”) | NTCJ | NTC’s indirect subsidiary with 100% ownership | $ 16,442,318<br>(Note 1) | $ 11,080,076<br>(JPY 46,071,000)<br>(Note 3) | $ 11,080,076<br>(JPY 46,071,000)<br>(Note 3) | $ -<br>(JPY -) | $ - | 13.44 | $ 41,222,057<br>(Note 5) | Y | N | N | |
| 1 | NTC | NTCJ | Subsidiary | 15,554,690<br>(Note 2) | 2,411,350<br>(JPY 8,300,000)<br>and<br>(USD 15,000)<br>(Note 4) | 1,413,275<br>(JPY 4,150,000)<br>and<br>(USD 15,000)<br>(Note 4) | 159,306<br>(JPY 662,000)<br>and<br>(USD 3)<br>(Note 4) | - | 9.09 | 15,554,690<br>(Note 6) | Y | N | N | |
| 1 | NTC | NTSH | Subsidiary | 15,554,690<br>(Note 2) | 2,302,320<br>(RMB 530,000)<br>(Note 4) | -<br>-<br>(Note 4) | - | - | - | 15,554,690<br>(Note 6) | Y | N | Y | |

Note 1: WEC’s maximum amount endorsed are limited to 30% 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 latest financial statements of NTC.

**TABLE 2**

## WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

**MARKETABLE SECURITIES HELD**
**DECEMBER 31, 2021**
**(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, 2021 | | | | Note |
|---|---|---|---|---|---|---|---|---|
| | | | | Shares/Units | Carrying Amount | Percentage of Ownership (%) | Fair Value | |
| WEC | Shares | | | | | | | |
| | 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 | $ 5,883,000 | 6 | $ 5,883,000 | |
| | Hannstar Display Corporation | The investee's chairman are relatives within the second degree of relationship of WEC's chairman. | 〃 | 150,000,210 | 2,715,004 | 5 | 2,715,004 | |
| | Walsin Technology Corporation | The investee's chairman are relatives within the second degree of relationship of WEC's chairman. | 〃 | 8,600,117 | 1,436,219 | 2 | 1,436,219 | |
| | 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 | 943,681 | 10 | 943,681 | |
| | Shares | | | | | | | |
| | His Chu Golf Country Club | None | Non-current financial assets at fair value through other comprehensive income | 3 | 11,910 | - | 11,910 | |
| | Linkou Golf Course | 〃 | 〃 | 1 | 9,100 | - | 9,100 | |
| | Intellectual Property Innovation Corporation | 〃 | 〃 | 1,000,000 | 7,963 | 10 | 7,963 | |
| | Harbinger III Venture Capital Corp. | WEC as the investee's supervisor | 〃 | 5,440 | 113 | 5 | 113 | |
| | Smart Catch International Co., Ltd. | None | 〃 | 4,000,000 | - | 16 | - | |
| WECA | Shares | | | | | | | |
| | Kneron Holding Company | None | Current financial assets at fair value through profit or loss | 377,808 | USD 2,000 | 1 | USD 2,000 | |
| | Funds | | | | | | | |
| | Vanguard Short-Term Corporate Bond ETF (VCSH) | None | Current financial assets at fair value through profit or loss | 24,000 | USD 1,950 | - | USD 1,950 | |
| | iShares National Muni Bond ETF (MUB) | 〃 | 〃 | 17,000 | USD 1,977 | - | USD 1,977 | |
| | JVP VIII, L.P. | 〃 | Non-current financial assets at fair value through other comprehensive income | - | USD 17,849 | 7 | USD 17,849 | |
| | JVP X Funds | 〃 | 〃 | - | USD 9,789 | 4 | USD 9,789 | |
| WECJ | Shares | | | | | | | |
| | Nihon Computer Co., Ltd. | None | Non-current financial assets at fair value through other comprehensive income | 10 | JPY - | 1 | JPY - | |

(Continued)

| Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | December 31, 2021 | | | | Note |
|---|---|---|---|---|---|---|---|---|
| | | | | Shares/Units | Carrying Amount | Percentage of Ownership (%) | Fair Value | |
| 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 | |
| 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 | 675,000 | 10,840 | 5 | 10,840 | |
| | Brightek Optoelectronic Co., Ltd. | None | 〃 | 34,680 | 1,933 | - | 1,933 | |
| | United Industrial Gases Co., Ltd. | The held company as the investee’s director | 〃 | 8,800,000 | 598,400 | 4 | 598,400 | |
| | Autotalks Ltd. - Preferred E. Share | None | 〃 | 3,932,816 | 553,600 | 9 | 553,600 | |
| | <u>Warrants</u> | | | | | | | |
| | Autotalks Ltd. | None | Non-current financial assets at fair value through profit or loss | - | 69,200 | - | 69,200 | |
| 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 | 255,750 | 5 | 255,750 | |
| NTCJ | <u>Shares</u> | | | | | | | |
| | Symetrix Corporation | None | Non-current financial assets at fair value through other comprehensive income | 50,268 | - | 1 | - | |
| | Tower Partners Semiconductor Co., Ltd. (“TPSCo.”) | Related party in substance | 〃 | 14,700 | 1,255,651 | 49 | 1,255,651 | Note 1 |

Note 1: Under the business combination arrangement, if TPSCo. turns net profit during the period of the effective date of the acquisition (September 1, 2020) to March 31, 2022, NTCJ is required to pay Panasonic Corporation the net profit based on ownership share. Thus, NTCJ has no significant influence over TPSCo. during the period of the effective date of the acquisition to March 31, 2022. TPSCo. was recognized as non-current financial assets at fair value through other comprehensive income.

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

(Concluded)

## WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

**MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL**
**FOR THE YEAR ENDED DECEMBER 31, 2021**
**(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 | Miraxia Edge Technology Corporation | Investments accounted for using equity method | NTCJ | Sub-subsidiary | - | $ - | 4,000 | $ 357,898 (Note 1)<br>Investments accounted for using equity method - NTC (97,887)<br>Capital surplus - changes in ownership interests in subsidiaries (92,351)<br>Investment income or loss 3,837<br>Cumulative translation adjustments (2,979) | - | $ - | $ - | $ - | 4,000 | $ 168,518 |
| NTCJ | Miraxia Edge Technology Corporation | Investments accounted for using equity method | WEC | Parent | 4,000 | 313,282 | - | Investment income or loss 109,206<br>Cash dividends paid (216,893)<br>Cumulative translation adjustments (37,935) | 4,000 | 357,898<br>JPY(1,462,000) | 167,660 | Disposal income or loss -<br>Capital surplus adjustments 190,238 | - | - |

Note 1: The acquisition of 100% ownership of METC from NTCJ was approved by WEC's board meeting on September 23, 2021. The acquisition date was set on November 1, 2021.

TABLE 4

## WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

**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, 2021**
**(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 | 2021.01.21-2021.10.22 | $ 1,586,619 | 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 | 2021.01.21-2021.12.18 | 954,331 | 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 | 2021.01.21-2021.12.18 | 552,756 | 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 | 2021.02.08-2021.12.22 | 404,755 | Monthly settlement by the construction progress and acceptance | Marketech International Corporation | None | N/A | N/A | N/A | N/A | Price comparison and price negotiation | Business purpose | None |
| | Buildings | 2021.04.01-2021.11.02 | 335,913 | Monthly settlement by the construction progress and acceptance | Confederate Technology Co., Ltd. | None | N/A | N/A | N/A | N/A | Price comparison and price negotiation | Business purpose | None |
| | Buildings | 2021.05.24-2021.09.10 | 314,093 | Monthly settlement by the construction progress and acceptance | Mega Union Technology Incorporated | None | N/A | N/A | N/A | N/A | Price comparison and price negotiation | Business purpose | None |

## WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

### TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
### FOR THE YEAR ENDED DECEMBER 31, 2021
### (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 | $ 9,936,348 | 17 | Net 90 days from invoice date | N/A | N/A | $ 840,586 | 11 | |
| | WECJ | Indirect subsidiary with 100% ownership | Sales | 5,884,031 | 10 | Net 90 days from invoice date | N/A | N/A | 703,787 | 9 | |
| | WECN | Indirect subsidiary with 100% ownership | Sales | 4,022,285 | 7 | Net 90 days from invoice date | N/A | N/A | 58,397 | 1 | |
| | WECA | Indirect subsidiary with 100% ownership | Sales | 1,611,534 | 3 | Net 90 days from invoice date | N/A | N/A | 303,816 | 4 | |
| | NTC | Direct subsidiary with 51% ownership | Sales | 368,050 | 1 | Net 30 days from invoice date | N/A | N/A | 36,222 | - | |
| WEHK | WEC | Parent company | Purchases | USD 355,379 | 100 | Net 90 days from invoice date | N/A | N/A | USD (30,368) | (100) | |
| WECJ | WEC | Parent company | Purchases | JPY 23,153,263 | 99 | Net 90 days from invoice date | N/A | N/A | JPY (2,924,514) | (98) | |
| WECN | WEC | Parent company | Purchases | RMB 932,288 | 100 | Net 90 days from invoice date | N/A | N/A | RMB (13,443) | (100) | |
| WECA | WEC | Parent company | Purchases | USD 57,801 | 100 | Net 90 days from invoice date | N/A | N/A | USD (10,985) | (99) | |
| NTC | WEC | Parent company | Purchases | 368,505 | 8 | Net 30 days from invoice date | N/A | N/A | (36,060) | (2) | |
| NTC | NTHK | NTC's direct subsidiary with 100% ownership | Sales | 5,223,300 | 40 | Net 90 days from invoice date | N/A | N/A | 36,138 | 3 | |
| NTC | Nyquest Technology Co., Ltd. | Related party in substance | Sales | 264,399 | 2 | Net 45 days from invoice date | N/A | N/A | 52,397 | 4 | |
| NTCJ | NTC | Parent company | Sales | USD 10,527 | 1 | Net 15 days end of the month | N/A | N/A | JPY 287,475 | 3 | |
| NTC | NTCJ | NTC's indirect subsidiary with 100% ownership | Purchases | 292,813 | 6 | Net 15 days end of the month | N/A | N/A | (71,813) | (4) | |
| NTHK | NTC | Parent company | Purchases | USD 187,021 | 100 | Net 90 days from invoice date | N/A | N/A | USD (1,306) | (100) | |
| NTSPL | NTCJ | NTC's indirect subsidiary with 100% ownership | Sales | USD 105,641 | 34 | Net 10 days end of the month | N/A | N/A | USD 12,322 | 43 | |
| NTCJ | NTSPL | NTC's direct subsidiary with 100% ownership | Purchases | JPY 11,336,071 | 25 | Net 10 days end of the month | N/A | N/A | JPY (1,418,194) | (10) | |
| | NTSPL | NTC's direct subsidiary with 100% ownership | Sales | JPY 21,243,879 | 23 | Net 10 days end of the month | N/A | N/A | JPY 1,856,012 | 17 | |

(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 | |
| NTSPL | NTCJ | NTC's indirect subsidiary with 100% ownership | Purchases | USD 195,084 | 67 | Net 10 days end of the month | N/A | N/A | USD (16,126) | (65) | |
| NTCJ | NTSH | NTC's indirect subsidiary with 100% ownership | Sales | JPY 4,168,163 | 5 | Net 15 days end of the month | N/A | N/A | - | - | |
| NTSH | NTCJ | NTC's indirect subsidiary with 100% ownership | Purchases | JPY 4,168,163 | 100 | Net 15 days end of the month | N/A | N/A | - | - | |
| | NTCJ | NTC's indirect subsidiary with 100% ownership | Sales | RMB 84,688 | 20 | Net 15 days end of the month | N/A | N/A | - | - | |
| NTCJ | NTSH | NTC's direct subsidiary with 100% ownership | Purchases | RMB 84,688 | 3 | Net 15 days end of the month | N/A | N/A | - | - | |
| | TPSCo. | Related party in substance | Purchases | JPY 24,707,241 | 55 | Net 10 days end of the month | N/A | N/A | JPY (1,650,615) | (22) | |
| | Waltech Advanced Engineering (Suzhou) Ltd. | Related party in substance | Sales | JPY 12,925,853 | 14 | Net 10 days end of the month | N/A | N/A | JPY 2,284,284 | 21 | |
| NTSPL | Waltech Advanced Engineering (Suzhou) Ltd. | Related party in substance | Purchases | USD 3,984 | 1 | Net 10 days end of the month | N/A | N/A | USD (537) | (2) | |
| NTSH | Waltech Advanced Engineering (Suzhou) Ltd. | Related party in substance | Sales | RMB 33,736 | 8 | Net 15 days end of the month | N/A | N/A | - | - | |

(Concluded)

# WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL**
**DECEMBER 31, 2021**
**(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 | $ 840,586 | 13.03 | $ - | - | $ 523,422 | $ - |
| | WECJ | Indirect subsidiary with 100% ownership | 703,787 | 11.86 | - | - | - | - |
| | WECA | Indirect subsidiary with 100% ownership | 303,816 | 10.56 | - | - | 139,895 | - |
| NTSPL | NTCJ | NTC's indirect subsidiary with 100% ownership | USD 12,322 | 10.84 | - | - | USD 12,322 | - |
| NTCJ | NTSPL | NTC's direct subsidiary with 100% ownership | JPY 1,856,012 | 12.39 | - | - | JPY 1,856,012 | - |
| AMTC | NTCJ | NTC's indirect subsidiary with 100% ownership | JPY 577,004 | 7.02 | - | - | JPY 577,004 | - |
| NTIL | NTC | Direct subsidiary with 51% ownership | ILS 20,700 | (Note) | - | - | ILS 20,700 | - |
| NTCJ | Waltech Advanced Engineering (Suzhou) Ltd. | Related party in substance | JPY 2,284,284 | 15.09 | - | - | JPY 2,284,284 | - |
| | TPSCo. | Related party in substance | JPY 1,093,377 | (Note) | - | - | JPY 1,093,377 | - |

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

## WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

**NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)**
**FOR THE YEAR ENDED DECEMBER 31, 2021**
**(In Thousands of New Taiwan Dollars and Foreign Currencies)**

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | As of December 31, 2021 | | | Net Income (Loss) of the Investee | Share of Profit (Loss) | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | December 31, 2021 | December 31, 2020 | Number of Shares | % | Carrying Amount | | | |
| Winbond Electronics Corp. | Nuvoton Technology Corporation | Taiwan | Research, design, development, manufacture and marketing of Logic IC, 6 inch wafer product, test, and OEM | $ 4,436,920 | $ 4,436,920 | 214,954,635 | 51.00 | $ 7,844,763 | $ 2,940,752 | $ 1,538,577 | |
| | Winbond International Corporation | British Virgin Islands | Investment holding | 2,758,517 | 2,758,517 | 87,960,000 | 100.00 | 1,666,124 | 49,679 | 49,679 | |
| | Winbond Electronics (HK) Limited | Hong Kong | Sales of semiconductor and investment holding | 278,158 | 278,158 | 71,150,000 | 100.00 | 435,975 | 164,093 | 164,088 | |
| | Miraxia Edge Technology Corporation | Japan | Software and hardware integration design of semiconductor | 167,660 | - | 4,000 | 100.00 | 168,518 | 113,043 | 3,837 | (Note 1) |
| | Landmark Group Holdings Ltd. | British Virgin Islands | Investment holding | 168,755 | 168,755 | 5,343,000 | 100.00 | 151,284 | 35,702 | 35,702 | |
| | Great Target Development Ltd. | Seychelles | Investment holding | 155,663 | 155,663 | 4,470,000 | 100.00 | 132,662 | (653) | (653) | |
| | Callisto Holding Limited | Hong Kong | Electronic commerce and investment holding | 156,292 | 156,292 | 40,000,000 | 100.00 | 103,563 | (15,646) | (15,646) | |
| | Winbond Technology Ltd. | Israel | Design and service of semiconductor | 21,242 | 21,242 | 100,000 | 100.00 | 62,301 | 12,176 | 12,176 | |
| | Winbond Electronics Germany GmbH | Germany | Marketing service of semiconductor | 28,679 | 28,679 | 850,000 | 100.00 | 23,791 | 508 | 508 | |
| | Pine Capital Investment Limited | Hong Kong | Investment holding | 2,967 | 2,967 | 780,000 | 100.00 | 2,903 | (265) | (265) | |
| | Chin Xin Investment Co., Ltd. | Taiwan | Investment holding | 1,874,825 | 1,874,825 | 182,840,999 | 38.00 | 8,257,867 | 528,594 | 199,232 | |
| | Hwa Bao Botanic Conservation Corp. | Taiwan | Agriculture and forestry botanic conservation | 30,000 | 30,000 | 3,000,000 | 15.00 | 28,596 | (8,827) | (1,324) | |
| 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 | 100.00 | 1,696,567 | 49,885 | 49,885 | |
| Landmark Group Holdings Ltd. | Winbond Electronics Corporation Japan | Yokohama, Japan | Research, development, sales and after-sales service of semiconductor | 112,644 | 112,644 | 2,970 | 100.00 | 162,662 | 93,780 | 93,780 | |
| Callisto Holding Limited | Callisto Technology Limited | Hong Kong | Electronic commerce and investment holding | 30,895 | 30,895 | 1,000,000 | 100.00 | 27,543 | (196) | (196) | |
| | | | | USD 1,000 | USD 1,000 | | | USD 995 | USD (7) | USD (7) | |
| Great Target Development Ltd. | GLMTD Technology Private Limited | India | Sales and service of semiconductor | 135,415 | 135,415 | 27,998,400 | 99.99 | 103,082 | (436) | (436) | |
| Nuvoton Technology Corporation | Nuvoton Electronics Technology (H.K.) Limited | Hong Kong | Sales of semiconductor | 427,092 | 427,092 | 107,400,000 | 100.00 | 508,077 | 44,719 | 44,719 | |
| | Marketplace Management Limited | British Virgin Islands | Investment holding | 274,987 | 273,418 | 8,897,789 | 100.00 | 298,146 | 176,494 | 176,494 | |
| | Nuvoton Investment Holding Ltd. | British Virgin Islands | Investment holding | 590,953 | 590,953 | 17,960,000 | 100.00 | 360,342 | 56,889 | 56,889 | |
| | Song Yong Investment Corporation | Taiwan | Investment holding | 38,500 | 38,500 | 3,850,000 | 100.00 | 277,340 | 5,847 | 5,847 | |
| | Nuvoton Technology India Private Limited | India | Design, sales and service of semiconductor | 30,211 | 30,211 | 600,000 | 100.00 | 20,532 | 131 | 131 | |
| | Nuvoton Technology Corporation America | United States of America | Design, sales and service of semiconductor | 190,862 | 190,862 | 60,500 | 100.00 | 180,225 | 3,427 | 3,427 | |
| | Nuvoton Technology Singapore Pte. Ltd. | Singapore | Design, sales and service of semiconductor | 1,319,054 | 1,094,134 | 45,100,000 | 100.00 | 1,607,079 | 336,971 | 336,971 | |
| | Nuvoton Technology Korea Limited | Korea | Design, sales and service of semiconductor | 30,828 | 30,828 | 125,000 | 100.00 | 11,201 | (15,029) | (15,029) | |
| | Nuvoton Technology Holdings Japan | Japan | Investment holding | 5,927,849 | 5,941,896 | 100 | 100.00 | 6,370,802 | 323,476 | 81,815 | (Note 2) |
| Marketplace Management Limited | Goldbond LLC | United States of America | Investment holding | 1,473,559 | 1,472,903 | - | 100.00 | 297,599 | 176,817 | 176,817 | |
| Nuvoton Investment Holding Ltd. | Nuvoton Technology Israel Ltd. | Israel | Design and service of semiconductor | 46,905 | 46,905 | 1,000 | 100.00 | 361,619 | 56,985 | 56,985 | |
| Nuvoton Technology Holdings Japan | Nuvoton Technology Corporation Japan | Japan | Design, sales and service of semiconductor | 111,520 | 111,520 | 9,480 | 100.00 | 10,961,545 | 323,113 | 323,113 | |
| Nuvoton Technology Corporation Japan | Miraxia Edge Technology Corporation | Japan | Design and service of semiconductor | - | 55,760 | - | - | - | 113,043 | 109,206 | (Note 1) |
| | Atfields Manufacturing Technology Corporation | Japan | Design and service of semiconductor | 55,760 | 55,760 | 4,000 | 100.00 | 278,266 | 137,018 | 137,018 | |

Note 1: The acquisition of 100% ownership of METC from NTCJ was approved by WEC's board meeting on September 23, 2021. The acquisition date was set on November 1, 2021.

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

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

# WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

**INFORMATION ON INVESTMENT IN MAINLAND CHINA**
**FOR THE YEAR ENDED DECEMBER 31, 2021**
**(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, 2021 | Remittance of Funds | | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021 | Net Income of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Note 1) | Carrying Amount as of December 31, 2021 | Accumulated Repatriation of Investment Income as of December 31, 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | 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 | $ 54,195 | 100 | $ 54,195 | $ 374,943 | $ 35,880 |
| NTC | Nuvoton Electronics Technology (Shanghai) Limited | Provide project of sale in China and repairing, testing and consulting of software and leasing business | 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 | 177,178 | 51 | 90,733 | 153,777 | - |
| | 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 | - | 51 | - | (1,533) (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 | 8,805 | 51 | 4,509 | 110,968 | - |
| NTSH | Song Zhi Electronics Technology (Suzhou) | Provide development, consult and equipment lease of semiconductor | 8,688 CNY 2,000 (Note 3) | Through investing in NTSH in the third area, which then invested in the investee in mainland China indirectly | - (Note 3) | - | - | - | (582) | 51 | (298) | 4,150 | - |

Note 1: Investment profit or loss for the year ended December 31, 2021 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, 2021, which is reclassified to other non-current liabilities.

Note 3: NTSH directly 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, 2021 | 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) | $ 49,466,468 |
| NTC | 282,135 (USD8,500) | 282,135 (USD8,500) | 9,332,814 |

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

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

**TABLE 9**

# WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

## INFORMATION OF MAJOR SHAREHOLDERS
## DECEMBER 31, 2021

| Name of Major Shareholder | Shares | |
|---|---|---|
| | Number of Shares | Percentage of Ownership (%) |
| Walsin Lihwa Corporation | 883,848,423 | 22.20 |
| Chin Xin Investment Co., Ltd. | 240,003,072 | 6.03 |

Note 1: Table 9 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.