

**Winbond Electronics Corporation and
Subsidiaries**

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

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Winbond Electronics Corporation

Introduction

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

Scope of Review

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

Conclusion

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

The engagement partners on the reviews resulting in this independent auditors' review report are Kuo-Tyan Hong and Wen-Yea Shyu.

The image shows two handwritten signatures in black ink. The signature on the left is 'Kuo-Tyan Hong' and the signature on the right is 'Wen-Yea Shyu'. Both are written in a cursive, flowing style.

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 3, 2022

Notice to Readers

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

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

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	September 30, 2022 (Reviewed)		December 31, 2021 (Audited)		September 30, 2021 (Reviewed)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 18,290,658	10	\$ 30,914,427	20	\$ 22,340,398	16
Current financial assets at fair value through profit or loss (Note 7)	221,904	-	215,748	-	125,499	-
Current financial assets at fair value through other comprehensive income (Note 8)	12,961,408	7	10,977,904	7	10,096,228	7
Notes and accounts receivable, net (Note 9)	11,053,341	6	11,515,593	8	12,253,370	9
Accounts receivable due from related parties, net (Note 31)	518,814	-	639,262	-	690,593	-
Finance lease receivables - current (Notes 10 and 31)	91,189	-	-	-	-	-
Other receivables (Notes 11 and 31)	786,200	1	1,267,026	1	1,285,313	1
Inventories (Note 12)	20,479,002	12	15,940,688	10	15,270,998	11
Other current assets	1,311,912	1	1,036,085	1	1,093,596	1
Total current assets	<u>65,714,428</u>	<u>37</u>	<u>72,506,733</u>	<u>47</u>	<u>63,155,995</u>	<u>45</u>
NON-CURRENT ASSETS						
Non-current financial assets at fair value through profit or loss (Note 7)	124,375	-	69,200	-	-	-
Non-current financial assets at fair value through other comprehensive income (Note 8)	3,029,151	2	3,481,435	2	3,098,821	2
Investments accounted for using equity method (Note 13)	8,926,354	5	8,286,463	5	7,032,663	5
Property, plant and equipment (Note 14)	92,452,543	52	61,079,605	40	59,995,867	43
Right-of-use assets (Note 15)	2,191,278	1	2,796,920	2	2,872,507	2
Investment properties (Note 16)	1,738,740	1	2,005,598	1	2,112,852	1
Intangible assets (Note 17)	798,586	-	1,072,985	1	985,304	1
Deferred income tax assets (Note 4)	1,037,052	1	774,072	1	748,316	1
Finance lease receivables - non-current (Notes 10 and 31)	139,979	-	-	-	-	-
Other non-current assets (Notes 6 and 31)	2,647,791	1	667,273	1	645,165	-
Total non-current assets	<u>113,085,849</u>	<u>63</u>	<u>80,233,551</u>	<u>53</u>	<u>77,491,495</u>	<u>55</u>
TOTAL	<u>\$ 178,800,277</u>	<u>100</u>	<u>\$ 152,740,284</u>	<u>100</u>	<u>\$ 140,647,490</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 18)	\$ 220,100	-	\$ 1,430,417	1	\$ 1,550,788	1
Current financial liabilities at fair value through profit or loss (Note 7)	190,448	-	-	-	2,634	-
Notes and accounts payable	6,142,246	4	6,256,539	4	6,709,402	5
Accounts payable due to related parties (Note 31)	1,468,826	1	1,344,195	1	1,440,205	1
Payables on machinery and equipment	7,339,316	4	4,462,326	3	3,333,318	2
Other payables (Note 31)	9,959,739	6	9,946,855	6	8,167,558	6
Current tax liabilities (Note 4)	2,026,388	1	2,704,871	2	1,957,079	1
Provisions - current (Note 20)	186,339	-	532,948	-	551,784	-
Lease liabilities - current (Note 15)	270,564	-	333,791	-	344,789	-
Long-term borrowings - current portion (Note 18)	2,521,429	1	785,000	1	3,685,000	3
Other current liabilities (Note 31)	824,472	1	847,989	1	698,676	1
Total current liabilities	<u>31,149,867</u>	<u>18</u>	<u>28,644,931</u>	<u>19</u>	<u>28,441,233</u>	<u>20</u>
NON-CURRENT LIABILITIES						
Bonds payable (Note 19)	9,965,351	6	9,956,086	6	10,051,910	7
Long-term borrowings (Notes 18 and 27)	28,389,132	16	13,348,865	9	10,285,283	7
Provisions - non-current (Note 20)	2,636,423	1	2,966,575	2	3,030,583	2
Lease liabilities - non-current (Note 15)	2,021,991	1	2,682,609	2	2,766,172	2
Net defined benefit liabilities - non-current (Note 4)	2,428,225	1	2,621,015	2	2,557,492	2
Other non-current liabilities (Note 31)	3,054,611	2	2,486,691	1	484,684	1
Total non-current liabilities	<u>48,495,733</u>	<u>27</u>	<u>34,061,841</u>	<u>22</u>	<u>29,176,124</u>	<u>21</u>
Total liabilities	<u>79,645,600</u>	<u>45</u>	<u>62,706,772</u>	<u>41</u>	<u>57,617,357</u>	<u>41</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 22)						
Share capital	39,800,002	22	39,800,002	26	39,800,002	28
Capital surplus	7,785,918	4	7,786,124	5	7,874,633	6
Retained earnings						
Legal reserve	3,434,165	2	2,074,570	1	2,074,570	1
Unappropriated earnings	28,075,212	16	20,733,450	14	16,612,199	12
Exchange differences on translation of foreign financial statements	(768,372)	-	(861,389)	(1)	(734,711)	-
Unrealized gains on financial assets measured at fair value through other comprehensive income	12,804,395	7	12,911,356	9	10,484,473	7
Total equity attributable to owners of the parent	<u>91,131,320</u>	<u>51</u>	<u>82,444,113</u>	<u>54</u>	<u>76,111,166</u>	<u>54</u>
NON-CONTROLLING INTERESTS	<u>8,023,357</u>	<u>4</u>	<u>7,589,399</u>	<u>5</u>	<u>6,918,967</u>	<u>5</u>
Total equity	<u>99,154,677</u>	<u>55</u>	<u>90,033,512</u>	<u>59</u>	<u>83,030,133</u>	<u>59</u>
TOTAL	<u>\$ 178,800,277</u>	<u>100</u>	<u>\$ 152,740,284</u>	<u>100</u>	<u>\$ 140,647,490</u>	<u>100</u>

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

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

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

	Three Months Ended September 30				Nine Months Ended September 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Notes 23 and 31)	\$ 22,145,430	100	\$ 27,014,730	100	\$ 75,305,977	100	\$ 73,574,247	100
OPERATING COSTS (Notes 12 and 31)	<u>12,059,937</u>	<u>54</u>	<u>14,917,539</u>	<u>55</u>	<u>39,455,293</u>	<u>52</u>	<u>42,813,489</u>	<u>58</u>
GROSS PROFIT	<u>10,085,493</u>	<u>46</u>	<u>12,097,191</u>	<u>45</u>	<u>35,850,684</u>	<u>48</u>	<u>30,760,758</u>	<u>42</u>
OPERATING EXPENSES (Note 31)								
Selling expenses	641,127	3	681,379	2	1,940,663	3	1,959,431	3
General and administrative expenses	2,030,341	9	1,525,987	6	6,423,345	8	4,228,530	6
Research and development expenses	4,066,474	18	3,936,358	15	12,034,161	16	11,636,011	16
Expected credit (gain) loss (Note 9)	<u>(125,244)</u>	<u>-</u>	<u>5,024</u>	<u>-</u>	<u>(124,625)</u>	<u>-</u>	<u>70,291</u>	<u>-</u>
Total operating expenses	<u>6,612,698</u>	<u>30</u>	<u>6,148,748</u>	<u>23</u>	<u>20,273,544</u>	<u>27</u>	<u>17,894,263</u>	<u>25</u>
INCOME FROM OPERATIONS	<u>3,472,795</u>	<u>16</u>	<u>5,948,443</u>	<u>22</u>	<u>15,577,140</u>	<u>21</u>	<u>12,866,495</u>	<u>17</u>
NON-OPERATING INCOME AND EXPENSES								
Interest income	43,598	-	13,660	-	84,123	-	41,364	-
Dividend income (Note 31)	59,092	-	342,364	1	634,086	1	404,364	1
Other income (Notes 15, 27 and 31)	116,600	1	94,649	-	451,504	1	376,108	1
Share of profit (loss) of associates	10,738	-	180,743	1	380,390	-	199,860	-
Gains (losses) on disposal of property, plant and equipment (Note 31)	1,947	-	2,407	-	184,873	-	166,004	-
Gains (losses) on disposals of intangible assets (Note 31)	-	-	(4,803)	-	91	-	(4,803)	-
Gains (losses) on disposal of investments	-	-	-	-	-	-	(436)	-
Gains (losses) on disposal of non-current held for sale assets	-	-	-	-	-	-	30,371	-
Gains (losses) on foreign exchange (Note 35)	568,361	3	22,693	-	1,362,829	2	(92,904)	-
Gains (losses) on financial instruments at fair value through profit or loss	(444,237)	(2)	(387)	-	(1,012,891)	(1)	25,956	-
Interest expense (Notes 15, 27 and 31)	(24,299)	-	(42,561)	-	(57,284)	-	(183,178)	-
Other expenses (Note 31)	(111,179)	(1)	(100,777)	-	(333,406)	(1)	(377,416)	(1)
Impairment loss recognized on property, plant and equipment	<u>-</u>	<u>-</u>	<u>(692,003)</u>	<u>(3)</u>	<u>(112,266)</u>	<u>-</u>	<u>(782,949)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>220,621</u>	<u>1</u>	<u>(184,015)</u>	<u>(1)</u>	<u>1,582,049</u>	<u>2</u>	<u>(197,659)</u>	<u>-</u>

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WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

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

	Three Months Ended September 30				Nine Months Ended September 30			
	2022	%	2021	%	2022	%	2021	%
	Amount	%	Amount	%	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 3,693,416	17	\$ 5,764,428	21	\$ 17,159,189	23	\$ 12,668,836	17
INCOME TAX EXPENSE (Notes 4 and 25)	<u>563,196</u>	<u>3</u>	<u>977,254</u>	<u>3</u>	<u>3,066,839</u>	<u>4</u>	<u>2,393,037</u>	<u>3</u>
NET INCOME	<u>3,130,220</u>	<u>14</u>	<u>4,787,174</u>	<u>18</u>	<u>14,092,350</u>	<u>19</u>	<u>10,275,799</u>	<u>14</u>
OTHER COMPREHENSIVE INCOME (LOSS)								
Components of other comprehensive income (loss) that will not be reclassified to profit or loss:								
Unrealized gains (losses) from investments in equity instruments at fair value through other comprehensive income	1,294,394	6	(2,568,537)	(10)	1,232,675	2	2,141,144	3
Share of other comprehensive income (loss) of associates accounted for using the equity method	367,322	1	(1,941,596)	(7)	(1,156,605)	(2)	645,866	1
Components of other comprehensive income (loss) that will be reclassified to profit or loss:								
Exchange differences on translation of foreign financial statements	<u>383,331</u>	<u>2</u>	<u>(71,604)</u>	<u>-</u>	<u>(43,004)</u>	<u>-</u>	<u>(781,967)</u>	<u>(1)</u>
Other comprehensive income (loss)	<u>2,045,047</u>	<u>9</u>	<u>(4,581,737)</u>	<u>(17)</u>	<u>33,066</u>	<u>-</u>	<u>2,005,043</u>	<u>3</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 5,175,267</u>	<u>23</u>	<u>\$ 205,437</u>	<u>1</u>	<u>\$ 14,125,416</u>	<u>19</u>	<u>\$ 12,280,842</u>	<u>17</u>
NET INCOME ATTRIBUTABLE TO:								
Owners of the parent	\$ 2,669,036	12	\$ 4,478,033	17	\$ 12,380,833	17	\$ 9,400,565	13
Non-controlling interests	<u>461,184</u>	<u>2</u>	<u>309,141</u>	<u>1</u>	<u>1,711,517</u>	<u>2</u>	<u>875,234</u>	<u>1</u>
	<u>\$ 3,130,220</u>	<u>14</u>	<u>\$ 4,787,174</u>	<u>18</u>	<u>\$ 14,092,350</u>	<u>19</u>	<u>\$ 10,275,799</u>	<u>14</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:								
Owners of the parent	\$ 4,606,026	21	\$ (85,745)	-	\$ 12,667,413	17	\$ 11,354,279	16
Non-controlling interests	<u>569,241</u>	<u>2</u>	<u>291,182</u>	<u>1</u>	<u>1,458,003</u>	<u>2</u>	<u>926,563</u>	<u>1</u>
	<u>\$ 5,175,267</u>	<u>23</u>	<u>\$ 205,437</u>	<u>1</u>	<u>\$ 14,125,416</u>	<u>19</u>	<u>\$ 12,280,842</u>	<u>17</u>
EARNINGS PER SHARE (Note 26)								
Basic	<u>\$ 0.67</u>		<u>\$ 1.13</u>		<u>\$ 3.11</u>		<u>\$ 2.36</u>	
Diluted	<u>\$ 0.67</u>		<u>\$ 1.12</u>		<u>\$ 3.10</u>		<u>\$ 2.36</u>	

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

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WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Parent					Other Equity		Non-controlling Interests	Total Equity
	Share Capital	Capital Surplus	Retained Earnings		Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Financial Assets Measured at Fair Value Through Other Comprehensive Income	Total		
			Legal Reserve	Unappropriated Earnings					
BALANCE, JANUARY 1, 2021	\$ 39,800,002	\$ 7,770,865	\$ 1,913,317	\$ 8,094,753	\$ (271,328)	\$ 8,141,510	\$ 65,449,119	\$ 5,143,568	\$ 70,592,687
Appropriation of 2020 earnings (Note 22)									
Legal reserve appropriated	-	-	161,253	(161,253)	-	-	-	-	-
Cash dividends	-	-	-	(796,000)	-	-	(796,000)	-	(796,000)
Total appropriations	-	-	161,253	(957,253)	-	-	(796,000)	-	(796,000)
Net income for the nine months ended September 30, 2021	-	-	-	9,400,565	-	-	9,400,565	875,234	10,275,799
Other comprehensive income (loss) for the nine months ended September 30, 2021	-	-	-	-	(463,383)	2,417,097	1,953,714	51,329	2,005,043
Total comprehensive income (loss) for the nine months ended September 30, 2021	-	-	-	9,400,565	(463,383)	2,417,097	11,354,279	926,563	12,280,842
Changes in ownership interests in subsidiaries	-	103,768	-	-	-	-	103,768	997,624	1,101,392
Disposal of investments in equity instruments designated at fair value through other comprehensive income (Notes 8 and 22)	-	-	-	74,134	-	(74,134)	-	-	-
Cash dividends distributed by subsidiaries (Note 22)	-	-	-	-	-	-	-	(148,788)	(148,788)
BALANCE, SEPTEMBER 30, 2021	\$ 39,800,002	\$ 7,874,633	\$ 2,074,570	\$ 16,612,199	\$ (734,711)	\$ 10,484,473	\$ 76,111,166	\$ 6,918,967	\$ 83,030,133
BALANCE, JANUARY 1, 2022	\$ 39,800,002	\$ 7,786,124	\$ 2,074,570	\$ 20,733,450	\$ (861,389)	\$ 12,911,356	\$ 82,444,113	\$ 7,589,399	\$ 90,033,512
Appropriation of 2021 earnings (Note 22)									
Legal reserve appropriated	-	-	1,359,595	(1,359,595)	-	-	-	-	-
Cash dividends	-	-	-	(3,980,000)	-	-	(3,980,000)	-	(3,980,000)
Total appropriations	-	-	1,359,595	(5,339,595)	-	-	(3,980,000)	-	(3,980,000)
Net income for the nine months ended September 30, 2022	-	-	-	12,380,833	-	-	12,380,833	1,711,517	14,092,350
Other comprehensive income (loss) for the nine months ended September 30, 2022	-	-	-	-	93,017	193,563	286,580	(253,514)	33,066
Total comprehensive income (loss) for the nine months ended September 30, 2022	-	-	-	12,380,833	93,017	193,563	12,667,413	1,458,003	14,125,416
Changes in ownership interests in subsidiaries	-	8	-	-	-	-	8	8	16
Changes in equity of associates accounted for using equity method	-	(214)	-	-	-	-	(214)	-	(214)
Disposal of investments in equity instruments designated at fair value through other comprehensive income (Notes 8 and 22)	-	-	-	300,524	-	(300,524)	-	-	-
Cash dividends distributed by subsidiaries (Note 22)	-	-	-	-	-	-	-	(1,024,053)	(1,024,053)
BALANCE, SEPTEMBER 30, 2022	\$ 39,800,002	\$ 7,785,918	\$ 3,434,165	\$ 28,075,212	\$ (768,372)	\$ 12,804,395	\$ 91,131,320	\$ 8,023,357	\$ 99,154,677

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

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Nine Months Ended September 30	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 17,159,189	\$ 12,668,836
Adjustments for:		
Depreciation expense	7,149,997	8,405,591
Amortization expense	252,838	213,992
Expected credit (gain) loss recognized on accounts receivable	(124,625)	70,291
(Gains) losses on financial assets and liabilities at fair value through profit or loss	8,062	84
Interest expense	57,284	183,178
Interest income	(84,123)	(41,364)
Dividend income	(634,086)	(404,364)
Share of (profit) loss of associates	(380,390)	(199,860)
(Gains) losses on disposal of property, plant and equipment	(184,873)	(166,004)
(Gains) losses on disposal of non-current held for sale assets	-	(30,371)
(Gains) losses on disposal of intangible assets	(91)	4,803
Impairment loss on property, plant and equipment	112,266	782,949
(Gain) on lease modification	(103,946)	-
Changes in operating assets and liabilities		
(Increase) decrease in financial assets and liabilities at fair value through profit or loss	242,137	21,631
(Increase) decrease in notes and accounts receivable	592,964	(2,601,690)
(Increase) decrease in accounts receivable due from related parties	120,448	(612,832)
(Increase) decrease in other receivables	344,617	228,715
(Increase) decrease in inventories	(4,538,314)	(1,129,584)
(Increase) decrease in other current assets	(256,952)	(355,291)
(Increase) decrease in other non-current assets	(1,961,126)	(1,142)
Increase (decrease) in notes and accounts payable	(113,636)	137,973
Increase (decrease) in accounts payable due to related parties	124,631	(225,798)
Increase (decrease) in other payables	349,882	2,120,481
Increase (decrease) in other current liabilities	(23,517)	176,345
Increase (decrease) in other non-current liabilities	(539,571)	(437,823)
Cash flows generated by (used in) operations	<u>17,569,065</u>	<u>18,808,746</u>
Interest received	85,642	36,461
Dividends received	634,086	404,364
Interest paid	(380,266)	(364,734)
Income taxes paid	<u>(3,898,339)</u>	<u>(529,856)</u>
Net cash flows generated by (used in) operating activities	<u>14,010,188</u>	<u>18,354,981</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of investments accounted for using equity method	(374,933)	-
Acquisitions of financial assets at fair value through profit or loss	(96,958)	(55,129)
Acquisitions of financial assets at fair value through other comprehensive income	(1,425,600)	(169,189)

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WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Nine Months Ended September 30	
	2022	2021
Proceeds from disposal of financial assets at fair value through other comprehensive income	\$ 18,535	\$ 235,167
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	1,000	4,500
Net cash flow from acquisition of subsidiaries	-	(77,934)
Proceeds from disposal of non-current held for sale assets	-	279,897
Acquisitions of property, plant and equipment	(35,501,493)	(6,947,199)
Proceeds from disposal of property, plant and equipment	196,199	948,527
Acquisitions of right-of-use assets	(2,167)	-
(Increase) decrease in refundable deposits	(39,594)	465,752
(Increase) decrease in other receivables - time deposits	104,754	3,188
Acquisitions of intangible assets	(258,343)	(200,645)
Proceeds from disposal of intangible assets	356	-
Increase (decrease) in investment payable	(362,643)	-
(Increase) decrease in financial lease receivables	<u>47,342</u>	<u>-</u>
Net cash flows generated by (used in) investing activities	<u>(37,693,545)</u>	<u>(5,513,065)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	(1,210,317)	(270,422)
Proceeds from long-term borrowings	16,650,000	1,700,000
Repayments of long-term borrowings	-	(2,100,000)
Cash dividends paid	(3,980,000)	(796,000)
Change in non-controlling interests	(1,024,053)	(148,788)
Repayments of lease liabilities	(259,657)	(287,258)
Increase (decrease) in guarantee deposits	<u>366,985</u>	<u>179,751</u>
Net cash flows generated by (used in) financing activities	<u>10,542,958</u>	<u>(1,722,717)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	<u>516,630</u>	<u>(523,107)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	(12,623,769)	10,596,092
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		
	<u>30,914,427</u>	<u>11,744,306</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		
	<u>\$ 18,290,658</u>	<u>\$ 22,340,398</u>

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

(Concluded)

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

Winbond Electronics Corporation (the “Company”) was incorporated in the Republic of China (ROC) 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.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on November 3, 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 Group’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2023

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction”	January 1, 2023 (Note 3)

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

Note 2: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occur on or after January 1, 2022.

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

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
Amendments to IFRS 16 "Leases Liability in a Sale and leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

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

Basis of Consolidation

a. Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company. Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

Attribution of total comprehensive income to non-controlling interests

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

Changes in the Group's ownership interests in existing subsidiaries

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

b. Subsidiaries included in consolidated financial statements

Investor	Investee	Main Business	% of Ownership		
			September 30, 2022	December 31, 2021	September 30, 2021
The Company	Winbond International Corporation ("WIC")	Investment holding	100.00	100.00	100.00
The Company	Landmark Group Holdings Ltd. ("Landmark")	Investment holding	100.00	100.00	100.00
The Company	Winbond Electronics (HK) Limited ("WEHK")	Sales of semiconductor and investment holding	100.00	100.00	100.00
The Company	Pine Capital Investment Limited ("PCI")	Investment holding	100.00	100.00	100.00
The Company	Winbond Technology LTD ("WTL")	Design and service of semiconductor	100.00	100.00	100.00
The Company	Callisto Holdings Limited ("Callisto")	Electronic commerce and investment holding	100.00	100.00	100.00
The Company	Winbond Electronics Germany GmbH ("WEG")	Marketing service of semiconductor	100.00	100.00	100.00
The Company	Great Target Development Ltd. ("GTD")	Investment holding	100.00	100.00	100.00
The Company	Miraxia Edge Technology Corporation ("METC") (Note 2)	Software and hardware integration design of semiconductor	100.00	100.00	-
The Company	Nuvoton Technology Corporation ("NTC") (Note 1)	Research, design, development, manufacture and marketing of Logic IC, 6 inch wafer product, test, and OEM	51.00	51.00	52.00
WIC	Winbond Electronics Corporation America ("WECA")	Design, sales and service of semiconductor	100.00	100.00	100.00
Landmark	Winbond Electronics Corporation Japan ("WECAJ")	Research, development, sales and after-sales service of semiconductor	100.00	100.00	100.00
WEHK	Winbond Electronics (Suzhou) Limited ("WECN")	Design, development and marketing of VLSI integrated ICs	100.00	100.00	100.00
Callisto	Callisto Technology Limited ("CTL")	Electronic commerce and investment holding	100.00	100.00	100.00
GTD	GLMTD Technology Private Limited ("GLMTD")	Sales and service of semiconductor	99.99	99.99	99.99
NTC	Marketplace Management Limited ("MML")	Investment holding	100.00	100.00	100.00
NTC	Nuvoton Technology Corp. America ("NTCA")	Design, sales and service of semiconductor	100.00	100.00	100.00

(Continued)

Investor	Investee	Main Business	% of Ownership		
			September 30, 2022	December 31, 2021	September 30, 2021
NTC	Nuvoton Investment Holding Ltd. (“NIH”)	Investment holding	100.00	100.00	100.00
NTC	Nuvoton Electronics Technology (H.K.) Limited (“NTHK”)	Sales of semiconductor	100.00	100.00	100.00
NTC	Song Yong Investment Corporation (“SYT”)	Investment holding	100.00	100.00	100.00
NTC	Nuvoton Technology India Private Limited (“NTIPL”)	Design, sales and service of semiconductor	100.00	100.00	100.00
NTC	Nuvoton Technology Singapore Pte. Ltd. (“NTSPL”)	Design, sales and service of semiconductor	100.00	100.00	100.00
NTC	Nuvoton Technology Korea Limited (“NTKR”)	Design, sales and service of semiconductor	100.00	100.00	100.00
NTC	Nuvoton Technology Holdings Japan (“NTHJ”)	Investment holding	100.00	100.00	100.00
MML	Goldbond LLC (“GLLC”)	Investment holding	100.00	100.00	100.00
GLLC	Nuvoton Electronics Technology (Shanghai) Limited (“NTSH”)	Provide project of sale in China and repairing, testing, consulting of software and equipment lease of semiconductor	100.00	100.00	100.00
GLLC	Winbond Electronics (Nanjing) Ltd. (“WENJ”)	Computer software service (except IC design)	100.00	100.00	100.00
NTSH	Song Zhi Electronics Technology (Suzhou) (“Song Zhi Suzhou”)	Provide development, consult and equipment lease of semiconductor	100.00	100.00	100.00
NIH	Nuvoton Technology Israel Ltd. (“NTIL”)	Design and service of semiconductor	100.00	100.00	100.00
NTHK	Nuvoton Electronics Technology (Shenzhen) Limited (“NTSZ”)	Computer software service (except IC design), wholesale business for computer, supplement and software	100.00	100.00	100.00
NTHJ	Nuvoton Technology Corporation Japan (“NTCJ”)	Design, sales and service of semiconductor	100.00	100.00	100.00
NTCJ	Atfields Manufacturing Technology Corporation (“AMTC”)	Design and service of semiconductor	100.00	100.00	100.00
NTCJ	Miraxia Edge Technology Corporation (“METC”)(Note 2)	Design and service of semiconductor	-	-	100.00

(Concluded)

Note 1: In May 2020, NTC issued 20 thousand units of unsecured convertible bonds. During 2021, due to the conversion of all unsecured convertible bonds by the bondholders, the current shareholding ratio was 51%.

Note 2: The company acquired 100% of ownership interest of METC from its sub-subsidiary, NTCJ, on November 1, 2021. The reorganization transaction was under common control. Refer to Note 28 to the consolidated financial statements.

Other Significant Accounting Policies

Except for the following, please refer to the consolidated financial statements for the year ended December 31, 2021.

a. Retirement benefits

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

b. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period’s pre-tax income tax rate that would be applicable to expected total annual earnings.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimations, and assumptions 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 Group considers the recent development of the COVID-19 in the world 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 Group's critical accounting judgments and key sources of estimation uncertainty are the same as the consolidated financial statements for the year ended December 31, 2021.

6. CASH AND CASH EQUIVALENTS

	September 30, 2022	December 31, 2021	September 30, 2021
Cash and deposits in banks	\$ 17,469,858	\$ 27,374,370	\$ 19,657,391
Repurchase agreements collateralized by bonds	<u>820,800</u>	<u>3,540,057</u>	<u>2,683,007</u>
	<u>\$ 18,290,658</u>	<u>\$ 30,914,427</u>	<u>\$ 22,340,398</u>

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

	September 30, 2022	December 31, 2021	September 30, 2021
Time deposits	<u>\$ 236,938</u>	<u>\$ 234,269</u>	<u>\$ 233,656</u>

- b. The Group has partial time deposits which were not held for the purpose of meeting short-term cash commitments and are reclassified to "other receivables". These partial time deposits at the end of the reporting period were as follows (refer to Note 11 to the consolidated financial statements):

	September 30, 2022	December 31, 2021	September 30, 2021
Time deposits	<u>\$ 79,727</u>	<u>\$ 184,481</u>	<u>\$ 194,301</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Financial assets at FVTPL - current</u>			
Derivative financial assets			
Forward exchange contracts	\$ -	\$ 51,688	\$ 12,948
Right of redemption of convertible bonds (Note 19)	-	-	1,806
Non-derivative financial assets			
Domestic listed and emerging stocks	46,435	-	-
Overseas unlisted stocks	63,500	55,360	55,700
Mutual funds	<u>111,969</u>	<u>108,700</u>	<u>55,045</u>
	<u>\$ 221,904</u>	<u>\$ 215,748</u>	<u>\$ 125,499</u>
<u>Financial assets at FVTPL - non-current</u>			
Mandatorily measured at FVTPL			
Foreign currency warrants	<u>\$ 124,375</u>	<u>\$ 69,200</u>	<u>\$ -</u>
<u>Financial liabilities at FVTPL - current</u>			
Derivative financial liabilities			
Forward exchange contracts	<u>\$ 190,448</u>	<u>\$ -</u>	<u>\$ 2,634</u>

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

	Currencies	Maturity Date	Contract Amount (In Thousands)
<u>September 30, 2022</u>			
Sell forward exchange contracts	USD to NTD	2022.10.07-2022.11.11	USD122,000/NTD3,682,604
<u>December 31, 2021</u>			
Sell forward exchange contracts	USD to NTD	2022.01.06-2022.03.04	USD286,000/NTD7,949,136
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
<u>September 30, 2021</u>			
Sell forward exchange contracts	USD to NTD	2021.10.01-2021.12.17	USD382,000/NTD10,625,766
Sell forward exchange contracts	RMB to NTD	2021.10.15-2021.10.29	RMB47,000/NTD201,875

- b. The Group entered into derivative financial instruments contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. The derivative financial instruments contracts entered into by the Group did not meet the criteria of hedge accounting; therefore, the Group did not apply hedge accounting treatment.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Equity instruments at FVTOCI:

	September 30, 2022	December 31, 2021	September 30, 2021
Domestic listed and emerging stocks	\$ 13,062,576	\$ 11,235,587	\$ 10,295,587
Domestic unlisted stocks	1,090,500	638,326	452,286
Overseas listed stocks	-	-	47,433
Overseas unlisted stocks	646,740	1,820,415	1,818,983
Mutual funds	<u>1,190,743</u>	<u>765,011</u>	<u>580,760</u>
	<u>\$ 15,990,559</u>	<u>\$ 14,459,339</u>	<u>\$ 13,195,049</u>
Current	\$ 12,961,408	\$ 10,977,904	\$ 10,096,228
Non-current	<u>3,029,151</u>	<u>3,481,435</u>	<u>3,098,821</u>
	<u>\$ 15,990,559</u>	<u>\$ 14,459,339</u>	<u>\$ 13,195,049</u>

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

For the nine months ended September 30, 2022 and 2021, the Group disposed the shares for the adjustment of the investment position. The unrealized gain and loss on financial assets at fair value through other comprehensive income of NT\$300,524 thousand and NT\$74,134 thousand were transferred to retained earnings, respectively, please refer to Note 22 to consolidated financial statements for related information.

9. NOTES AND ACCOUNTS RECEIVABLE

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Accounts receivable</u>			
At amortized cost			
Gross carrying amount	\$ 11,226,421	\$ 11,819,385	\$ 12,575,828
Less: Allowance for impairment loss	<u>(173,080)</u>	<u>(303,792)</u>	<u>(322,458)</u>
	<u>\$ 11,053,341</u>	<u>\$ 11,515,593</u>	<u>\$ 12,253,370</u>

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

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

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

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

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

September 30, 2022

	Not Overdue	Overdue under 30 Days	Overdue 31-90 Days	Overdue 91-180 Days	Over 180 Days	Total
Expected credit loss rate	0.1-2%	2%	10%	20%	50-100%	
Gross carrying amount	\$ 11,098,142	\$ 118,590	\$ 6,584	\$ 3,105	\$ -	\$ 11,226,421
Loss allowance (lifetime ECL)	<u>(169,429)</u>	<u>(2,372)</u>	<u>(658)</u>	<u>(621)</u>	<u>-</u>	<u>(173,080)</u>
Amortized cost	<u>\$ 10,928,713</u>	<u>\$ 116,218</u>	<u>\$ 5,926</u>	<u>\$ 2,484</u>	<u>\$ -</u>	<u>\$ 11,053,341</u>

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	0.1-2%	2%	10%	20%	50-100%	
Gross carrying amount	\$ 11,396,793	\$ 303,344	\$ 10,282	\$ 13	\$ 108,953	\$ 11,819,385
Loss allowance (lifetime ECL)	<u>(187,741)</u>	<u>(6,067)</u>	<u>(1,028)</u>	<u>(3)</u>	<u>(108,953)</u>	<u>(303,792)</u>
Amortized cost	<u>\$ 11,209,052</u>	<u>\$ 297,277</u>	<u>\$ 9,254</u>	<u>\$ 10</u>	<u>\$ -</u>	<u>\$ 11,515,593</u>

September 30, 2021

	Not Overdue	Overdue under 30 Days	Overdue 31-90 Days	Overdue 91-180 Days	Over 180 Days	Total
Expected credit loss rate	0.1-2%	2%	10%	20%	50-100%	
Gross carrying amount	\$ 12,319,339	\$ 120,530	\$ 6,873	\$ 29	\$ 129,057	\$ 12,575,828
Loss allowance (lifetime ECL)	<u>(198,423)</u>	<u>(2,411)</u>	<u>(687)</u>	<u>(6)</u>	<u>(120,931)</u>	<u>(322,458)</u>
Amortized cost	<u>\$ 12,120,916</u>	<u>\$ 118,119</u>	<u>\$ 6,186</u>	<u>\$ 23</u>	<u>\$ 8,126</u>	<u>\$ 12,253,370</u>

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

	<u>Nine Months Ended September 30</u>	
	2022	2021
Balance at January 1	\$ 303,792	\$ 266,759
Add: Recognized impairment loss	-	70,291
Less: Impairment loss reversed	(124,625)	-
Effect of exchange rate changes	<u>(6,087)</u>	<u>(14,592)</u>
Balance at September 30	<u>\$ 173,080</u>	<u>\$ 322,458</u>

Refer to Note 30 to the consolidated financial statements for details of NTC's factoring agreements for accounts receivable.

10. FINANCE LEASE RECEIVABLES

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Undiscounted lease payments</u>			
Year 1	\$ 94,836	\$ -	\$ -
Year 2	94,836	-	-
Year 3	<u>47,418</u>	<u>-</u>	<u>-</u>
	237,090	-	-
Less: Unearned finance income	<u>(5,922)</u>	<u>-</u>	<u>-</u>
Finance lease receivables	<u>\$ 231,168</u>	<u>\$ -</u>	<u>\$ -</u>
Current	\$ 91,189	\$ -	\$ -
Non-current	<u>139,979</u>	<u>-</u>	<u>-</u>
	<u>\$ 231,168</u>	<u>\$ -</u>	<u>\$ -</u>

NTC leased out its property, plant and equipment and intangible assets to its associate, TPSCo., under finance leases with an average lease term for 3 years. In 2022, the average implied interest rate is approximately 1.85% per year. Refer to Note 31 to the consolidated financial statements for details of finance lease contracts.

11. OTHER RECEIVABLES

	September 30, 2022	December 31, 2021	September 30, 2021
Business tax refund receivable	\$ 393,759	\$ 291,030	\$ 359,660
Dividend receivable	91,421	-	54,852
Time deposits (Note 6)	79,727	184,481	194,301
Income tax refund receivable	2,428	121,337	-
Royalty receivable	-	370,327	116,893
Technical service receivable	-	136,345	137,975
Others	<u>218,865</u>	<u>163,506</u>	<u>421,632</u>
	<u>\$ 786,200</u>	<u>\$ 1,267,026</u>	<u>\$ 1,285,313</u>

12. INVENTORIES

	September 30, 2022	December 31, 2021	September 30, 2021
Finished goods	\$ 3,804,470	\$ 2,034,079	\$ 3,534,301
Work-in-process	14,623,203	11,238,945	10,772,178
Raw materials and supplies	2,031,853	2,652,854	952,413
Inventories in transit	<u>19,476</u>	<u>14,810</u>	<u>12,106</u>
	<u>\$ 20,479,002</u>	<u>\$ 15,940,688</u>	<u>\$ 15,270,998</u>

The nature of the operating cost is as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
The operating cost of sales	\$ 11,347,745	\$ 14,036,223	\$ 37,861,539	\$ 42,110,756
Recognition of inventory write-downs (reversed), scrap of inventories and income from sale of scraps	23,570	54,673	277,530	(742,097)
Unallocated production overhead	688,622	193,860	959,081	460,466
Abnormal production costs of inventories	<u>-</u>	<u>632,783</u>	<u>357,143</u>	<u>984,364</u>
	<u>\$ 12,059,937</u>	<u>\$ 14,917,539</u>	<u>\$ 39,455,293</u>	<u>\$ 42,813,489</u>

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in Associates

	September 30, 2022	December 31, 2021	September 30, 2021
Associates that are not individually material			
Chin Xin Investment Co., Ltd.	\$ 7,390,667	\$ 8,257,867	\$ 7,003,833
Tower Partners Semiconductor Co., LTD. ("TPSCo.")	1,284,075	-	-
Hwa Bao Botanic Conservation Corp.	<u>251,612</u>	<u>28,596</u>	<u>28,830</u>
	<u>\$ 8,926,354</u>	<u>\$ 8,286,463</u>	<u>\$ 7,032,663</u>

On May 27, 2022, the board of directors of Hwa Bao Botanic Conservation Corp. ("Hwa Bao") resolved to issue 60,000 thousand ordinary shares. In addition to subscribing in the proportion of share ownership, the Company is also a specified subscriber. The Company subscribed for 21,000 thousand ordinary shares in total with a par value of NT\$10. As of September 30, 2022, the Company directly held 24,000 thousand shares of Hwa Bao which equals to 30% ownership interest. And Chin Xin Investment Co., Ltd.'s ownership interest was 35% of Hwa Bao, so the Company's consolidated comprehensive ownership interest was 43% of Hwa Bao; therefore, Hwa Bao was accounted for using the equity method.

As of September 30, 2022, the Company held 182,841 thousand shares of Chin Xin Investment Co., Ltd. with a 38% ownership interest.

Under the business acquisition agreement, if TPSCo. generates net profit during the period of the effective date of the acquisition (September 1, 2020) to March 31, 2022, NTC is required to pay the profit to Panasonic Corporation based on its ownership share. Thus, NTC has no significant influence over TPSCo. during the period aforementioned. TPSCo. was recognized as non-current financial assets at fair value through other comprehensive income. Starting from April 2022, NTC has significant influence over TPSCo. and TPSCo. has been accounted for under the equity method.

The Group's investments accounted for using equity method and the shares of profit or loss and other comprehensive income of those investments for the nine months ended September 30, 2022 and 2021 were based on the associates' financial statements reviewed by independent auditors.

In June 2022, NTCJ transferred the contract for right-of-use assets to TPSCo. The related deferred benefit will be recognized in accordance with the remaining lease term of the contract, refer to Note 31 to the consolidated financial statements.

14. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2022	December 31, 2021	September 30, 2021
Land	\$ 2,964,776	\$ 3,069,658	\$ 3,103,107
Buildings	10,510,958	11,783,125	12,221,149
Machinery and equipment	25,824,344	28,397,574	28,476,950
Other equipment	1,320,969	1,030,036	949,468
Construction in progress and prepayments for purchase of equipment	<u>51,831,496</u>	<u>16,799,212</u>	<u>15,245,193</u>
	<u>\$ 92,452,543</u>	<u>\$ 61,079,605</u>	<u>\$ 59,995,867</u>

	Land	Buildings	Machinery and Equipment	Other Equipment	Construction in Progress and Prepayments for Purchase of Equipment	Total
<u>Cost</u>						
Balance at January 1, 2022	\$ 3,069,658	\$ 47,939,867	\$ 177,909,476	\$ 7,586,418	\$ 16,799,212	\$ 253,304,631
Additions	36,740	173,214	8,650,472	535,930	29,329,895	38,726,251
Disposals	-	(16,896)	(1,516,950)	(140,567)	-	(1,674,413)
Reclassified	12,248	175,430	(6,053,414)	142,755	5,722,981	-
Effect of exchange rate changes	<u>(153,870)</u>	<u>(1,425,887)</u>	<u>(3,710,572)</u>	<u>(229,855)</u>	<u>(20,592)</u>	<u>(5,540,776)</u>
Balance at September 30, 2022	<u>\$ 2,964,776</u>	<u>\$ 46,845,728</u>	<u>\$ 175,279,012</u>	<u>\$ 7,894,681</u>	<u>\$ 51,831,496</u>	<u>\$ 284,815,693</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2022	\$ -	\$ 36,156,742	\$ 149,511,902	\$ 6,556,382	\$ -	\$ 192,225,026
Depreciation expense	-	1,478,746	5,008,469	308,863	-	6,796,078
Disposals	-	(15,384)	(1,508,249)	(66,921)	-	(1,590,554)
Impairment loss	-	-	112,266	-	-	112,266
Reclassified	-	-	(3)	3	-	-
Effect of exchange rate changes	<u>-</u>	<u>(1,285,334)</u>	<u>(3,669,717)</u>	<u>(224,615)</u>	<u>-</u>	<u>(5,179,666)</u>
Balance at September 30, 2022	<u>\$ -</u>	<u>\$ 36,334,770</u>	<u>\$ 149,454,668</u>	<u>\$ 6,573,712</u>	<u>\$ -</u>	<u>\$ 192,363,150</u>

(Continued)

	Land	Buildings	Machinery and Equipment	Other Equipment	Construction in Progress and Prepayments for Purchase of Equipment	Total
<u>Cost</u>						
Balance at January 1, 2021	\$ 3,322,387	\$ 50,113,861	\$ 182,256,279	\$ 7,750,795	\$ 9,639,168	\$ 253,082,490
Additions	-	228,042	1,827,984	326,062	5,873,706	8,255,794
Business combinations - subsequent adjustment of fair values	-	-	437,628	-	-	437,628
Disposals	-	(8,297)	(1,822,705)	(97,131)	-	(1,928,133)
Reclassified	-	106,919	133,608	11,078	(251,605)	-
Effect of exchange rate changes	<u>(219,280)</u>	<u>(1,955,931)</u>	<u>(5,059,402)</u>	<u>(359,072)</u>	<u>(16,076)</u>	<u>(7,609,761)</u>
Balance at September 30, 2021	<u>\$ 3,103,107</u>	<u>\$ 48,484,594</u>	<u>\$ 177,773,392</u>	<u>\$ 7,631,732</u>	<u>\$ 15,245,193</u>	<u>\$ 252,238,018</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2021	\$ -	\$ 36,773,934	\$ 148,018,047	\$ 6,803,522	\$ 34,471	\$ 191,629,974
Depreciation expense	-	1,242,469	6,509,074	286,294	-	8,037,837
Disposals	-	(8,272)	(1,056,978)	(80,360)	-	(1,145,610)
Impairment loss	-	-	782,949	-	-	782,949
Reclassified	-	79	31,168	428	(31,675)	-
Effect of exchange rate changes	<u>-</u>	<u>(1,744,765)</u>	<u>(4,987,818)</u>	<u>(327,620)</u>	<u>(2,796)</u>	<u>(7,062,999)</u>
Balance at September 30, 2021	<u>\$ -</u>	<u>\$ 36,263,445</u>	<u>\$ 149,296,442</u>	<u>\$ 6,682,264</u>	<u>\$ -</u>	<u>\$ 192,242,151</u>

(Concluded)

a. As of September 30, 2022, December 31, 2021 and September 30, 2021, the carrying amounts of NT\$19,813,087 thousand, NT\$11,619,296 thousand and NT\$20,707,726 thousand of property, plant and equipment were pledged to secure long-term borrowings and corporate bonds.

b. Information about capitalized interest

	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
Capitalized interest amounts	\$ 156,434	\$ 65,960	\$ 347,768	\$ 173,230
Capitalized interest rates	1.91%	1.79%	1.89%-1.91%	1.79%

c. In the second quarter of 2022, NTC disposed of other equipment for finance lease amounted to NT\$72,533 thousand. Refer to Note 31 to the consolidated financial statements for details of finance lease contracts.

d. For the nine months ended September 30, 2022 and 2021, the Group recognized an impairment loss of NT\$112,266 thousand and NT\$782,949 thousand for certain machinery and equipment which will not be used in the future after evaluation, respectively.

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Carrying amount</u>			
Land	\$ 1,693,708	\$ 1,717,843	\$ 1,744,964
Buildings	328,464	289,439	296,304
Machinery and equipment	135,432	754,180	797,489
Other equipment	<u>33,674</u>	<u>35,458</u>	<u>33,750</u>
	<u>\$ 2,191,278</u>	<u>\$ 2,796,920</u>	<u>\$ 2,872,507</u>

In June 2022, NTC transferred its lease arrangement of machinery under right-of-use assets to TPSCo. The gain on lease modification amounted to NT\$178,623 thousand. Refer to Note 31 to the consolidated financial statements.

	<u>Three Months Ended</u> <u>September 30</u>		<u>Nine Months Ended</u> <u>September 30</u>	
	2022	2021	2022	2021
Additions to right-of-use assets	<u>\$ 43,645</u>	<u>\$ -</u>	<u>\$ 251,045</u>	<u>\$ 24,966</u>
Depreciation charge for right-of-use assets				
Land	\$ 27,715	\$ 26,845	\$ 83,144	\$ 80,537
Buildings	38,086	30,201	112,152	91,375
Machinery and equipment	3,068	16,957	29,902	52,165
Other equipment	<u>6,953</u>	<u>8,131</u>	<u>22,384</u>	<u>24,410</u>
	<u>\$ 75,822</u>	<u>\$ 82,134</u>	<u>\$ 247,582</u>	<u>\$ 248,487</u>
Income from the subleasing of right-of-use assets (recorded as "other income")	<u>\$ 526</u>	<u>\$ 509</u>	<u>\$ 1,503</u>	<u>\$ 1,543</u>

b. Lease liabilities

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Carrying amount</u>			
Current	<u>\$ 270,564</u>	<u>\$ 333,791</u>	<u>\$ 344,789</u>
Non-current	<u>\$ 2,021,991</u>	<u>\$ 2,682,609</u>	<u>\$ 2,766,172</u>

Range of discount rate for lease liabilities was as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Land	1.76%-2.47%	1.76%-2.47%	1.76%-2.47%
Buildings	0.14%-3.60%	0.33%-3.75%	0.33%-3.75%
Machinery and equipment	0.48%-0.80%	0.26%-0.80%	0.26%-0.80%
Other equipment	0.14%-2.44%	0.44%-2.97%	0.26%-3.61%

For the three months ended and nine months ended September 30, 2022 and 2021, the interest expense under lease liabilities amounted to NT\$12,121 thousand, NT\$14,085 thousand, NT\$38,936 thousand and NT\$43,491 thousand, respectively.

c. Material lease-in activities and terms

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

NTC leased a land from Taiwan Sugar Corporation under a twenty-year term from October 2014 to September 2034, which can be extended after expiration of the lease periods. The chairman of NTC is a joint guarantor of such lease, refer to Note 31 to the consolidated financial statements.

The Group leased some of the offices in the United States, China, Hong Kong, Japan, Israel, India, Korea, Germany and part in Taiwan, and the lease terms will expire between 2022 and 2026 which can be extended after the expiration of the lease periods.

d. Subleases

In addition to those disclosed in Notes 10 and 16 to the consolidated financial statements, NTC also subleases its right-of-use assets for buildings under operating leases. The maturity analysis of lease payments receivable under operating subleases is as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Year 1	\$ 2,009	\$ 2,080	\$ 2,076
Year 2	1,506	2,080	2,076
Year 3	<u>-</u>	<u>-</u>	<u>519</u>
	<u>\$ 3,515</u>	<u>\$ 4,160</u>	<u>\$ 4,671</u>

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

e. Other lease information

	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
Expenses relating to short-term leases	<u>\$ 42,767</u>	<u>\$ 64,572</u>	<u>\$ 145,652</u>	<u>\$ 176,904</u>
Expenses relating to low-value asset leases	<u>\$ 1,077</u>	<u>\$ 163</u>	<u>\$ 1,631</u>	<u>\$ 474</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ 3,190</u>	<u>\$ 4,059</u>	<u>\$ 8,462</u>	<u>\$ 11,929</u>
Total cash outflow for leases	<u>\$ 133,436</u>	<u>\$ 175,828</u>	<u>\$ 456,414</u>	<u>\$ 520,584</u>

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

Lease-out arrangements under operating leases for investment properties are set out in Note 16 to the consolidated financial statements.

16. INVESTMENT PROPERTIES

	September 30, 2022	December 31, 2021	September 30, 2021
Investment properties, net	<u>\$ 1,738,740</u>	<u>\$ 2,005,598</u>	<u>\$ 2,112,852</u>

NTC acquired investment properties in Niigata and Toyama, Japan through business combinations on September 1, 2020. The fair value of such investment properties were NT\$2,503,591 thousand based on the purchase price allocation report. As of September 30, 2022 and 2021, NTC's management evaluated the fair value of investment properties and determined that the fair value of the investment properties had not changed significantly.

NTC's other investment properties is in Shen-Zhen, China. As of December 31, 2021 and 2020, the fair value of such investment properties were both approximately NT\$200,000 thousand, which was referred by the neighborhood transactions. As of September 30, 2022 and 2021, NTC's management evaluated the fair value of investment properties and determined that the fair value of the investment properties had not changed significantly.

	Nine Months Ended September 30	
	2022	2021
<u>Cost</u>		
Balance at January 1	\$ 7,924,196	\$ 9,090,968
Disposals	-	(1,176)
Effect of exchange rate changes	<u>(660,772)</u>	<u>(889,937)</u>
Balance at September 30	<u>7,263,424</u>	<u>8,199,855</u>

(Continued)

	Nine Months Ended September 30	
	2022	2021
Balance at January 1	\$ 5,918,598	\$ 6,624,301
Disposals	-	(1,176)
Depreciation expense	104,904	117,834
Effect of exchange rate changes	(498,818)	(653,956)
Balance at September 30	<u>5,524,684</u>	<u>6,087,003</u>
Investment properties, net	<u>\$ 1,738,740</u>	<u>\$ 2,112,852</u> (Concluded)

The investment properties were leased out for 3 to 12 years. The lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

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

	September 30, 2022	December 31, 2021	September 30, 2021
Year 1	\$ 162,396	\$ 178,142	\$ 203,997
Year 2	146,014	155,123	160,605
Year 3	141,965	155,123	160,605
Year 4	141,965	155,123	160,605
Year 5	141,965	155,123	160,605
More than 5 years	<u>603,347</u>	<u>814,391</u>	<u>883,328</u>
	<u>\$ 1,337,652</u>	<u>\$ 1,613,025</u>	<u>\$ 1,729,745</u>

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

As of September 30, 2022, December 31, 2021 and September 30, 2021, the carrying amounts of NT\$310,562 thousand, NT\$425,606 thousand and NT\$448,699 thousand of investment properties of NTC were pledged to secure long-term borrowings, respectively.

17. INTANGIBLE ASSETS

	September 30, 2022	December 31, 2021	September 30, 2021
Deferred technical assets, net	\$ 532,897	\$ 616,861	\$ 623,189
Other intangible assets, net	<u>265,689</u>	<u>456,124</u>	<u>362,115</u>
	<u>\$ 798,586</u>	<u>\$ 1,072,985</u>	<u>\$ 985,304</u>

	Deferred Technical Assets	Other Intangible Assets	Total
<u>Cost</u>			
Balance at January 1, 2022	\$ 19,801,638	\$ 1,495,795	\$ 21,297,433
Additions	78,172	109,770	187,942
Disposals	-	(205,690)	(205,690)
Reclassified	-	(763)	(763)
Effect of exchange rate changes	<u>10,461</u>	<u>(108,172)</u>	<u>(97,711)</u>
Balance at September 30, 2022	<u>\$ 19,890,271</u>	<u>\$ 1,290,940</u>	<u>\$ 21,181,211</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2022	\$ 19,184,777	\$ 1,039,671	\$ 20,224,448
Amortization expenses	161,514	71,074	232,588
Disposals	-	(568)	(568)
Effect of exchange rate changes	<u>11,083</u>	<u>(84,926)</u>	<u>(73,843)</u>
Balance at September 30, 2022	<u>\$ 19,357,374</u>	<u>\$ 1,025,251</u>	<u>\$ 20,382,625</u>
<u>Cost</u>			
Balance at January 1, 2021	\$ 19,550,666	\$ 1,452,139	\$ 21,002,805
Additions	210,786	97,605	308,391
Disposals	(5,592)	-	(5,592)
Effect of exchange rate changes	<u>(5,774)</u>	<u>(129,498)</u>	<u>(135,272)</u>
Balance at September 30, 2021	<u>\$ 19,750,086</u>	<u>\$ 1,420,246</u>	<u>\$ 21,170,332</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2021	\$ 18,988,797	\$ 1,122,628	\$ 20,111,425
Amortization expenses	142,753	45,199	187,952
Disposals	(789)	-	(789)
Effect of exchange rate changes	<u>(3,864)</u>	<u>(109,696)</u>	<u>(113,560)</u>
Balance at September 30, 2021	<u>\$ 19,126,897</u>	<u>\$ 1,058,131</u>	<u>\$ 20,185,028</u>

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

In the second quarter of 2022, NTC disposed of intangible assets for finance leases amounted to NT\$204,857 thousand. Refer to Note 31 to the consolidated financial statements for details of finance lease contracts.

18. BORROWINGS

a. Short-term borrowings

	September 30, 2022		December 31, 2021		September 30, 2021	
	Interest Rate %	Amount	Interest Rate %	Amount	Interest Rate %	Amount
<u>Secured borrowings</u>						
Bank loans	1.17%	\$ 220,100	-	\$ -	1.29%	\$ 74,700
<u>Unsecured borrowings</u>						
Bank lines of credit	-	\$ -	0.30%-0.48%	\$ 1,430,417	0.31%-0.48%	\$ 1,476,088

The secured borrowings are secured and guaranteed by the Company to NTCJ. According to the contract, the Company is required to maintain specific financial covenants, including current ratio, debt ratio and total equity shall not be less than a specific amount every half year. Additionally, the principal and interest coverage ratio should be also maintained every half year. The computations of financial ratios mentioned above are done based on the audited (reviewed) consolidated financial statements.

b. Long-term borrowings

	Period	Interest Rate	September 30, 2022	December 31, 2021	September 30, 2021
<u>Secured borrowings</u>					
Bank of Taiwan syndicated loan (IV)	2016.08.15-2021.12.29	1.79%-1.81%	\$ -	\$ -	\$ 2,900,000
Bank of Taiwan syndicated loan (V)	2019.01.14-2026.09.19	1.92%	24,500,000	7,850,000	7,850,000
<u>Unsecured borrowings</u>					
The Export - Import Bank of ROC	2019.09.20-2026.09.21	1.34%	500,000	500,000	500,000
The Export - Import Bank of ROC	2020.08.25-2027.08.25	1.34%	1,000,000	1,000,000	1,000,000
Government grants (Note 27)	2020.12.28-2028.11.15	1.00%-1.20%	<u>5,131,600</u>	<u>5,131,600</u>	<u>1,900,000</u>
			31,131,600	14,481,600	14,150,000
Less: Current portion			(2,521,429)	(785,000)	(3,685,000)
Less: Syndication agreement management fee			(54,000)	(74,250)	(82,287)
Less: Government loan discount (Note 27)			<u>(167,039)</u>	<u>(273,485)</u>	<u>(97,430)</u>
			<u>\$ 28,389,132</u>	<u>\$ 13,348,865</u>	<u>\$ 10,285,283</u>

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 repaid in advance.
- c) Refer to Note 14 to the consolidated financial statements for collateral on bank borrowings.
- d) 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. The computations of financial ratios mentioned above are done based on the audited (reviewed) consolidated financial statements.

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, 2023 until maturity.
 - b) Refer to Note 14 to the consolidated financial statements for collateral on bank borrowings.
 - c) The Company is required to maintain certain financial covenants, including current ratio, debt ratio and total equity, on June 30 and December 31 during the tenors of the loans. Additionally, the principal and interest coverage should be also maintained on June 30 and December 31 during the tenors of the loans. The computations of financial ratios mentioned above are done based on the audited (reviewed) consolidated financial statements.
- 3) The proceeds of the unsecured borrowings from the Export-Import Bank of ROC were provided NTC for investing in Autotalks Ltd. and acquiring Panasonic Semiconductor Solutions., Co., Ltd.
- 4) On May 17, 2021, NTCJ signed a syndicated loan with CTBC and a group of financial institutions to pay outstanding debt and enrich operating capital, and the line of credit amounted to JPY30 billion. This syndicated loan requires the Company to act as a joint guarantor and hold ownership of NTCJ with NTC by no less than 100% with maintenance operational control as stated in the agreement. According to the financial covenants, NTCJ and the Company are required to maintain financial ratios not lower than a specific threshold over the effective periods. The computations of financial ratios mentioned above are done based on the audited (reviewed) consolidated financial statements.

The loan is secured by property, plant and equipment of NTC, please refer to Note 14 to the consolidated financial statements.

19. BONDS PAYABLE

	September 30, 2022	December 31, 2021	September 30, 2021
Domestic secured bonds	\$ 9,965,351	\$ 9,956,086	\$ 9,953,009
Domestic unsecured bonds	<u>-</u>	<u>-</u>	<u>98,901</u>
	<u>\$ 9,965,351</u>	<u>\$ 9,956,086</u>	<u>\$ 10,051,910</u>

- a. On July 10, 2018, the Company was approved by the FSC to offer and issue the first secured corporate bonds of 2018, with an aggregate principal amount of 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 14 to the consolidated financial statements for collateral of 12-inch Fab Manufacturing facilities on corporate bonds.

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

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

- 1) The conversion price was set at NT\$39.9 per share at the time of issuance. When meeting certain criteria, adjustments on the conversion price are made in accordance with the terms and conditions. Since NTC distributed cash dividends in August 2021, the conversion price should be adjusted according to the issuance and conversion measures, so the conversion price has been adjusted to NT\$38 since August 22, 2021. As of December 31, 2021, all convertible bonds were converted into ordinary shares.
- 2) After the first three months of the issuance and forty days before the maturity date, if the closing price of NTC's common shares listed on the Taiwan Stock Exchange exceeds or equals 30% of the conversion price or the outstanding balance of the bonds is less than 10% in principal amount of the bonds originally outstanding for thirty consecutive business days, NTC may redeem the bonds in cash at the principal amount.
- 3) After the bonds has been issued for over five years, the bondholders may request NTC to redeem the bonds at 106.41% of the principal amount (annual rate of return 1.25%). The right of the redemption was recognized as financial instruments at fair value through profit or loss - current. The fair value was NT\$1,806 thousand on September 30, 2021.
- 4) Except for the NTC's bonds that have been redeemed, sold back, converted, or bought back by NTC in the market, the principal will be repaid in cash upon maturity at a rate of 109.09% (annual rate of return 1.25% upon maturity).

20. PROVISIONS

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Current</u>			
Decommissioning liabilities	<u>\$ 186,339</u>	<u>\$ 532,948</u>	<u>\$ 551,784</u>
<u>Non-current</u>			
Employee benefits	\$ 1,406,659	\$ 1,537,035	\$ 1,591,359
Warranties	745,984	775,861	762,442
Decommissioning liabilities	<u>483,780</u>	<u>653,679</u>	<u>676,782</u>
	<u>\$ 2,636,423</u>	<u>\$ 2,966,575</u>	<u>\$ 3,030,583</u>

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

21. RETIREMENT BENEFIT PLANS

The employee benefit expense in respect of the Group's defined benefit retirement plans was calculated using the actuarially determined pension cost discount rate as of December 31, 2021 and 2020, and NT\$23,716 thousand, NT\$29,330 thousand, NT\$74,558 thousand and NT\$70,348 thousand was recognized for the three months ended and nine months ended September 30, 2022 and 2021, respectively.

22. EQUITY

a. Share capital

	September 30, 2022	December 31, 2021	September 30, 2021
Number of shares authorized (in thousands)	<u>6,700,000</u>	<u>6,700,000</u>	<u>6,700,000</u>
Share authorized	<u>\$ 67,000,000</u>	<u>\$ 67,000,000</u>	<u>\$ 67,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>3,980,000</u>	<u>3,980,000</u>	<u>3,980,000</u>
Share issued	<u>\$ 39,800,002</u>	<u>\$ 39,800,002</u>	<u>\$ 39,800,002</u>

As of September 30, 2022, December 31, 2021 and September 30, 2021, the balance of the Company's capital account amounted to NT\$39,800,002 thousand, divided into 3,980,000 thousand shares with a par value of NT\$10.

b. Capital surplus

	September 30, 2022	December 31, 2021	September 30, 2021
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital</u>			
Arising from issuance of share capital	\$ 4,787,673	\$ 4,787,673	\$ 4,787,673
Arising from treasury share transactions	2,342,036	2,342,036	2,342,036
Arising from conversion of bonds	136,352	136,352	136,352
Arising from exercised employee share options	208,451	208,451	208,451
Overdue employee share options	30,749	30,749	30,749
<u>May be used to offset a deficit</u>			
Arising from changes in percentage of ownership interest in subsidiaries	251,734	251,726	340,235
Arising from share of changes in capital surplus of associates	<u>28,923</u>	<u>29,137</u>	<u>29,137</u>
	<u>\$ 7,785,918</u>	<u>\$ 7,786,124</u>	<u>\$ 7,874,633</u>

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

c. Retained earnings and dividend policy

According to the Company's Articles of Incorporation, the Company's dividend distribution policy is 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 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.

The appropriations of the dividends per share and earnings for 2021 and 2020 were approved in the shareholders' meetings on May 31, 2022 and August 12, 2021, respectively, as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>For Year 2021</u>	<u>For Year 2020</u>	<u>For Year 2021</u>	<u>For Year 2020</u>
Legal reserve appropriated	\$ 1,359,595	\$ 161,253		
Cash dividends	<u>3,980,000</u>	<u>796,000</u>	\$ 1.0	\$ 0.2
	<u>\$ 5,339,595</u>	<u>\$ 957,253</u>		

For information about the accrual basis of the employees' compensation and remuneration of directors and the actual appropriations, refer to Note 24 to the consolidated financial statements on employee benefits expenses.

d. Other equity items

1) Exchange differences on translation of foreign financial statements

	<u>Nine Months Ended September 30</u>	
	<u>2022</u>	<u>2021</u>
Balance at January 1	\$ (861,389)	\$ (271,328)
Exchange differences arising on translating the financial statements of foreign operations	<u>93,017</u>	<u>(463,383)</u>
Balance at September 30	<u>\$ (768,372)</u>	<u>\$ (734,711)</u>

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

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

	Nine Months Ended September 30	
	2022	2021
Balance at January 1	\$ 12,911,356	\$ 8,141,510
Unrealized gains (losses) on revaluation of financial assets at FVTOCI	1,350,168	1,771,231
Share of unrealized (losses) gains on revaluation of financial assets at FVTOCI of associates accounted for using equity method	(1,156,605)	645,866
Disposal of investments in equity instruments designated at FVTOCI	<u>(300,524)</u>	<u>(74,134)</u>
Balance at September 30	<u>\$ 12,804,395</u>	<u>\$ 10,484,473</u>

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

e. Non-controlling interests

	Nine Months Ended September 30	
	2022	2021
Balance at January 1	\$ 7,589,399	\$ 5,143,568
Share attributable to non-controlling interests		
Profit for the period	1,711,517	875,234
Exchange differences on translation of foreign financial statements	(136,021)	(318,584)
Unrealized gains (losses) on financial assets measured at FVTOCI	(117,493)	369,913
Cash dividends issued by subsidiaries to non-controlling interests	(1,024,053)	(148,788)
Changes in ownership interests in subsidiaries	<u>8</u>	<u>997,624</u>
Balance at September 30	<u>\$ 8,023,357</u>	<u>\$ 6,918,967</u>

23. REVENUE

Refer to Note 37 to the consolidated financial statements for the Group's revenue.

24. EMPLOYEE BENEFITS EXPENSE, DEPRECIATION, AND AMORTIZATION

	Three Months Ended September 30, 2022			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	Total
Short-term employee benefits	<u>\$ 1,062,807</u>	<u>\$ 3,501,070</u>	<u>\$ -</u>	<u>\$ 4,563,877</u>
Post-employment benefits	<u>\$ 40,449</u>	<u>\$ 168,301</u>	<u>\$ -</u>	<u>\$ 208,750</u>
Depreciation	<u>\$ 1,733,975</u>	<u>\$ 287,116</u>	<u>\$ 35,346</u>	<u>\$ 2,056,437</u>
Amortization	<u>\$ 1,698</u>	<u>\$ 78,483</u>	<u>\$ 6,750</u>	<u>\$ 86,931</u>

Three Months Ended September 30, 2021				
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	Total
Short-term employee benefits	<u>\$ 1,248,894</u>	<u>\$ 3,507,469</u>	<u>\$ -</u>	<u>\$ 4,756,363</u>
Post-employment benefits	<u>\$ 37,843</u>	<u>\$ 182,006</u>	<u>\$ -</u>	<u>\$ 219,849</u>
Depreciation	<u>\$ 2,724,321</u>	<u>\$ 313,230</u>	<u>\$ 39,776</u>	<u>\$ 3,077,327</u>
Amortization	<u>\$ 4,604</u>	<u>\$ 59,598</u>	<u>\$ 8,680</u>	<u>\$ 72,882</u>

Nine Months Ended September 30, 2022				
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	Total
Short-term employee benefits	<u>\$ 3,641,861</u>	<u>\$ 11,230,604</u>	<u>\$ -</u>	<u>\$ 14,872,465</u>
Post-employment benefits	<u>\$ 119,753</u>	<u>\$ 546,124</u>	<u>\$ -</u>	<u>\$ 665,877</u>
Depreciation	<u>\$ 6,193,103</u>	<u>\$ 847,391</u>	<u>\$ 109,503</u>	<u>\$ 7,149,997</u>
Amortization	<u>\$ 4,195</u>	<u>\$ 228,393</u>	<u>\$ 20,250</u>	<u>\$ 252,838</u>

Nine Months Ended September 30, 2021				
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	Total
Short-term employee benefits	<u>\$ 3,322,202</u>	<u>\$ 9,637,968</u>	<u>\$ -</u>	<u>\$ 12,960,170</u>
Post-employment benefits	<u>\$ 103,239</u>	<u>\$ 509,495</u>	<u>\$ -</u>	<u>\$ 612,734</u>
Depreciation	<u>\$ 7,169,962</u>	<u>\$ 1,113,529</u>	<u>\$ 122,100</u>	<u>\$ 8,405,591</u>
Amortization	<u>\$ 20,182</u>	<u>\$ 167,770</u>	<u>\$ 26,040</u>	<u>\$ 213,992</u>

The remuneration policies of the Company were as follows:

a. Directors:

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

b. Managers:

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

c. Employees:

Employees' compensation, including fixed and variable compensation, was taken both internal fairness and external competitiveness into consideration. The Company gives bonus immediately and shares operating performance with the employees to attract, encourage and retain the talent. In accordance with the Articles of Incorporation, it stipulates distribution of the compensation of employees at the rates no less than 1% of net profit before income tax before deducting remuneration to employees and directors. 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 three months ended and nine months ended September 30, 2022 and 2021, the employees' compensation and remuneration of directors were as follows:

	Three Months Ended September 30				Nine Months Ended September 30			
	2022		2021		2022		2021	
	Amounts	Accrual Rate	Amounts	Accrual Rate	Amounts	Accrual Rate	Amounts	Accrual Rate
Employees' compensation	<u>\$ 61,774</u>	2%	<u>\$ 106,703</u>	2%	<u>\$ 299,440</u>	2%	<u>\$ 229,921</u>	2%
Remuneration of directors	<u>\$ 30,887</u>	1%	<u>\$ 53,352</u>	1%	<u>\$ 149,720</u>	1%	<u>\$ 114,961</u>	1%

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

The compensation to employees and remuneration to the directors of 2021 and 2020 were approved by the Company's board of directors on March 15, 2022 and March 16, 2021, respectively, were as below:

	For the Year Ended December 31	
	2021	2020
Employees' compensation	<u>\$ 330,737</u>	<u>\$ 27,831</u>
Remuneration of directors	<u>\$ 165,369</u>	<u>\$ 13,916</u>

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2021 and 2020.

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.

25. INCOME TAXES RELATING TO CONTINUING OPERATIONS

- a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
Current income tax expense				
Current tax expense	\$ 644,121	\$ 1,128,982	\$ 3,339,292	\$ 2,221,185
Adjustments for prior years	6,298	(919)	10,829	11,609
Deferred income tax				
Current tax expense	<u>(87,223)</u>	<u>(150,809)</u>	<u>(283,282)</u>	<u>160,243</u>
Income tax expense recognized in profit or loss	<u>\$ 563,196</u>	<u>\$ 977,254</u>	<u>\$ 3,066,839</u>	<u>\$ 2,393,037</u>

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

- b. The tax returns of Company and NTC through 2019 and 2020, respectively, have been assessed by the tax authorities.

26. EARNINGS PER SHARE

	Three Months Ended September 30					
	2022			2021		
	Amounts (Numerator)	Shares (Denominator) (In Thousands)	Earnings Per Share (NT\$)	Amounts (Numerator)	Shares (Denominator) (In Thousands)	Earnings Per Share (NT\$)
Basic earnings per share						
Net income attributed to common shareholders	\$ 2,669,036	3,980,000	<u>\$ 0.67</u>	\$ 4,478,033	3,980,000	<u>\$ 1.13</u>
Effect of dilutive potential common share						
Employees' compensation	-	15,162		-	8,676	
Diluted earnings per share						
Net income attributed to common shareholders	<u>\$ 2,669,036</u>	<u>3,995,162</u>	<u>\$ 0.67</u>	<u>\$ 4,478,033</u>	<u>3,988,676</u>	<u>\$ 1.12</u>

	Nine Months Ended September 30				
	2022		2021		
	<u>Amounts (Numerator)</u>	<u>Earnings Per Share (NT\$)</u>	<u>Amounts (Numerator)</u>	<u>Earnings Per Share (NT\$)</u>	
	<u>Net Income After Income Tax</u>	<u>Net Income After Income Tax</u>	<u>Net Income After Income Tax</u>	<u>Net Income After Income Tax</u>	<u>Net Income After Income Tax</u>
	(Attributable to Owners of the Parent)	(Attributable to Owners of the Parent)	(Attributable to Owners of the Parent)	(Attributable to Owners of the Parent)	(Attributable to Owners of the Parent)
	Shares (Denominator) (In Thousands)		Shares (Denominator) (In Thousands)		
Basic earnings per share					
Net income attributed to common shareholders	\$ 12,380,833	3,980,000	<u>\$ 3.11</u>	\$ 9,400,565	3,980,000
Effect of dilutive potential common share					
Employees' compensation	-	17,747		-	8,974
Diluted earnings per share					
Net income attributed to common shareholders	<u>\$ 12,380,833</u>	<u>3,997,747</u>	<u>\$ 3.10</u>	<u>\$ 9,400,565</u>	<u>3,988,947</u>

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

27. GOVERNMENT GRANTS

As of September 30, 2022, the Company received a government loan of NT\$5,131,600 thousand at the market rate of interest. It will be used in purchase of machinery and equipment and supporting working capital. The loan will be repaid in installments a seven-year period. Using prevailing market interest rates for an equivalent loan of 1.79% and 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 three months and nine months ended September 30, 2022 and 2021, the other income under government grants were amounts of NT\$11,058 thousand, NT\$5,642 thousand, NT\$37,756 thousand and NT\$11,755 thousand, respectively, and the interest expense under loans were amounts of NT\$23,753 thousand, NT\$8,261 thousand, NT\$70,151 thousand and NT\$16,893 thousand, respectively.

28. BUSINESS COMBINATIONS

a. Subsidiaries acquired

Subsidiary	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Miraxia Edge Technology Corporation ("METC")	Software and hardware integration design of semiconductor	November 1, 2021	100	<u>\$ 357,898</u>

The Company acquired 100% ownership interest of METC from the sub-subsidiary NTCJ, on November 1, 2021. The reorganization transaction was under common control, and is recognized as an equity transaction.

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

	Miraxia Edge Technology Corporation
Current assets	
Cash and cash equivalents	\$ 298,304
Accounts receivable and other receivables	101,201
Inventories	39,835
Prepayments	6,147
Non-current assets	
Property, plant and equipment	6,146
Intangible assets	14,728
Deferred income tax assets	<u>65,349</u>
Total assets	<u>\$ 531,710</u>
Current liabilities	
Accounts payable and other payables	\$ 291,280
Current tax liabilities	17,717
Other current liabilities	<u>55,053</u>
Total liabilities	<u>\$ 364,050</u>
Net assets	<u>\$ 167,660</u>

c. Equity transaction difference

	Miraxia Edge Technology Corporation
Fair value of identifiable net assets acquired	\$ 167,660
Less: Consideration transferred	<u>(357,898)</u>
Equity transaction difference	<u>\$ (190,238)</u>
<u>Equity transaction difference adjustment account</u>	
Investments accounted for using equity method - NTC	\$ 97,887
Capital surplus - changes in ownership interests in subsidiaries	<u>92,351</u>
Equity transaction difference	<u>\$ 190,238</u>

The company has completed to measure and allocate aforementioned assets and liabilities at carrying amount of METC held by the sub-subsidiary NTCJ on November 1, 2021, which was NT\$167,660 thousand. The equity transaction difference was recorded in the related accounts.

d. Net cash outflow on the acquisition of subsidiaries

	Miraxia Edge Technology Corporation
Consideration paid in cash	\$ 357,898
Less: Cash and cash equivalent balances acquired	<u>(298,304)</u>
	<u>\$ 59,594</u>

29. CAPITAL MANAGEMENT

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

30. 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 FVTPL and 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 consolidated balance sheets

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

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

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

Fair value hierarchy as at September 30, 2022

	Level 1	Level 2	Level 3	Total
<u>Financial liabilities</u>				
Financial liabilities measured at amortized cost				
Bonds payable (secured)	\$ _____	\$ 9,965,351	\$ _____	\$ 9,965,351

Fair value hierarchy as at December 31, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial liabilities</u>				
Financial liabilities measured at amortized cost				
Bonds payable (secured)	\$ _____	\$ 9,956,086	\$ _____	\$ 9,956,086

Fair value hierarchy as at September 30, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial liabilities</u>				
Financial liabilities measured at amortized cost				
Bonds payable (secured)	\$ -	\$ 9,953,009	\$ -	\$ 9,953,009
Bonds payable (unsecured)	<u>353,444</u>	<u>-</u>	<u>-</u>	<u>353,444</u>
	<u>\$ 353,444</u>	<u>\$ 9,953,009</u>	<u>\$ -</u>	<u>\$ 10,306,453</u>

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

Fair value hierarchy as at September 30, 2022

	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>				
<u>Financial assets at FVTPL</u>				
Derivative financial assets	\$ -	\$ -	\$ 124,375	\$ 124,375
Non-derivative financial assets				
Domestic listed and emerging securities	46,435	-	-	46,435
Overseas unlisted securities	-	-	63,500	63,500
Mutual funds	<u>111,969</u>	<u>-</u>	<u>-</u>	<u>111,969</u>
	<u>\$ 158,404</u>	<u>\$ -</u>	<u>\$ 187,875</u>	<u>\$ 346,279</u>

(Continued)

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI</u>				
Equity securities				
Domestic listed and emerging securities	\$ 13,062,576	\$ -	\$ -	\$ 13,062,576
Domestic and overseas unlisted securities	-	22,220	1,715,020	1,737,240
Mutual funds	<u>-</u>	<u>-</u>	<u>1,190,743</u>	<u>1,190,743</u>
	<u>\$ 13,062,576</u>	<u>\$ 22,220</u>	<u>\$ 2,905,763</u>	<u>\$ 15,990,559</u>

Financial liabilities

Financial liabilities at FVTPL

Derivative financial liabilities	<u>\$ -</u>	<u>\$ 190,448</u>	<u>\$ -</u>	<u>\$ 190,448</u> (Concluded)
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Fair value hierarchy as at December 31, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>				
<u>Financial assets at FVTPL</u>				
Derivative financial assets	\$ -	\$ 51,688	\$ 69,200	\$ 120,888
Non-derivative financial assets				
Overseas unlisted securities	-	-	55,360	55,360
Mutual funds	<u>108,700</u>	<u>-</u>	<u>-</u>	<u>108,700</u>
	<u>\$ 108,700</u>	<u>\$ 51,688</u>	<u>\$ 124,560</u>	<u>\$ 284,948</u>
<u>Financial assets at FVTOCI</u>				
Equity securities				
Domestic listed and emerging securities	\$ 11,235,587	\$ -	\$ -	\$ 11,235,587
Domestic and overseas unlisted securities	-	21,010	2,437,731	2,458,741
Mutual funds	<u>-</u>	<u>-</u>	<u>765,011</u>	<u>765,011</u>
	<u>\$ 11,235,587</u>	<u>\$ 21,010</u>	<u>\$ 3,202,742</u>	<u>\$ 14,459,339</u>

Fair value hierarchy as at September 30, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>				
<u>Financial assets at FVTPL</u>				
Derivative financial assets	\$ -	\$ 14,754	\$ -	\$ 14,754
Non-derivative financial assets				
Overseas unlisted securities	-	-	55,700	55,700
Mutual funds	<u>55,045</u>	<u>-</u>	<u>-</u>	<u>55,045</u>
	<u>\$ 55,045</u>	<u>\$ 14,754</u>	<u>\$ 55,700</u>	<u>\$ 125,499</u>
<u>Financial assets at FVTOCI</u>				
Equity securities				
Domestic listed and emerging securities	\$ 10,295,587	\$ -	\$ -	\$ 10,295,587
Overseas listed securities	47,433	-	-	47,433
Domestic and overseas unlisted securities	-	19,580	2,251,689	2,271,269
Mutual funds	<u>-</u>	<u>-</u>	<u>580,760</u>	<u>580,760</u>
	<u>\$ 10,343,020</u>	<u>\$ 19,580</u>	<u>\$ 2,832,449</u>	<u>\$ 13,195,049</u>
<u>Financial liabilities</u>				
<u>Financial liabilities at FVTPL</u>				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 2,634</u>	<u>\$ -</u>	<u>\$ 2,634</u>

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 nine months ended September 30, 2022 and 2021 were as follows:

	<u>Nine Months Ended September 30</u>	
	<u>2022</u>	<u>2021</u>
Balance at January 1	\$ 3,327,302	\$ 1,908,328
Additions	704,775	169,189
Recognized in other comprehensive income	254,764	824,504
Recognized in profit or loss	10,175	-
Reclassified to investments accounted for using the equity method	(1,289,679)	-
Proceeds from capital reduction of investment	(1,000)	(4,500)
Effect of exchange rate changes	<u>87,301</u>	<u>(9,372)</u>
Balance at September 30	<u>\$ 3,093,638</u>	<u>\$ 2,888,149</u>

b. Categories of financial instruments

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

	September 30, 2022		December 31, 2021		September 30, 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial assets</u>						
Measured at amortized cost						
Cash and cash equivalents	\$ 18,290,658	\$ 18,290,658	\$ 30,914,427	\$ 30,914,427	\$ 22,340,398	\$ 22,340,398
Notes and accounts receivable (included related parties)	11,572,155	11,572,155	12,154,855	12,154,855	12,943,963	12,943,963
Financial lease receivables (current and non-current)	231,168	231,168	-	-	-	-
Other receivables	786,200	786,200	1,267,026	1,267,026	1,285,313	1,285,313
Refundable deposits (recorded in other non-current assets)	568,884	568,884	529,290	529,290	506,337	506,337
Financial assets at fair value through profit or loss (current and non-current)	346,279	346,279	284,948	284,948	125,499	125,499
Financial assets at fair value through other comprehensive income (current and non-current)	15,990,559	15,990,559	14,459,339	14,459,339	13,195,049	13,195,049
<u>Financial liabilities</u>						
Measured at amortized cost						
Short-term borrowings	220,100	220,100	1,430,317	1,430,317	1,550,788	1,550,788
Notes and accounts payable (included related parties)	7,611,072	7,611,072	7,600,734	7,600,734	8,149,607	8,149,607
Payable on equipment and other payables	17,299,055	17,299,055	14,409,181	14,409,181	11,500,876	11,500,876
Bonds payable	9,965,351	9,965,351	9,956,086	9,956,086	10,051,910	10,306,453
Long-term borrowings (included current portion)	30,910,561	30,910,561	14,133,865	14,133,865	13,970,283	13,970,283
Guarantee deposits (recorded in other non-current liabilities)	2,758,274	2,758,274	2,072,448	2,072,448	269,999	269,999
Financial liabilities at fair value through profit or loss	190,448	190,448	-	-	2,634	2,634

c. Financial risk management objectives and policies

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

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

1) Market risk

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

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

a) Foreign currency risk

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

The sensitivity analysis included only outstanding foreign currency denominated monetary items at the end of the reporting period and an increase in net income and equity if New Taiwan dollars appreciate by 1% against foreign currencies. For a 1% depreciation of New Taiwan dollars against U.S. dollars, there would be impact on net income increase in the amounts of NT\$1,438 thousand, NT\$16,927 thousand, NT\$72,437 thousand and NT\$104,695 thousand for the three months ended and nine months ended September 30, 2022 and 2021, respectively.

b) Interest rate risk

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

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

	September 30, 2022	December 31, 2021	September 30, 2021
Cash flow interest rate risk			
Financial assets	\$ 8,413	\$ 8,413	\$ 8,413
Financial liabilities	31,351,700	15,699,041	15,406,313

The sensitivity analyses below were determined based on the Group's exposure to interest rates for fair value of variable-rate derivatives instruments at the end of the reporting period. If interest rates had been higher by one percentage point, the Group's cash flows would have increased by NT\$112,709 thousand, NT\$37,833 thousand, NT\$235,075 thousand and NT\$115,484 thousand for the three months ended and nine months ended September 30, 2022 and 2021, respectively.

2) Credit risk

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

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

3) Liquidity risk

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

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

	September 30, 2022			
	Within 1 Year	1-2 Years	Over 2 Years	Total
Non-interest bearing	\$ 24,910,127	\$ 2,758,274	\$ -	\$ 27,668,401
Lease liabilities	317,936	260,945	2,112,348	2,691,229
Variable interest rate liabilities	2,741,529	5,429,464	23,180,707	31,351,700
Fixed interest rate liabilities	<u>-</u>	<u>-</u>	<u>10,000,000</u>	<u>10,000,000</u>
	<u>\$ 27,969,592</u>	<u>\$ 8,448,683</u>	<u>\$ 35,293,055</u>	<u>\$ 71,711,330</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 2 Years	2-5 Years	Over 5 Years
Lease liabilities	<u>\$ 578,881</u>	<u>\$ 564,493</u>	<u>\$ 1,547,855</u>

	December 31, 2021			
	Within 1 Year	1-2 Years	Over 2 Years	Total
Non-interest bearing	\$ 22,009,915	\$ 2,072,448	\$ -	\$ 24,082,363
Lease liabilities	378,266	330,741	2,765,867	3,474,874
Variable interest rate liabilities	2,002,441	1,641,429	12,055,171	15,699,041
Fixed interest rate liabilities	<u>212,976</u>	<u>-</u>	<u>10,000,000</u>	<u>10,212,976</u>
	<u>\$ 24,603,598</u>	<u>\$ 4,044,618</u>	<u>\$ 24,821,038</u>	<u>\$ 53,469,254</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 2 Years	2-5 Years	Over 5 Years
Lease liabilities	<u>\$ 709,007</u>	<u>\$ 728,362</u>	<u>\$ 2,037,505</u>

	September 30, 2021			
	Within 1 Year	1-2 Years	Over 2 Years	Total
Non-interest bearing	\$ 19,650,483	\$ 269,999	\$ -	\$ 19,920,482
Lease liabilities	389,456	332,151	2,820,713	3,542,320
Variable interest rate liabilities	4,941,313	1,570,000	8,895,000	15,406,313
Fixed interest rate liabilities	<u>294,476</u>	<u>-</u>	<u>10,105,926</u>	<u>10,400,402</u>
	<u>\$ 25,275,728</u>	<u>\$ 2,172,150</u>	<u>\$ 21,821,639</u>	<u>\$ 49,269,517</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 2 Years	2-5 Years	Over 5 Years
Lease liabilities	<u>\$ 721,607</u>	<u>\$ 730,533</u>	<u>\$ 2,090,180</u>

4) Transfers of financial assets

NTC's factored accounts receivables that are not yet overdue were as follows:

September 30, 2022: None.

December 31, 2021

Counterparty	Receivables Factoring Proceeds	Advances Received - Unused	Advances Received - Used	Annual Interest Rates on Advances Received (Used) (%)
Sumitomo Mitsui Banking Corporation	<u>\$ 98,885</u>	<u>\$ -</u>	<u>\$ 98,885</u>	<u>0.9</u>

September 30, 2021

Counterparty	Receivables Factoring Proceeds	Advances Received - Unused	Advances Received - Used	Annual Interest Rates on Advances Received (Used) (%)
Sumitomo Mitsui Banking Corporation	<u>\$ 96,419</u>	<u>\$ -</u>	<u>\$ 96,419</u>	<u>0.9</u>

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

31. RELATED PARTY TRANSACTIONS

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

<u>Related Party</u>	<u>Relationship with the Group</u>
Walsin Lihwa Corporation	Investor that exercises significant influence over the Group
Hwa Bao Botanic Conservation Corp.	Associate
Chin Xin Investment Co., Ltd.	Associate
Tower Partners Semiconductor Co., Ltd. ("TPSCo.")	Associate (Note)
Nyquest Technology Co., Ltd.	Related party in substance
Walton Advanced Engineering Inc.	Related party in substance
Walton Advanced Engineering Ltd. (Suzhou)	Related party in substance
Chin Cherng Construction Co., Ltd.	Related party in substance
Walsin Technology Corporation	Related party in substance
United Industrial Gases Co., Ltd.	Related party in substance
Hannstar Display Corporation	Related party in substance
Glorystone Inc.	Related party in substance
Waltech Advanced Engineering (Suzhou) Ltd.	Related party in substance
CHIA-HO Green Energy Corporation	Related party in substance

Note: The Group has significant influence over TPSCo. since April 2022, therefore TPSCo. has been reclassified from related party in substance to associate. Refer to Note 13 to the consolidated financial statements.

- b. Operating activities

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>September 30</u>		<u>September 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
1) Operating revenue				
Related party in substance	\$ 856,250	\$ 1,322,054	\$ 2,858,191	\$ 2,865,844
Associate	<u>78,072</u>	<u>-</u>	<u>169,313</u>	<u>-</u>
	<u>\$ 934,322</u>	<u>\$ 1,322,054</u>	<u>\$ 3,027,504</u>	<u>\$ 2,865,844</u>

	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
2) Purchases of goods				
Associate				
TPSCo.	\$ 1,034,528	\$ -	\$ 2,178,165	\$ -
Related party in substance				
TPSCo.	-	1,580,420	1,498,020	4,943,642
Others	-	33,962	-	62,653
	<u>\$ 1,034,528</u>	<u>\$ 1,614,382</u>	<u>\$ 3,676,185</u>	<u>\$ 5,006,295</u>
3) Manufacturing expenses				
Related party in substance				
Walton Advanced				
Engineering Inc.	\$ 747,981	\$ 865,793	\$ 2,360,141	\$ 2,433,930
Others	517,108	649,908	1,642,335	1,967,767
Associate	473,054	-	925,412	-
	<u>\$ 1,738,143</u>	<u>\$ 1,515,701</u>	<u>\$ 4,927,888</u>	<u>\$ 4,401,697</u>
4) Operating expenses				
Associate	\$ 74,493	\$ -	\$ 157,786	\$ -
Related party in substance	18,458	117,569	115,052	346,778
Investor that exercises				
significant influence over				
the Group	3,357	3,265	10,281	9,437
	<u>\$ 96,308</u>	<u>\$ 120,834</u>	<u>\$ 283,119</u>	<u>\$ 356,215</u>
5) Dividend income				
Investor that exercises				
significant influence over				
the Group				
Walsin Lihwa				
Corporation	\$ -	\$ 199,800	\$ 355,200	\$ 199,800
Related party in substance				
Hannstar Display				
Corporation	(670)	75,000	149,330	75,000
United Industrial Gases				
Co., Ltd.	-	-	67,118	62,000
Others	58,488	67,495	58,488	67,495
	<u>\$ 57,818</u>	<u>\$ 342,295</u>	<u>\$ 630,136</u>	<u>\$ 404,295</u>
6) Other income and expenses				
Associate	\$ (13,075)	\$ 30	\$ 12,119	\$ 60
Related party in substance	-	-	977	1,311
	<u>\$ (13,075)</u>	<u>\$ 30</u>	<u>\$ 13,096</u>	<u>\$ 1,371</u>

	September 30, 2022	December 31, 2021	September 30, 2021
7) Accounts receivable			
Related party in substance	\$ 490,068	\$ 639,262	\$ 690,593
Associate	<u>28,746</u>	<u>-</u>	<u>-</u>
	<u>\$ 518,814</u>	<u>\$ 639,262</u>	<u>\$ 690,593</u>
8) Accounts payable			
Related party in substance	\$ 961,032	\$ 1,344,195	\$ 1,440,205
Associate	<u>507,794</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,468,826</u>	<u>\$ 1,344,195</u>	<u>\$ 1,440,205</u>
9) Other receivables and other current assets			
Associate			
TPSCo.	\$ 62,895	\$ -	\$ -
Others	91,421	-	54,916
Related party in substance			
TPSCo.	-	262,957	245,110
Others	57	4,396	10,501
Investor that exercises significant influence over the Group	<u>28</u>	<u>-</u>	<u>16</u>
	<u>\$ 154,401</u>	<u>\$ 267,353</u>	<u>\$ 310,543</u>
10) Other payables and other current liability			
Associate	\$ 202,906	\$ -	\$ -
Related party in substance	101,455	217,462	95,890
Investor that exercises significant influence over the Group	<u>1,906</u>	<u>4</u>	<u>2,294</u>
	<u>\$ 306,267</u>	<u>\$ 217,466</u>	<u>\$ 98,184</u>
11) Refundable deposits (recorded as “other non-current assets”)			
Related party in substance	\$ 1,722	\$ 1,722	\$ 1,722
Investor that exercises significant influence over the Group	<u>203</u>	<u>203</u>	<u>203</u>
	<u>\$ 1,925</u>	<u>\$ 1,925</u>	<u>\$ 1,925</u>
12) Guarantee deposits (recorded as “other non-current liabilities”)			
Related party in substance	<u>\$ 259,080</u>	<u>\$ 225,869</u>	<u>\$ -</u>

The Group’s transactions with the related party were conducted in accordance with bilateral contracts, covering transaction price and payment terms.

c. Acquisition of property, plant and equipment

Purchase Price	
Nine Months Ended September 30	
2022	2021

Related party in substance	\$ <u>31,725</u>	\$ <u>-</u>
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d. Disposal of property, plant and equipment

Disposal Price		Gain (Loss) on Disposal	
Three Months Ended		Three Months Ended	
September 30		September 30	
2022	2021	2022	2021

Related party in substance				
Waltech Advanced				
Engineering (Suzhou) Ltd.	\$ -	\$ 886	\$ -	\$ 886
Others	<u>-</u>	<u>150</u>	<u>-</u>	<u>117</u>
	<u>\$ -</u>	<u>\$ 1,036</u>	<u>\$ -</u>	<u>\$ 1,003</u>

Related party in substance				
Waltech Advanced				
Engineering (Suzhou) Ltd.	\$ -	\$ 886,862	\$ -	\$ 144,679
Others	68	628	68	595
Associate	<u>72,749</u>	<u>-</u>	<u>155</u>	<u>-</u>
	<u>\$ 72,817</u>	<u>\$ 887,490</u>	<u>\$ 223</u>	<u>\$ 145,274</u>

The price of above transactions were determined based on the acquisition cost of the equipment and reference to the recent quoted market price.

Refer to Note 31 (g) to the consolidated financial statements for details of finance lease contracts.

e. Disposal of intangible assets

Disposal Price		Gain (Loss) on Disposal	
Three Months Ended		Three Months Ended	
September 30		September 30	
2022	2021	2022	2021

Associate				
TPSCo.	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

Disposal Price		Gain (Loss) on Disposal	
Nine Months Ended		Nine Months Ended	
September 30		September 30	
2022	2021	2022	2021

Associate				
TPSCo.	\$ <u>204,873</u>	\$ <u>-</u>	\$ <u>16</u>	\$ <u>-</u>

The price of above transactions were determined based on the acquisition cost of the intangible asset and reference to the recent quoted market price.

Refer to Note 31 (g) to the consolidated financial statements for details of finance lease contracts.

f. Lease arrangements - the Group is lessee

	Nine Months Ended September 30			
	2022		2021	
1) Acquisition of right of use assets				
Investor that exercises significant influence over the Group		\$ 1,033		\$ -
	September 30,	December 31,	September 30,	
	2022	2021	2021	
2) Lease liabilities				
Related party in substance	\$ 3,016	\$ 11,993	\$ 14,116	
Investor that exercises significant influence over the Group	<u>6,555</u>	<u>-</u>	<u>665</u>	
	<u>\$ 9,571</u>	<u>\$ 11,993</u>	<u>\$ 14,781</u>	
	Three Months Ended	Nine Months Ended		
	September 30		September 30	
	2022	2021	2022	2021
3) Interest expense				
Related party in substance	\$ 15	\$ 60	\$ 82	\$ 215
Investor that exercises significant influence over the Group	<u>21</u>	<u>4</u>	<u>70</u>	<u>19</u>
	<u>\$ 36</u>	<u>\$ 64</u>	<u>\$ 152</u>	<u>\$ 234</u>

g. Lease arrangements - the Group is lessor/sublease arrangements

Lease arrangements - sublease arrangement under operating leases

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

	September 30,	December 31,	September 30,
	2022	2021	2021
1) Operating lease receivables			
Associate			
TPSCo.	\$ 18,723	\$ -	\$ -
Related party in substance			
TPSCo.	<u>-</u>	<u>20,459</u>	<u>21,182</u>
	<u>\$ 18,723</u>	<u>\$ 20,459</u>	<u>\$ 21,182</u>

	September 30, 2022	December 31, 2021	September 30, 2021	
2) Future lease payment receivables				
Associate TPSCo.	\$ 1,328,744	\$ -	\$ -	
Related party in substance TPSCo.	<u>-</u>	<u>1,607,021</u>	<u>1,721,586</u>	
	<u>\$ 1,328,744</u>	<u>\$ 1,607,021</u>	<u>\$ 1,721,586</u>	
	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
3) Lease income				
Associate TPSCo.	\$ 51,118	\$ -	\$ 103,782	\$ -
Related party in substance TPSCo.	<u>-</u>	<u>58,720</u>	<u>55,912</u>	<u>180,187</u>
	<u>\$ 51,118</u>	<u>\$ 58,720</u>	<u>\$ 159,694</u>	<u>\$ 180,187</u>

Lease arrangements under finance leases

NTCJ leased out equipment and intangible assets to its associate company, TPSCo., under finance leases with 3-year lease term from the second quarter of 2022. The net investment in leases was NT\$277,390 thousand at the inception of the lease and the contract has average implicit interest rate of approximately 1.85% per year. The rental is based on similar asset's market rental rates and the fixed lease payment of JPY107,719 thousand is received quarterly. Refer to Note 10 to the consolidated financial statements for details of finance lease receivables.

As of September 30, 2022, the balance of finance lease receivables was NT\$231,168 thousand and no impairment loss was recognized for the nine months ended September 30, 2022. There was also no gain or loss on the disposal of equipment and intangible assets. The amounts of interest income under finance leases for the three months and the nine months ended September 30, 2022 were NT\$1,164 thousand and NT\$2,447 thousand, respectively.

h. Disposal of right-of-use assets

In June 2022, NTCJ transferred lease agreement of machinery equipment originally recorded as a right-of-use assets to TPSCo. and generated a gain on lease modification of approximately NT\$178,623 thousand. NTC recognized a deferred gain on lease modification of NT\$87,526 thousand based on its 49% shareholding ratio, which will be recognized in accordance with the remaining term of the contract.

i. Acquisition of financial assets

For the nine months ended September 30, 2022

Related Party Category/Name	Line Item	Number of Shares	Underlying Assets	Purchase Price
Investor that exercises significant influence over the Group Walsin Lihwa Corporation	Current financial assets at FVTOCI	25,527,493	Ordinary shares of Walsin Lihwa Corporation	\$ 765,825
Related party in substance CHIA-HO Green Energy Corporation	Non-current financial assets at FVTOCI	55,500,000	Ordinary shares of CHIA-HO Green Energy Corporation	<u>555,000</u>
				<u>\$ 1,320,825</u>

j. Disposal of financial assets

For the nine months ended September 30, 2022

Related Party Category/Name	Line Item	Number of Shares	Underlying Assets	Proceeds	Gain (Loss) on Disposal
Related party in substance	Current financial assets at FVTOCI	200,000	Ordinary shares of Walsin Technology Corporation	<u>\$ 18,535</u>	<u>\$ -</u>

k. Guarantee

Acquisition of guarantee

The chairman of NTC is a joint guarantor of the land-leasing from Taiwan Sugar Corporation. Refer to Note 15 to the consolidated financial statements.

l. Compensation of key management personnel

	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
Short-term employment benefits	\$ 236,134	\$ 98,110	\$ 623,979	\$ 280,877
Post-employment benefits	<u>2,319</u>	<u>2,000</u>	<u>6,374</u>	<u>23,609</u>
	<u>\$ 238,453</u>	<u>\$ 100,110</u>	<u>\$ 630,353</u>	<u>\$ 304,486</u>

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

32. PLEDGED AND COLLATERALIZED ASSETS

Refer to Notes 6, 14 and 16 to the consolidated financial statements.

33. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

- a. Amounts available under unused letters of credit as of September 30, 2022 and 2021 were approximately US\$25,934 thousand and US\$6,637 thousand, JPY3,091,644 thousand and JPY271,900 thousand, respectively.
- b. The Company's unrecognized commitments were as follows:

**September 30,
2022**

Acquisition of property, plant and equipment \$ 22,284,885

- c. N Company filed a complaint in the U.S. District Court for the District of Delaware on November 24, 2021. The plaintiff alleged that NTCA (and NTCA only) infringes one of its patents. N Company withdrew the complaint in the U.S. District Court for the District of Delaware in February 2022 and the case was closed.

34. OTHER ITEM

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

35. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

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

	September 30, 2022			December 31, 2021			September 30, 2021		
	Foreign Currencies (In Thousands)	Exchange Rate (Note 1)	New Taiwan Dollars (In Thousands)	Foreign Currencies (In Thousands)	Exchange Rate (Note 1)	New Taiwan Dollars (In Thousands)	Foreign Currencies (In Thousands)	Exchange Rate (Note 1)	New Taiwan Dollars (In Thousands)
<u>Financial assets</u>									
Monetary items									
USD	\$ 478,159	31.75	\$ 15,181,550	\$ 449,183	27.68	\$ 12,433,390	\$ 498,275	27.85	\$ 13,876,970
USD	59,232	144.25	1,880,610	35,252	115.09	975,769	32,351	111.85	900,974
		(Note 2)			(Note 2)			(Note 2)	
EUR	1,023	31.26	31,992	1,390	31.32	43,527	1,730	32.32	55,911
JPY	6,910,471	0.2201	1,520,995	2,165,741	0.2405	520,861	2,129,539	0.2490	530,255
RMB	12,011	4.473	53,723	126,013	4.344	547,400	80,447	4.305	346,325
ILS	22,024	8.9422	196,943	9,584	8.8912	85,210	23,492	8.6542	203,300
<u>Financial liabilities</u>									
Monetary items									
USD	277,670	31.75	8,816,026	214,994	27.68	5,951,028	130,524	27.85	3,635,102
USD	32,119	144.25	1,019,768	30,482	115.09	843,735	24,960	111.85	695,141
		(Note 2)			(Note 2)			(Note 2)	
EUR	3,797	31.26	118,685	49,260	31.32	1,542,839	47,483	32.32	1,534,636
JPY	8,487,191	0.2201	1,868,031	3,844,180	0.2405	924,525	3,404,578	0.2490	847,740
ILS	32,740	8.9422	292,772	22,798	8.8912	202,702	28,547	8.6542	247,049

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

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

For the three months ended and nine months ended September 30, 2022 and 2021, refer to consolidated statements of comprehensive income for details on realized and unrealized net foreign exchange profit (loss). It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

36. ADDITIONAL DISCLOSURE

- a. Following are the additional disclosures for material transactions, which the major transactions of parent and subsidiaries and their balances have been fully eliminated when preparing the consolidated financial report:

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

- b. Information on investments: Refer to Table 7 attached.

c. Information on investment in mainland China

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

d. Information on major shareholders: Refer to Table 10 attached.

37. SEGMENT INFORMATION

a. Basic information about operating segment

1) Classification of operating segments

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

a) Segment of DRAM IC product

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

b) Segment of Flash Memory product

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

c) Segment of Logic IC product

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

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

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

b. Segment revenues and operating results

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

	Segment Revenue		Segment Profit and Loss	
	Nine Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
DRAM IC product	\$ 18,594,067	\$ 19,269,171	\$ 6,628,995	\$ 5,619,177
Flash Memory product	23,806,735	23,509,033	10,880,138	9,682,101
Logic IC product	<u>32,098,892</u>	<u>30,792,167</u>	<u>7,058,588</u>	<u>5,448,576</u>
Total of segment revenue	74,499,694	73,570,371	24,567,721	20,749,854
Other revenue	<u>806,283</u>	<u>3,876</u>	806,283	3,876
Operating revenue	<u>\$ 75,305,977</u>	<u>\$ 73,574,247</u>		
Unallocated expenditure				
Administrative and supporting expenses			(6,423,345)	(4,228,530)
Sales and other common expenses			<u>(3,373,519)</u>	<u>(3,658,705)</u>
Income from operations			<u>15,577,140</u>	<u>12,866,495</u>
Non-operating income and expenses				
Interest income			84,123	41,364
Dividend income			634,086	404,364
Other income			451,504	376,108
Share of profit (loss) of associates			380,390	199,860
Gains (losses) on disposal of property, plant and equipment			184,873	166,004
Gains (losses) on disposal of intangible assets			91	(4,803)
Gains (losses) on disposal of investments			-	(436)
Gains (losses) on disposal of non-current held for sale assets			-	30,371
Gains (losses) on foreign exchange			1,362,829	(92,904)
Gains (losses) on financial instruments at fair value through profit or loss			(1,012,891)	25,956

(Continued)

	<u>Segment Revenue</u>		<u>Segment Profit and Loss</u>	
	<u>Nine Months Ended</u>		<u>Nine Months Ended</u>	
	<u>September 30</u>		<u>September 30</u>	
	2022	2021	2022	2021
Interest expense			\$ (57,284)	\$ (183,178)
Other expenses			(333,406)	(377,416)
Impairment loss recognized on property, plant and equipment			<u>(112,266)</u>	<u>(782,949)</u>
Income before income tax			<u>\$ 17,159,189</u>	<u>\$ 12,668,836</u> (Concluded)

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022
(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	WEC	NTCJ	NTC's indirect subsidiary with 100% ownership	\$ 15,893,422 (Note 1)	\$ 10,140,227 (JPY 46,071,000) (Note 3)	\$ 6,603,000 (JPY 30,000,000) (Note 3)	\$ 220,100 (JPY 1,000,000)	\$ -	7.25	\$ 45,565,660 (Note 5)	Y	N	N	
1	NTC	NTCJ	Subsidiary	16,444,100 (Note 2)	2,037,315 (JPY 5,650,000) and (USD 25,000) (Note 4)	2,037,315 (JPY 5,650,000) and (USD 25,000) (Note 4)	832,511 (JPY 271,000) and (USD 24,342)	-	12.39	16,444,100 (Note 6)	Y	N	N	

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 the 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.

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

SEPTEMBER 30, 2022

(In Thousands of New Taiwan Dollars and Foreign Currencies)

Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	September 30, 2022				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
WEC	<u>Shares</u> Walsin Lihwa Corporation	The investee's chairman are relatives within the second degree of relationship of WEC's chairman. As WEC's corporate director, the investee held 22.20% ownership interest in WEC	Current financial assets at fair value through other comprehensive income	247,527,493	\$ 10,024,864	7	\$ 10,024,864	
	Hannstar Display Corporation	The investee's chairman are relatives within the second degree of relationship of WEC's chairman.	"	150,000,210	1,725,002	5	1,725,002	
	Walsin Technology Corporation	The investee's chairman are relatives within the second degree of relationship of WEC's chairman.	"	8,400,117	625,809	2	625,809	
	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	585,733	10	585,733	
	<u>Shares</u> His Chu Golf Country Club	None	Non-current financial assets at fair value through other comprehensive income	3	12,360	-	12,360	
	Linkou Golf Course Corporation	"	"	1	9,860	-	9,860	
	Intellectual Property Innovation Corporation	"	"	1,000,000	7,471	10	7,471	
	Harbinger III Venture Capital Corp.	WEC as the investee's supervisor	"	5,440	119	5	119	
	Smart Catch International Co., Ltd.	None	"	4,000,000	-	16	-	
	CHIA-HO Green Energy Corporation	WEC's chairman as an independent director of the investee's parent company	"	55,500,000	549,171	15	549,171	
	<u>Preferred stocks</u> Fubon Financial Holding Co., Ltd. Preferred Shares B (2881A)	None	Current financial assets at fair value through profit or loss	182,000	10,938	-	10,938	
	Cathay Financial Holding Co., Ltd. Preferred Stock B (2882A)	"	"	65,000	3,829	-	3,829	
	Shin Kong Financial Holding Co., Ltd. Preferred Shares B (2888B)	"	"	829,000	31,668	-	31,668	
WECA	<u>Shares</u> Kneron Holding Company	None	Current financial assets at fair value through profit or loss	377,808	USD 2,000	1	USD 2,000	
	<u>Funds</u> Vanguard Short-Term Corporate Bond ETF (VCSH)	None	"	24,000	USD 1,783	-	USD 1,783	

(Continued)

Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	September 30, 2022				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
WECA	<u>Funds</u> iShares National Muni Bond ETF (MUB)	None	Current financial assets at fair value through profit or loss	17,000	USD 1,744	-	USD 1,744	
	JVP VIII, L.P.	"	Non-current financial assets at fair value through other comprehensive income	-	USD 24,627	7	USD 24,627	
	JVP X Funds	"	"	-	USD 12,876	4	USD 12,876	
WECJ	<u>Shares</u> Nihon Computer Co., Ltd.	None	Non-current financial assets at fair value through other comprehensive income	10	JPY -	1	-	
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	575,000	9,919	5	9,919	
	Brightek Optoelectronic Co., Ltd.	None	"	34,680	848	-	848	
	United Industrial Gases Co., Ltd.	The held company as the investee's director	"	8,800,000	501,600	4	501,600	
	Autotalks Ltd. - Preferred E. Share	None	"	3,932,816	635,000	9	635,000	
	<u>Warrants</u> Autotalks Ltd.	None	Non-current financial assets at fair value through profit or loss	-	79,375	-	79,375	
	Allxon Inc.	"	"	-	45,000	-	45,000	
SYI	<u>Shares</u> Nyquest Technology Co., Ltd.	The held company as the investee's director	Non-current financial assets at fair value through other comprehensive income	1,650,000	100,320	5	100,320	
NTCJ	<u>Shares</u> Symetrix Corporation	None	Non-current financial assets at fair value through other comprehensive income	50,268	-	1	-	

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

(Concluded)

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022
 (In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Cost Amount	Number of Shares	Cost Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Cost Amount
WEC	Walsin Lihwa Corporation	Current financial assets at FVTOCI	Issuance of ordinary shares in cash	Investor that exercises significant influence over the Group	222,000,000	\$ 2,082,335	25,527,493	\$ 765,825	-	\$ -	\$ -	\$ -	247,527,493	\$ 2,848,160
	CHIA-HO Green Energy Corporation	Non-current financial assets at FVTOCI	Issuance of ordinary shares in cash	Related party in substance	-	-	55,500,000	555,000	-	-	-	-	55,500,000	555,000

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

**ACQUISITION OF INDIVIDUAL REAL ESTATE PROPERTIES AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022
(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	2022.01.23-2022.09.26	\$ 425,718	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	2022.01.23-2022.09.22	451,714	Monthly settlement by the construction progress and acceptance	Wholtech System Hitech Ltd.	None	N/A	N/A	N/A	N/A	Price comparison and price negotiation	Business purpose	None
	Buildings	2022.01.23-2022.09.22	310,368	Monthly settlement by the construction progress and acceptance	Jer Yih Electrical Co., Ltd.	None	N/A	N/A	N/A	N/A	Price comparison and price negotiation	Business purpose	None

TABLE 5

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022
(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	\$ 5,743,263	14	Net 90 days from invoice date	N/A	N/A	\$ 640,244	10	
	WECJ	Indirect subsidiary with 100% ownership	Sales	4,329,464	10	Net 90 days from invoice date	N/A	N/A	707,815	11	
	WECN	Indirect subsidiary with 100% ownership	Sales	2,625,161	6	Net 90 days from invoice date	N/A	N/A	3,459	-	
	WECA	Indirect subsidiary with 100% ownership	Sales	1,366,711	3	Net 90 days from invoice date	N/A	N/A	91,890	1	
	NTC	Direct subsidiary with 51% ownership	Sales	151,799	-	Net 30 days from invoice date	N/A	N/A	27,813	-	
WEHK	WEC	Parent company	Purchases	USD 198,117	100	Net 90 days from invoice date	N/A	N/A	USD (20,165)	(100)	
WECJ	WEC	Parent company	Purchases	JPY 19,104,139	98	Net 90 days from invoice date	N/A	N/A	JPY (3,227,953)	(95)	
	NTC	Direct subsidiary with 51% ownership	Purchases	JPY 468,685	2	Net 90 days from invoice date	N/A	N/A	JPY (170,420)	(5)	
WECN	WEC	Parent company	Purchases	RMB 596,837	100	Net 90 days from invoice date	N/A	N/A	RMB (773)	-	
WECA	WEC	Parent company	Purchases	USD 47,156	100	Net 90 days from invoice date	N/A	N/A	USD (2,903)	(98)	
NTC	NTHK	NTC's direct subsidiary with 100% ownership	Sales	6,235,775	41	Net 90 days from invoice date	N/A	N/A	367,369	26	
	NTCJ	NTC's indirect subsidiary with 100% ownership	Purchases	1,342,233	22	Net 15 days end of the month	N/A	N/A	(231,799)	(12)	
	NTCA	NTC's direct subsidiary with 100% ownership	Sales	166,720	1	Net 90 days from invoice date	N/A	N/A	22,191	2	
	WEC	Parent company	Purchases	152,055	3	Net 30 days from invoice date	N/A	N/A	(27,813)	(1)	
	WECJ	Indirect subsidiary with 100% ownership	Sales	118,595	1	Net 90 days from invoice date	N/A	N/A	37,442	3	
	Nyquest Technology Co., Ltd.	Related party in substance	Sales	201,195	1	Net 45 days from invoice date	N/A	N/A	49,548	4	
NTHK	NTC	Parent company	Purchases	USD 213,318	100	Net 90 days from invoice date	N/A	N/A	USD (11,571)	(100)	
NTCA	NTC	Parent company	Purchases	USD 5,715	100	Net 90 days from invoice date	N/A	N/A	USD (699)	(100)	
NTCJ	NTC	Parent company	Sales	USD 45,294	8	Net 15 days end of the month	N/A	N/A	USD 7,301	7	
NTSPL	NTCJ	NTC's indirect subsidiary with 100% ownership	Sales	USD 91,702	40	Net 10 days end of the month	N/A	N/A	USD 15,569	51	

(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	
NTCJ	NTSPL	NTC's direct subsidiary with 100% ownership	Purchases	JPY 12,079,244	33	Net 10 days end of the month	N/A	N/A	JPY (2,245,855)	(25)	
	NTSPL	NTC's direct subsidiary with 100% ownership	Sales	JPY 19,683,002	27	Net 10 days end of the month	N/A	N/A	JPY 2,805,985	19	
NTSPL	NTCJ	NTC's indirect subsidiary with 100% ownership	Purchases	USD 157,104	70	Net 10 days end of the month	N/A	N/A	USD (19,452)	(66)	
NTCJ	TPSCo. Waltech Advanced Engineering (Suzhou) Ltd.	Associate Related party in substance	Purchases	JPY 15,977,361	43	Net 10 days end of the month	N/A	N/A	JPY (2,307,105)	(26)	
			Sales	JPY 10,480,595	14	Net 10 days end of the month	N/A	N/A	JPY 1,882,845	13	
NTSPL	Waltech Advanced Engineering (Suzhou) Ltd.	Related party in substance	Sales	USD 5,907	3	Net 10 days end of the month	N/A	N/A	USD 822	3	
AMTC	TPSCo.	Associate	Sales	JPY 956,433	33	Net 10 days end of the month	N/A	N/A	JPY 118,743	47	

(Concluded)

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

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

SEPTEMBER 30, 2022

(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	\$ 640,244	10.34	\$ -	-	\$ 243,202	\$ -
	WECJ	Indirect subsidiary with 100% ownership	707,815	8.18	-	-	-	-
WECA	WEC	Parent company	USD 4,748	(Note)	-	-	USD 1,706	-
NTC	NTHK	NTC's direct subsidiary with 100% ownership	367,369	41.33	-	-	367,369	-
NTSPL	NTCJ	NTC's indirect subsidiary with 100% ownership	USD 15,569	8.77	-	-	USD 15,569	-
NTCJ	NTSPL	NTC's direct subsidiary with 100% ownership	JPY 2,805,985	11.26	-	-	JPY 2,805,985	-
NTIL	NTC	Direct subsidiary with 51% ownership	ILS 29,073	5.25	-	-	ILS 29,073	-
NTCA	NTC	Direct subsidiary with 51% ownership	USD 3,394	(Note)	-	-	USD 3,394	-
NTCJ	NTC	Direct subsidiary with 51% ownership	USD 7,301	12.51	-	-	USD 7,301	-
	Waltech Advanced Engineering (Suzhou) Ltd.	Related party in substance	JPY 1,882,845	6.71	-	-	JPY 1,882,845	-

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

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022
(In Thousands of New Taiwan Dollars and Foreign Currencies)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of September 30, 2022			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				September 30, 2022	December 31, 2021	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	\$ 8,349,004	\$ 3,507,804	\$ 1,796,555	
	Winbond International Corporation	British Virgin Islands	Investment holding	2,758,517	2,758,517	87,960,000	100	2,166,794	39,095	39,095	
	Winbond Electronics (HK) Limited	Hong Kong	Sales of semiconductor and investment holding	278,158	278,158	71,150,000	100	556,472	93,397	93,390	
	Miraxia Edge Technology Corporation	Japan	Software and hardware integration design of semiconductor	167,660	167,660	4,000	100	208,196	52,890	52,890	
	Landmark Group Holdings Ltd.	British Virgin Islands	Investment holding	168,755	168,755	5,343,000	100	323,952	188,018	188,018	
	Great Target Development Ltd.	Seychelles	Investment holding	155,663	155,663	4,470,000	100	137,571	(395)	(395)	
	Callisto Holding Limited	Hong Kong	Electronic commerce and investment holding	156,292	156,292	40,000,000	100	103,108	(12,717)	(12,717)	
	Winbond Technology Ltd.	Israel	Design and service of semiconductor	21,242	21,242	100,000	100	71,532	8,759	8,759	
	Winbond Electronics Germany GmbH	Germany	Marketing service of semiconductor	28,679	28,679	850,000	100	27,160	3,381	3,381	
	Pine Capital Investment Limited	Hong Kong	Investment holding	2,967	2,967	780,000	100	3,040	136	136	
	Chin Xin Investment Co., Ltd.	Taiwan	Investment holding	1,874,825	1,874,825	182,840,999	38	7,390,667	1,048,036	395,013	
	Hwa Bao Botanic Conservation Corp.	Taiwan	Agriculture and forestry botanic conservation	240,000	30,000	24,000,000	30	251,612	(4,436)	(958)	
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	2,197,108	38,967	38,967	
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	335,442	188,131	188,131	
Callisto Holding Limited	Callisto Technology Limited	Hong Kong	Electronic commerce and investment holding	30,895	30,895	1,000,000	100	31,471	(112)	(112)	
				USD 1,000	USD 1,000			USD 991	USD (4)	USD (4)	
Great Target Development Ltd.	GLMTD Technology Private Limited	India	Sales and service of semiconductor	135,415	135,415	27,998,400	99.99	107,990	(396)	(396)	
Nuvoton Technology Corporation	Nuvoton Electronics Technology (H.K.) Limited	Hong Kong	Sales of semiconductor	427,092	427,092	107,400,000	100	567,553	8,293	8,293	
	Marketplace Management Limited	British Virgin Islands	Investment holding	274,987	274,987	8,897,789	100	313,012	5,962	5,962	
	Nuvoton Investment Holding Ltd.	British Virgin Islands	Investment holding	590,953	590,953	17,960,000	100	387,994	25,333	25,333	
	Song Yong Investment Corporation	Taiwan	Investment holding	38,500	38,500	3,850,000	100	131,496	14,848	14,848	
	Nuvoton Technology India Private Limited	India	Design, sales and service of semiconductor	30,211	30,211	600,000	100	22,416	801	801	
	Nuvoton Technology Corporation America	United States of America	Design, sales and service of semiconductor	190,862	190,862	60,500	100	215,250	7,812	7,812	
	Nuvoton Technology Singapore Pte. Ltd.	Singapore	Design, sales and service of semiconductor	1,319,054	1,319,054	45,100,000	100	1,963,756	107,387	107,387	
	Nuvoton Technology Korea Limited	Korea	Design, sales and service of semiconductor	30,828	30,828	125,000	100	11,863	1,227	1,227	
Nuvoton Technology Holdings Japan	Japan	Investment holding	5,927,849	5,927,849	100	100	6,805,719	1,006,772	1,006,772		
Marketplace Management Limited	Goldbond LLC	United States of America	Investment holding	1,473,559	1,473,559	-	100	312,623	6,120	6,120	
Nuvoton Investment Holding Ltd.	Nuvoton Technology Israel Ltd.	Israel	Design and service of semiconductor	46,905	46,905	1,000	100	389,317	25,380	25,380	
Nuvoton Technology Holdings Japan	Nuvoton Technology Corporation Japan	Japan	Design, sales and service of semiconductor	111,520	111,520	9,480	100	10,595,615	1,006,443	1,006,443	
Nuvoton Technology Corporation Japan	Atfields Manufacturing Technology Corporation	Japan	Design and service of semiconductor	55,760	55,760	4,000	100	205,306	75,823	75,823	
	Tower Partners Semiconductor Co., Ltd.	Japan	OEM and sales of semiconductor	1,454,612	-	14,700	49	1,284,705	(212,446)	(13,665)	(Notes 1 and 2)

Note 1: Share of profit (loss) includes downstream and upstream transactions.

Note 2: Under the business acquisition agreement, 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 aforementioned. TPSCo. was recognized as non-current financial assets at fair value through other comprehensive income. Starting from April 2022, NTC has been released the restriction and has significant influence over TPSCo., accordingly, TPSCo. has been accounted for under equity method. Share of profit (loss) was recognized as from April 2022 for the period.

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

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022
(In Thousands of New Taiwan Dollars and Foreign Dollars)

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

Investor Company	Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of September 30, 2022	Net Income of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Note 1)	Carrying Amount as of September 30, 2022	Accumulated Repatriation of Investment Income as of September 30, 2022
						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)	\$ 30,750	100	\$ 30,750	\$ 418,382	\$ 35,880
NTC	Nuvoton Electronics Technology (Shanghai) Limited	Provide project of sale in China and repairing, testing, consulting of software and equipment lease of semiconductor	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)	6,312	51	3,232	161,615	-
	Winbond Electronics (Nanjing) Ltd.	Computer software service (except IC 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	-	(1,579) (Note 2)	-
	Nuvoton Electronics Technology (Shenzhen) Limited	Computer software service (except IC 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)	4,312	51	2,208	118,637	-
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)	-	-	- (Note 3)	(14)	51	(7)	4,266	-

Note 1: Investment profit or loss for the nine months ended September 30, 2022 was recognized under the basis of the financial statements reviewed by the Company's auditor.

Note 2: WENJ has a negative net book value as of September 30, 2022, 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 September 30, 2022	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)	\$ 54,678,792
NTC	282,135 (USD8,500)	282,135 (USD8,500)	9,866,460

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. Handling endorsement, guarantee and collateral to the investee in Mainland China directly and indirectly through investing in companies in the third area: None.

5. Financing of funds to investee in Mainland China directly and indirectly through investing in companies in the third area: None.

6. Other transactions with significant influence on profit or loss for the period or financial performance: None.

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022
(In Thousands of New Taiwan Dollars and Foreign Currencies)

No.	Company Name	Related Party	Nature of Relationship	Transaction Details			Percentage of Consolidated Total Gross Sales or Total Assets (%)		
				Financial Statement Account	Amount	Terms			
0	WEC	WEHK	Transactions between parent company and subsidiaries	Operating revenue	\$ 5,743,263	-	8		
		WEHK	Transactions between parent company and subsidiaries	Accounts receivable due from related parties	640,244	-	-		
		WECA	Transactions between parent company and subsidiaries	Operating revenue	1,366,711	-	2		
		WECA	Transactions between parent company and subsidiaries	Operating expenses	403,107	-	1		
		WECA	Transactions between parent company and subsidiaries	Other payables	150,752	-	-		
		WECJ	Transactions between parent company and subsidiaries	Operating revenue	4,329,464	-	6		
		WECJ	Transactions between parent company and subsidiaries	Accounts receivable due from related parties	707,815	-	-		
		WECJ	Transactions between parent company and subsidiaries	Operating expenses	193,399	-	-		
		WTL	Transactions between parent company and subsidiaries	Operating expenses	287,124	-	-		
		WECN	Transactions between parent company and subsidiaries	Operating revenue	2,625,161	-	3		
		NTC	Transactions between parent company and subsidiaries	Operating revenue	151,799	-	-		
		1	WECJ	NTC	Transactions between subsidiaries	Purchases of goods	118,505	-	-
		2	NTC	NTHK	Transactions between parent company and subsidiaries	Operating revenue	6,235,775	-	8
NTHK	Transactions between parent company and subsidiaries			Accounts receivable due from related parties	367,369	-	-		
NTIL	Transactions between parent company and subsidiaries			Operating expenses	868,019	-	1		
NTIL	Transactions between parent company and subsidiaries			Other payables	259,975	-	-		
NTCA	Transactions between parent company and subsidiaries			Operating expenses	314,446	-	-		
NTCA	Transactions between parent company and subsidiaries			Operating revenue	166,720	-	-		
NTCA	Transactions between parent company and subsidiaries			Other payables	107,761	-	-		
NTCJ	Transactions between parent company and subsidiaries			Operating cost	1,342,233	-	2		
NTCJ	Transactions between parent company and subsidiaries			Accounts payable due from related parties	231,799	-	-		
3	NTCJ			NTSPL	Transactions between subsidiaries	Operating revenue	JPY 19,683,002	-	6
		NTSPL	Transactions between subsidiaries	Accounts receivable due from related parties	JPY 2,805,985	-	-		
4	NTSPL	NTCJ	Transactions between subsidiaries	Operating revenue	USD 91,702	-	4		
		NTCJ	Transactions between subsidiaries	Accounts receivable due from related parties	USD 15,569	-	-		
5	AMTC	NTCJ	Transactions between subsidiaries	Other operating revenue	JPY 1,261,944	-	-		

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

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

TABLE 10**WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS
SEPTEMBER 30, 2022**

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

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