

**Nuvoton Technology Corporation and
Subsidiaries**

**Consolidated Financial Statements for the
Six Months Ended June 30, 2021 and 2020 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Nuvoton Technology Corporation

Introduction

We have reviewed the accompanying consolidated balance sheets of Nuvoton Technology Corporation and its subsidiaries (collectively, the “Group”) as of June 30, 2021 and 2020, the related consolidated statements of comprehensive income for the three months ended June 30, 2021 and 2020 and for the six months ended June 30, 2021 and 2020, the consolidated statements of changes in equity and cash flows for the six months ended June 30, 2021 and 2020, 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 June 30, 2021 and 2020, its consolidated financial performance for the three months ended June 30, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the six months ended June 30, 2021 and 2020 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 Shu-Lin Liu and Kenny Hong.

Shu-Lin Liu



Deloitte & Touche
Taipei, Taiwan
Republic of China

August 3, 2021

Notice to Readers

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

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2021 (Reviewed)		December 31, 2020 (Audited)		June 30, 2020 (Reviewed)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Notes 6 and 31)	\$ 6,269,889	20	\$ 5,881,733	18	\$ 6,674,362	49
Financial assets at fair value through profit or loss - current (Note 7)	6,245	-	13,223	-	5,800	-
Notes and accounts receivable, net (Note 8)	4,506,726	15	4,155,816	13	1,136,213	8
Accounts receivable from related parties, net (Notes 8 and 30)	83,489	-	90,577	-	58,996	1
Other receivables (Notes 9 and 30)	1,033,858	4	1,710,051	5	516,117	4
Inventories (Note 10)	6,279,683	20	6,250,131	20	1,906,315	14
Other current assets	385,455	1	259,015	1	141,073	1
Total current assets	18,565,345	60	18,360,546	57	10,438,876	77
NON-CURRENT ASSETS						
Financial assets at fair value through other comprehensive income - non-current (Note 11)	2,388,406	8	1,806,580	6	1,071,992	8
Property, plant and equipment (Notes 12 and 31)	5,626,244	18	6,547,107	20	734,704	5
Right-of-use assets (Notes 13 and 30)	1,312,824	4	1,498,888	5	541,695	4
Investment properties (Notes 14 and 31)	2,176,948	7	2,466,667	8	40,879	-
Intangible assets (Note 15)	743,046	2	802,691	2	619,686	4
Deferred tax assets (Note 4)	188,091	1	188,397	-	108,373	1
Refundable deposits (Notes 6 and 30)	101,319	-	651,497	2	86,466	1
Other non-current assets	4,545	-	328	-	310	-
Total non-current assets	12,541,423	40	13,962,155	43	3,204,105	23
TOTAL	\$ 31,106,768	100	\$ 32,322,701	100	\$ 13,642,981	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Notes 17 and 31)	\$ 378,150	1	\$ 1,821,210	6	\$ -	-
Financial liabilities at fair value through profit or loss - current (Note 7)	1,952	-	3,191	-	-	-
Notes payable	268,160	1	365,870	1	-	-
Accounts payable	2,586,405	8	2,653,008	8	1,111,575	8
Accounts payable to related parties (Note 30)	431,250	1	827,543	3	26,891	-
Other payables (Notes 18 and 30)	4,354,371	14	4,008,274	12	1,098,744	8
Dividends payables (Note 21)	311,733	1	-	-	345,065	2
Current tax liabilities (Note 4)	249,138	1	221,412	1	131,146	1
Provisions - current (Note 19)	558,654	2	928,719	3	-	-
Lease liabilities - current (Notes 13 and 30)	267,487	1	300,067	1	112,475	1
Other current liabilities	528,247	2	421,034	1	86,618	1
Total current liabilities	9,935,547	32	11,550,328	36	2,912,514	21
NON-CURRENT LIABILITIES						
Bonds payable (Note 16)	375,413	1	1,207,820	4	2,006,339	15
Long-term borrowings (Notes 17 and 31)	1,500,000	5	1,500,000	5	500,000	3
Provisions - non-current (Note 19)	2,856,083	9	3,120,468	10	101,891	1
Deferred tax liabilities	4,363	-	52,132	-	-	-
Lease liabilities - non-current (Notes 13 and 30)	1,256,289	4	1,474,041	4	402,052	3
Net defined benefit liabilities - non-current (Note 4)	1,655,350	5	1,780,008	5	286,735	2
Other non-current liabilities	131,269	1	116,536	-	106,076	1
Total non-current liabilities	7,778,767	25	9,251,005	28	3,403,093	25
Total liabilities	17,714,314	57	20,801,333	64	6,315,607	46
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 21)						
Share capital	3,906,736	12	3,759,616	12	2,875,544	21
Certificates of bond-to-stock conversion	193,692	1	124,320	-	-	-
Capital surplus	6,408,718	21	5,796,731	18	2,906,976	21
Retained earnings						
Legal reserve	596,905	2	596,905	2	596,905	5
Unappropriated earnings	2,139,234	7	1,103,083	3	860,872	6
Exchange differences on translation of financial statements of foreign operations	(749,875)	(3)	(128,352)	-	(37,049)	-
Unrealized gains (losses) on financial assets at fair value through other comprehensive income	897,044	3	269,065	1	124,126	1
Total equity	13,392,454	43	11,521,368	36	7,327,374	54
TOTAL	\$ 31,106,768	100	\$ 32,322,701	100	\$ 13,642,981	100

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

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Notes 22 and 30)	\$ 10,614,689	100	\$ 3,061,142	100	\$ 20,687,169	100	\$ 5,194,297	100
OPERATING COST (Notes 10, 24 and 30)	<u>6,272,260</u>	<u>59</u>	<u>1,798,837</u>	<u>59</u>	<u>12,425,133</u>	<u>60</u>	<u>3,087,929</u>	<u>59</u>
GROSS PROFIT	<u>4,342,429</u>	<u>41</u>	<u>1,262,305</u>	<u>41</u>	<u>8,262,036</u>	<u>40</u>	<u>2,106,368</u>	<u>41</u>
OPERATING EXPENSES (Notes 24 and 30)								
Selling expenses	322,996	3	55,711	2	624,733	3	108,464	2
General and administrative expenses	714,116	7	133,555	4	1,503,096	7	261,110	5
Research and development expenses	2,376,212	23	729,528	24	4,819,628	24	1,386,992	27
Expected credit loss (gain)	<u>13,400</u>	<u>-</u>	<u>6,104</u>	<u>-</u>	<u>18,197</u>	<u>-</u>	<u>2,459</u>	<u>-</u>
Total operating expenses	<u>3,426,724</u>	<u>33</u>	<u>924,898</u>	<u>30</u>	<u>6,965,654</u>	<u>34</u>	<u>1,759,025</u>	<u>34</u>
PROFIT FROM OPERATIONS	<u>915,705</u>	<u>8</u>	<u>337,407</u>	<u>11</u>	<u>1,296,382</u>	<u>6</u>	<u>347,343</u>	<u>7</u>
NON-OPERATING INCOME AND EXPENSES (Note 30)								
Finance costs	(23,332)	-	(6,825)	-	(51,069)	-	(11,325)	-
Interest income	14,809	-	6,234	-	18,844	-	14,314	-
Dividend income	62,000	1	67,694	2	62,000	-	67,694	1
Other gains and losses	(24,355)	-	5,470	-	63,730	-	8,492	-
Gains (losses) on disposal of property, plant and equipment	137,047	1	10	-	125,188	1	29	-
Foreign exchange (losses) gains	(13,017)	-	(11,252)	-	(33,693)	-	(3,313)	-
Gains (losses) on financial assets at fair value through profit or loss	<u>37,467</u>	<u>-</u>	<u>1,540</u>	<u>-</u>	<u>15,174</u>	<u>-</u>	<u>(3,511)</u>	<u>-</u>
Total non-operating income and expenses	<u>190,619</u>	<u>2</u>	<u>62,871</u>	<u>2</u>	<u>200,174</u>	<u>1</u>	<u>72,380</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	1,106,324	10	400,278	13	1,496,556	7	419,723	8
INCOME TAX EXPENSE (Notes 4 and 23)	<u>(167,131)</u>	<u>(1)</u>	<u>(67,602)</u>	<u>(2)</u>	<u>(286,767)</u>	<u>(1)</u>	<u>(75,832)</u>	<u>(2)</u>
NET PROFIT FOR THE PERIOD	<u>939,193</u>	<u>9</u>	<u>332,676</u>	<u>11</u>	<u>1,209,789</u>	<u>6</u>	<u>343,891</u>	<u>6</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Note 21)								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	230,712	2	20,594	1	766,074	4	(45,418)	(1)

(Continued)

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translation of the financial statements of foreign operations	\$ (172,247)	(2)	\$ (11,878)	(1)	\$ (621,523)	(3)	\$ (18,065)	-
Other comprehensive income (loss) for the period, net of income tax	58,465	-	8,716	-	144,551	1	(63,483)	(1)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	<u>\$ 997,658</u>	<u>9</u>	<u>\$ 341,392</u>	<u>11</u>	<u>\$ 1,354,340</u>	<u>7</u>	<u>\$ 280,408</u>	<u>5</u>
EARNINGS PER SHARE (Note 26)								
From continuing operations								
Basic	<u>\$ 2.36</u>		<u>\$ 1.16</u>		<u>\$ 3.07</u>		<u>\$ 1.20</u>	
Diluted	<u>\$ 2.30</u>		<u>\$ 1.15</u>		<u>\$ 3.00</u>		<u>\$ 1.19</u>	

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

(Concluded)

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company					Other Equity		Total Equity
	Ordinary Share	Certificates of Bond-to-stock Conversion	Capital Surplus	Retained Earnings		Exchange Differences on Translation of Financial Statements of Foreign Operations	Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income	
				Legal Reserve	Unappropriated Earnings			
BALANCE AT JANUARY 1, 2020	\$ 2,875,544	\$ -	\$ 2,906,976	\$ 541,722	\$ 917,229	\$ (18,984)	\$ 169,544	\$ 7,392,031
Net profit for the six months ended June 30, 2020	-	-	-	-	343,891	-	-	343,891
Other comprehensive income (loss) for the six months ended June 30, 2020, net of income tax	-	-	-	-	-	(18,065)	(45,418)	(63,483)
Total comprehensive income (loss) for the six months ended June 30, 2020	-	-	-	-	343,891	(18,065)	(45,418)	280,408
Appropriation of 2019 earnings (Note 21)								
Legal reserve	-	-	-	55,183	(55,183)	-	-	-
Cash dividends	-	-	-	-	(345,065)	-	-	(345,065)
BALANCE, JUNE 30, 2020	\$ 2,875,544	\$ -	\$ 2,906,976	\$ 596,905	\$ 860,872	\$ (37,049)	\$ 124,126	\$ 7,327,374
BALANCE AT JANUARY 1, 2021	\$ 3,759,616	\$ 124,320	\$ 5,796,731	\$ 596,905	\$ 1,103,083	\$ (128,352)	\$ 269,065	\$ 11,521,368
Net profit for the six months ended June 30, 2021	-	-	-	-	1,209,789	-	-	1,209,789
Other comprehensive income (loss) for the six months ended June 30, 2021, net of income tax	-	-	-	-	-	(621,523)	766,074	144,551
Total comprehensive income (loss) for the six months ended June 30, 2021	-	-	-	-	1,209,789	(621,523)	766,074	1,354,340
Convertible bonds converted to ordinary shares (Note 16)	147,120	69,372	611,977	-	-	-	-	828,469
Unclaimed dividends from claims extinguished by prescriptions	-	-	10	-	-	-	-	10
Disposals of investments in equity instruments designated as at fair value through other comprehensive income (Notes 11 and 21)	-	-	-	-	138,095	-	(138,095)	-
Appropriation of 2020 earnings (Note 21)								
Cash dividends	-	-	-	-	(311,733)	-	-	(311,733)
BALANCE, JUNE 30, 2021	\$ 3,906,736	\$ 193,692	\$ 6,408,718	\$ 596,905	\$ 2,139,234	\$ (749,875)	\$ 897,044	\$ 13,392,454

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

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended	
	June 30	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 1,496,556	\$ 419,723
Adjustments for:		
Depreciation expense	557,199	164,107
Amortization expense	115,028	70,045
Finance costs	51,069	11,325
Expected credit loss (gain) recognized on accounts receivable	18,197	2,459
Interest income	(18,844)	(14,314)
Dividend income	(62,000)	(67,694)
(Gains) losses on disposal of property, plant and equipment	(125,188)	(29)
Other adjustment to reconcile (profit) loss	-	(5)
Changes in operating assets and liabilities		
(Increase) decrease in financial assets at fair value through profit or loss	(4,419)	5,437
(Increase) decrease in notes and accounts receivable	(368,766)	(127,865)
(Increase) decrease in accounts receivable from related parties	7,088	8,398
(Increase) decrease in other receivables	147,597	(22,227)
(Increase) decrease in inventories	(29,552)	(301,657)
(Increase) decrease in other current assets	(136,136)	1,369
(Increase) decrease in other non-current assets	(4,217)	308
Increase (decrease) in notes payable	(97,710)	-
Increase (decrease) in accounts payable	(462,896)	9,091
Increase (decrease) in other payables	466,909	(9,720)
Increase (decrease) in provisions	(316,438)	-
Increase (decrease) in other current liabilities	107,213	18,207
Increase (decrease) in accrued pension liabilities	4,469	(830)
(Increase) decrease in other non-current liabilities	14,733	25,933
Cash flows from (used in) operations	1,359,892	192,061
Income tax paid	(256,766)	(32,735)
Interest received	15,816	14,301
Interest paid	(47,955)	(8,561)
Dividend income	62,000	64,394
Net cash flows generated from (used in) operating activities	<u>1,132,987</u>	<u>229,460</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of intangible assets	(140,638)	(243,116)
Proceeds from disposal of financial assets at fair value through other comprehensive income	235,166	-
Acquisition of subsidiaries (Note 27)	(77,934)	-
Acquisition of property, plant and equipment	(282,336)	(101,175)
Proceeds from disposal of property, plant and equipment	888,417	31

(Continued)

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2021	2020
(Increase) decrease in refundable deposits	\$ 550,178	\$ 413
(Increase) decrease in other receivables-time deposits	<u>19,527</u>	<u>5,166</u>
Net cash flows generated from (used in) investing activities	<u>1,192,380</u>	<u>(338,681)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of short-term borrowings	(1,443,060)	-
Proceeds from issuance of bond payables	-	1,998,428
Repayment of the principal portion of lease liabilities	<u>(147,133)</u>	<u>(59,000)</u>
Net cash flows generated from (used in) financing activities	<u>(1,590,193)</u>	<u>1,939,428</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(347,018)</u>	<u>(15,068)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	388,156	1,815,139
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	<u>5,881,733</u>	<u>4,859,223</u>
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	<u>\$ 6,269,889</u>	<u>\$ 6,674,362</u>

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

(Concluded)

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

Nuvoton Technology Corporation (the “Company”) was incorporated in the Republic of China (“ROC”) in April 2008 and commenced business in July 2008. The Company is engaged mainly in the research, design, development, manufacture, and sale of logic integrated circuits (“ICs”) and the manufacturing, testing and OEM of 6-inch wafers.

For the specialization and division of labor and the reinforcement of core competitive ability, the Company’s parent company, Winbond Electronics Corporation (WEC), spun off its Logic IC business into the Company on July 1, 2008 in accordance with the Business Mergers and Acquisitions Act. WEC held approximately 52%, 55% and 62% of the ownership interest of the Company as of June 30, 2021, December 31, 2020 and June 30, 2020, respectively.

The Company’s shares have been listed on the Taiwan Stock Exchange since September 27, 2010.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s Board of Directors and authorized for issue on August 3, 2021.

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

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financing Reporting Interpretation Committee (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 any material impact on the Group’s accounting policies.

- b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2022

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

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

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

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

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

As of the date the 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
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

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

Basis of Consolidation

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

Subsidiary included in the consolidated financial statements:

Investor	Investee	Main Business	% of Ownership		
			June 30, 2021	December 31, 2020	June 30, 2020
The Company	Nuvoton Electronics Technology (H.K.) Limited (“NTHK”)	Sales of semiconductor	100	100	100
	Marketplace Management Limited (“MML”)	Investment holding	100	100	100
	Nuvoton Investment Holding Ltd. (“NIH”)	Investment holding	100	100	100
	Song Yong Investment Corporation (“SYI”)	Investment holding	100	100	100
	Nuvoton Technology India Private Limited (“NTIPL”)	Design, sales and after-sales service of semiconductor	100	100	100
	Nuvoton Technology Corporation America (“NTCA”)	Design, sales and after-sales service of semiconductor	100	100	100
	Nuvoton Technology Holding Japan (“NTHJ”) (Note1)	Investment holding	100	100	-
	Nuvoton Technology Singapore Pte. Ltd (“NTSPL”)	Design, sales and after-sales service of semiconductor	100	100	100
	Nuvoton Technology Korea Limited (“NTHK”)	Design, sales and after-sales service of semiconductor	100	100	100
NTHK	Nuvoton Electronics Technology (Shenzhen) Limited (“NTSZ”)	Computer software service (except I.C. design), wholesale business for computer, supplement and software	100	100	100
MML	Goldbond LLC (“GLLC”)	Investment holding	100	100	100
GLLC	Nuvoton Electronics Technology (Shanghai) Limited (“NTSH”)	Provides projects for sale in China and repairing, testing and consulting of software and leasing business	100	100	100
	Winbond Electronics (Nanjing) Ltd. (“WENJ”)	Computer software service (except I.C. design)	100	100	100
NTSH	Song Zhi Electronics Technology (Suzhou) (“Song Zhi Suzhou”)	Provide development, consult and equipment lease of semiconductor	100	-	-
NIH	Nuvoton Technology Israel Ltd. (“NTIL”)	Design and service of semiconductor	100	100	100
NTHJ	Nuvoton Technology Corporation Japan (“NTCJ”, formerly PSCS company) (Note)	Design, sales and after-sales service of semiconductor	100	100	-
NTCJ	Atfields Manufacturing Technology Corporation (“AMTC”, formerly PIDE company) (Note)	Design and service of semiconductor	100	100	-
	Miraxia Edge Technology Corporation (“METC”, formerly PIDST company) (Note)	Design and service of semiconductor	100	100	-

Note: The Group acquired the semiconductor business of Panasonic Corporation on September 1, 2020 and held NTHJ, NTCJ (formerly “PSCS”), AMTC (formerly “PIDE”), and METC (formerly “PIDST”) with 100% ownership, refer to Note 27 to the consolidated financial statements.

Retirement Benefits

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

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

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

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

Taxation

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimations and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Group considers the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates in cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

6. CASH AND CASH EQUIVALENTS

	June 30, 2021	December 31, 2020	June 30, 2020
Cash and deposits in banks	\$ 5,973,389	\$ 4,898,733	\$ 6,294,562
Repurchase agreements collateralized by bonds	<u>296,500</u>	<u>983,000</u>	<u>379,800</u>
	<u>\$ 6,269,889</u>	<u>\$ 5,881,733</u>	<u>\$ 6,674,362</u>

- a. Please refer to Note 31 to the consolidated financial statements for the amount of refundable deposits pledged to secure land leases, customs tariff obligations and borrowings.
- b. The Group has time deposits which are not held for the purpose of meeting short-term cash commitments and are reclassified to “other receivables” as follows (Note 9):

	June 30, 2021	December 31, 2020	June 30, 2020
Time deposits	<u>\$ 177,962</u>	<u>\$ 197,489</u>	<u>\$ 442,559</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Financial assets at FVTPL - current</u>			
Cross-currency swap contracts	\$ -	\$ 4,128	\$ -
Forward exchange contracts	810	-	-
Right of redemption of convertible bonds	<u>5,435</u>	<u>9,095</u>	<u>5,800</u>
	<u>\$ 6,245</u>	<u>\$ 13,223</u>	<u>\$ 5,800</u>

Financial liabilities at FVTPL - current

Foreign exchange forward contracts	<u>\$ 1,952</u>	<u>\$ 3,191</u>	<u>\$ -</u>
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At the end of the reporting period, the outstanding foreign exchange forward and cross-currency swap contracts not treated under hedge accounting were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
<u>June 30, 2021</u>			
Sell forward exchange contracts	USD/NTD	2021.07.02-2021.08.05	USD31,000/NTD862,499
<u>December 31, 2020</u>			
Sell forward exchange contracts	USD/NTD	2021.01.21-2021.02.25	USD21,000/NTD594,889
Cross-currency swap contracts	USD/NTD	2021.01.22	USD16,000/NTD459,808

The Group entered into foreign exchange forward and cross-currency swap contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. These foreign exchange forward and cross-currency swap contracts did not meet the criteria for hedge accounting, therefore, the Group did not apply hedge accounting treatment.

8. NOTES AND ACCOUNTS RECEIVABLE, NET

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Notes receivable</u>	\$ -	\$ -	\$ -
<u>Accounts receivable (including related parties)</u>			
At amortized cost			
Gross carrying amount	4,633,168	4,271,490	1,220,149
Less: Allowance for impairment loss	<u>(42,953)</u>	<u>(25,097)</u>	<u>(24,940)</u>
	<u>\$ 4,590,215</u>	<u>\$ 4,246,393</u>	<u>\$ 1,195,209</u>

The average credit period of sales of goods was 30-60 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. 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. Credit exposure is controlled by counterparty limits that are reviewed and approved by financial department 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 customer and the customer's current financial position, adjusted for economic conditions of the industry in which the customer operates, as well as the GDP forecast and industry outlooks. 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 (including related parties) based on the Group's provision matrix.

June 30, 2021

	Not Overdue	Overdue under 30 Days	Overdue 31 to 90 Days	Overdue 91 to 180 Days	Over 180 Days	Total
Expected credit loss rate	0.1%-2%	2%	10%	20%	50%	
Gross carrying amount	\$ 4,608,692	\$ 8,218	\$ -	\$ -	\$ 16,258	\$ 4,633,168
Loss allowance (Lifetime ECL)	<u>(34,660)</u>	<u>(164)</u>	<u>-</u>	<u>-</u>	<u>(8,129)</u>	<u>(42,953)</u>
Amortized cost	<u>\$ 4,574,032</u>	<u>\$ 8,054</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,129</u>	<u>\$ 4,590,215</u>

December 31, 2020

	Not Overdue	Overdue under 30 Days	Overdue 31 to 90 Days	Overdue 91 to 180 Days	Over 180 Days	Total
Expected credit loss rate	0.1%-2%	2%	10%	20%	50%	
Gross carrying amount	\$ 4,250,939	\$ 3,931	\$ -	\$ 16,620	\$ -	\$ 4,271,490
Loss allowance (Lifetime ECL)	<u>(21,694)</u>	<u>(79)</u>	<u>-</u>	<u>(3,324)</u>	<u>-</u>	<u>(25,097)</u>
Amortized cost	<u>\$ 4,229,245</u>	<u>\$ 3,852</u>	<u>\$ -</u>	<u>\$ 13,296</u>	<u>\$ -</u>	<u>\$ 4,246,393</u>

June 30, 2020

	Not Overdue	Overdue under 30 Days	Overdue 31 to 90 Days	Overdue 91 to 180 Days	Over 180 Days	Total
Expected credit loss rate	2%	2%	10%	20%	50%	
Gross carrying amount	\$ 1,219,180	\$ 969	\$ -	\$ -	\$ -	\$ 1,220,149
Loss allowance (Lifetime ECL)	<u>(24,921)</u>	<u>(19)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(24,940)</u>
Amortized cost	<u>\$ 1,194,259</u>	<u>\$ 950</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,195,209</u>

The movements of the loss allowance of notes and accounts receivable were as follows:

	For the Six Months Ended June 30	
	2021	2020
Balance at January 1	\$ 25,097	\$ 22,566
Add: Net remeasurement of loss allowance	18,197	2,459
Foreign exchange gains and losses	<u>(341)</u>	<u>(85)</u>
Balance at June 30	<u>\$ 42,953</u>	<u>\$ 24,940</u>

The Group's provision for losses on accounts receivable was recognized on a collective basis.

Refer to Note 29 to the consolidated financial statements for details of the factoring agreements for accounts receivable.

9. OTHER RECEIVABLES

	June 30, 2021	December 31, 2020	June 30, 2020
Royalty receivable	\$ 236,696	\$ 425,453	\$ -
Technical service receivable	204,553	175,667	-
Time deposits (Note 6)	177,962	197,489	442,559
Business tax refund receivable	30,675	165,647	26,548
Receivables for acquisition price adjustment	-	520,890	-
Others	<u>383,972</u>	<u>224,905</u>	<u>47,010</u>
	<u>\$ 1,033,858</u>	<u>\$ 1,710,051</u>	<u>\$ 516,117</u>

10. INVENTORIES

	June 30, 2021	December 31, 2020	June 30, 2020
Raw materials and supplies	\$ 265,855	\$ 301,764	\$ 114,344
Work in process	4,248,536	4,008,947	1,365,664
Finished goods	1,750,529	1,934,294	426,307
Inventory in transit	<u>14,763</u>	<u>5,126</u>	<u>-</u>
	<u>\$ 6,279,683</u>	<u>\$ 6,250,131</u>	<u>\$ 1,906,315</u>

The operating cost for the three months ended June 30, 2021 and 2020, and the six months ended June 30, 2021 and 2020 were NT\$6,272,260 thousand, NT\$1,798,837 thousand, NT\$12,425,133 thousand and NT\$3,087,929 thousand, respectively. The inventory write-downs, obsolescence and abandonment of inventories for the three months ended June 30, 2021 and 2020, and the six months ended June 30, 2021 and 2020 were NT\$(5,285) thousand, NT\$(18,096) thousand, NT\$53,386 thousand and NT\$(86,852) thousand, respectively.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in equity instruments at FVTOCI:

	June 30, 2021	December 31, 2020	June 30, 2020
Listed shares and emerging market shares			
Nyquest Technology Co., Ltd.	\$ 208,725	\$ 80,685	\$ 51,315
Brightek Optoelectronic Co., Ltd.	1,620	894	545
Tower Semiconductor Ltd.	-	232,110	-
Unlisted shares			
United Industrial Gases Co., Ltd.	404,800	396,000	413,600
Yu-Ji Venture Capital Co., Ltd.	14,805	14,479	13,932
Autotalks Ltd. - Preferred E. Share	557,200	569,600	592,600
Tower Partners Semiconductor Co., Ltd. ("TPSCo.")	1,201,256	512,812	-
Symetrix Corporation - Preferred A. Share	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,388,406</u>	<u>\$ 1,806,580</u>	<u>\$ 1,071,992</u>

These investments in equity instruments are not held for trading. Instead, they 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.

In January, 2021, the Group sold remaining of its shares in Tower Semiconductor Ltd. in order to manage credit concentration risk. The shares sold had a fair value of NT\$235,166 thousand. Their related unrealized valuation gain of NT\$138,095 thousand was transferred from other equity to retained earnings. Refer to Note 21 to the consolidated financial statements for related information.

The Group recognized dividend income NT\$62,000 thousand, NT\$67,694 thousand, NT\$62,000 thousand and NT\$67,694 thousand for the three months ended and six months ended June 30, 2021 and 2020, respectively.

In September, 2020, the Company acquired the Preferred A Share of the Symetrix Corporation through the combination of Panasonic semiconductor business. The entitled rights of the Preferred A Share were as follows:

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

12. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2021	December 31, 2020	June 30, 2020
Land	\$ 2,010,631	\$ 2,203,639	\$ -
Buildings	2,098,306	2,374,032	191,249
Machinery and equipment	1,129,991	1,574,487	447,871
Other equipment	247,314	256,600	94,849
Construction in progress and prepayments for purchase of equipment	<u>140,002</u>	<u>138,349</u>	<u>735</u>
	<u>\$ 5,626,244</u>	<u>\$ 6,547,107</u>	<u>\$ 734,704</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, 2021	\$ 2,203,639	\$ 23,437,689	\$ 63,250,171	\$ 3,831,256	\$ 172,820	\$ 92,895,575
Additions	-	12,337	102,093	106,527	37,110	258,067
Business combinations - subsequent adjustment of fair value	-	-	437,628	-	-	437,628
Disposals	-	(2,210)	(1,022,889)	(77,450)	-	(1,102,549)
Reclassified	-	553	18,931	4,276	(23,760)	-
Effects of foreign currency exchange differences	<u>(193,008)</u>	<u>(1,728,934)</u>	<u>(4,494,354)</u>	<u>(307,021)</u>	<u>(15,130)</u>	<u>(6,738,447)</u>
Balance at June 30, 2021	<u>2,010,631</u>	<u>21,719,435</u>	<u>58,291,580</u>	<u>3,557,588</u>	<u>171,040</u>	<u>85,750,274</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2021	-	21,063,657	61,675,684	3,574,656	34,471	86,348,468
Disposals	-	(2,185)	(276,235)	(60,900)	-	(339,320)
Depreciation expense	-	101,545	182,679	84,853	-	369,077
Reclassified	-	-	-	428	(428)	-
Effects of foreign currency exchange differences	<u>-</u>	<u>(1,541,888)</u>	<u>(4,420,539)</u>	<u>(288,763)</u>	<u>(3,005)</u>	<u>(6,254,195)</u>
Balance at June 30, 2021	<u>-</u>	<u>19,621,129</u>	<u>57,161,589</u>	<u>3,310,274</u>	<u>31,038</u>	<u>80,124,030</u>
Carrying amounts at June 30, 2021	<u>\$ 2,010,631</u>	<u>\$ 2,098,306</u>	<u>\$ 1,129,991</u>	<u>\$ 247,314</u>	<u>\$ 140,002</u>	<u>\$ 5,626,244</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, 2020	\$ -	\$ 3,662,145	\$ 11,557,247	\$ 405,918	\$ 1,416	\$ 15,626,726
Additions	-	14,511	52,068	5,617	186	72,382
Disposals	-	(1,400)	(96,830)	(340)	-	(98,570)
Reclassified	-	-	867	-	(867)	-
Effects of foreign currency exchange differences	-	-	(1,248)	(3,405)	-	(4,653)
Balance at June 30, 2020	<u>-</u>	<u>3,675,256</u>	<u>11,512,104</u>	<u>407,790</u>	<u>735</u>	<u>15,595,885</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2020	-	3,472,390	11,092,214	301,801	-	14,866,405
Disposals	-	(1,400)	(96,830)	(338)	-	(98,568)
Depreciation expense	-	13,017	69,785	14,046	-	96,848
Reclassified	-	-	-	-	-	-
Effects of foreign currency exchange differences	-	-	(936)	(2,568)	-	(3,504)
Balance at June 30, 2020	<u>-</u>	<u>3,484,007</u>	<u>11,064,233</u>	<u>312,941</u>	<u>-</u>	<u>14,861,181</u>
Carrying amounts at June 30, 2020	<u>\$ -</u>	<u>\$ 191,249</u>	<u>\$ 447,871</u>	<u>\$ 94,849</u>	<u>\$ 735</u>	<u>\$ 734,704</u>

(Concluded)

Please refer to Note 31 to the consolidated financial statements for the amount of property, plant and equipment pledged as collateral for bank borrowings.

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Carrying amounts</u>			
Land	\$ 186,017	\$ 198,547	\$ 213,950
Buildings	274,215	326,004	294,266
Machinery and Equipment	824,307	940,671	-
Other equipment	<u>28,285</u>	<u>33,666</u>	<u>33,479</u>
	<u>\$ 1,312,824</u>	<u>\$ 1,498,888</u>	<u>\$ 541,695</u>

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Additions to right-of-use assets	\$ 3,845	\$ 9,858	\$ 12,514	\$ 12,392
Depreciation for right-of-use assets				
Land	\$ 6,265	\$ 6,316	\$ 12,530	\$ 12,631
Buildings	25,502	21,558	51,475	43,318
Machinery and equipment	17,189	-	35,208	-
Other equipment	4,750	4,548	9,436	9,116
	\$ 53,706	\$ 32,422	\$ 108,649	\$ 65,065
Income from the subleasing of right-of-use assets (presented in other income)	\$ (1,842)	\$ (1,861)	\$ (3,705)	\$ (3,854)

b. Lease liabilities

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Carrying amounts</u>			
Current	\$ 267,487	\$ 300,067	\$ 112,475
Non-current	\$ 1,256,289	\$ 1,474,041	\$ 402,052

Range of discount rate for lease liabilities was as follows:

	June 30, 2021	December 31, 2020	June 30, 2020
Land	1.76%-2.06%	1.76%-2.06%	1.76%-2.06%
Buildings	0.33%-3.75%	0.33%-3.75%	1.01%-3.75%
Machinery and Equipment	0.26%-0.80%	0.33%-0.80%	-
Other equipment	0.26%-3.61%	0.26%-3.61%	0.73%-3.61%

For the three months ended June 30, 2021 and 2020 and the six months ended June 30, 2021 and 2020, the interest expense under lease liabilities amounted to NT\$4,299 thousand, NT\$2,676 thousand, NT\$8,934 thousand and NT\$5,532 thousand, respectively.

c. Material lease-in activities and terms

The Group leases low-voltage protection equipment from others in Japan, and the lease term will expire in 2021 to 2035 years.

The Group leased parcels of land from Science Park Administration, and the lease term will expire in December 2027, which can be extended after the expiration of the lease periods.

The Group leased parcels of land from Taiwan Sugar Corporation under a twenty-year term from October 2014 to September 2034, which is allowed to extend after the expiration of lease. The chairman of the Company, is a joint guarantor of such lease (refer to Note 30 to the consolidated financial statements).

The Group leased some of the offices in the United States, China, Israel, India, Korea and Taiwan, and the lease terms will expire between 2021 and 2026 which can be extended after the expiration of the lease periods.

d. Subleases

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

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

	June 30, 2021	December 31, 2020	June 30, 2020
Year 1	\$ 7,204	\$ 6,816	\$ 7,559
Year 2	4,024	5,041	7,731
Year 3	1,038	1,224	4,263
Year 4	-	-	1,157
Year 5	-	-	-
Year 6 onwards	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 12,266</u>	<u>\$ 13,081</u>	<u>\$ 20,710</u>

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

e. Other lease information

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Expenses relating to short-term leases	<u>\$ 56,073</u>	<u>\$ 1,195</u>	<u>\$ 111,368</u>	<u>\$ 2,795</u>
Total cash outflow for leases	<u>\$ (132,636)</u>	<u>\$ (33,066)</u>	<u>\$ (267,486)</u>	<u>\$ (67,256)</u>

The Group leases certain buildings and transportation equipment which qualify as short-term leases. The Group has elected 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 14 to the consolidated financial statements.

14. INVESTMENT PROPERTIES

	June 30, 2021	December 31, 2020	June 30, 2020
Investment properties, net	<u>\$ 2,176,948</u>	<u>\$ 2,466,667</u>	<u>\$ 40,879</u>

The Group acquired investment properties through business combinations in Niigata and Toyama, Japan on September 1, 2020. The fair value of investment properties was NT\$2,503,591 thousand on the purchase price allocation report. The Group's management team evaluated the fair value of investment properties and determined that the fair value of the investment properties had not changed significantly, compared to the fair value of the investment properties as of June 30, 2021.

The remaining investment properties are located in Shenzhen, China. As of December 31, 2020 and 2019, the fair value of such investment properties was both approximately NT\$200,000 thousand, which used as reference the neighboring area transactions. The Group's management team evaluated the fair value of investment properties and determined that the fair value of the investment properties had not changed significantly, compared to the fair value of the investment properties as of June 30, 2021 and 2020.

	For the Six Months Ended	
	June 30	
	2021	2020
<u>Cost</u>		
Balance at January 1	\$ 9,090,968	\$ 98,511
Disposals	(1,176)	-
Effects of foreign currency exchange differences	(788,985)	(2,608)
Balance at June 30	<u>8,300,807</u>	<u>95,903</u>
<u>Accumulated depreciation and impairment</u>		
Balance at January 1	6,624,301	54,304
Disposals	(1,176)	-
Depreciation expense	79,473	2,194
Effects of foreign currency exchange differences	(578,739)	(1,474)
Balance at June 30	<u>6,123,859</u>	<u>55,024</u>
Carrying amount at June 30	<u>\$ 2,176,948</u>	<u>\$ 40,879</u>

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

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

	June 30,	December 31,	June 30,
	2021	2020	2020
Year 1	\$ 224,957	\$ 265,390	\$ 5,073
Year 2	164,144	203,485	4,011
Year 3	162,604	178,214	205
Year 4	110,609	159,218	-
Year 5	93,277	102,231	-
Year 6 onwards	<u>629,620</u>	<u>741,175</u>	<u>-</u>
	<u>\$ 1,385,211</u>	<u>\$ 1,649,713</u>	<u>\$ 9,289</u>

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

Please refer to Note 31 to the consolidated financial statements for the amount of investment properties pledged as collateral for bank borrowings.

15. INTANGIBLE ASSETS

	June 30, 2021	December 31, 2020	June 30, 2020
Deferred technical assets	\$ 469,667	\$ 537,497	\$ 596,559
Other intangible assets	<u>273,379</u>	<u>265,194</u>	<u>23,127</u>
	<u>\$ 743,046</u>	<u>\$ 802,691</u>	<u>\$ 619,686</u>
	Deferred Technical Assets	Other Intangible Assets	Total
<u>Cost</u>			
Balance at January 1, 2021	\$ 1,640,243	\$ 1,360,969	\$ 3,001,212
Additions	23,397	50,488	73,885
Effects of foreign currency exchange differences	<u>(5,310)</u>	<u>(111,848)</u>	<u>(117,158)</u>
Balance at June 30, 2021	<u>1,658,330</u>	<u>1,299,609</u>	<u>2,957,939</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2021	1,102,746	1,095,775	2,198,521
Amortization expense	89,359	25,669	115,028
Effects of foreign currency exchange differences	<u>(3,442)</u>	<u>(95,214)</u>	<u>(98,656)</u>
Balance at June 30, 2021	<u>1,188,663</u>	<u>1,026,230</u>	<u>2,214,893</u>
Carrying amounts at June 30, 2021	<u>\$ 469,667</u>	<u>\$ 273,379</u>	<u>\$ 743,046</u>
<u>Cost</u>			
Balance at January 1, 2020	\$ 1,202,455	\$ 3,426	\$ 1,205,881
Additions	403,062	26,271	429,333
Effects of foreign currency exchange differences	<u>(1,864)</u>	<u>(91)</u>	<u>(1,955)</u>
Balance at June 30, 2020	<u>1,603,653</u>	<u>29,606</u>	<u>1,633,259</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2020	941,618	3,033	944,651
Amortization expense	66,516	3,529	70,045
Effects of foreign currency exchange differences	<u>(1,040)</u>	<u>(83)</u>	<u>(1,123)</u>
Balance at June 30, 2020	<u>1,007,094</u>	<u>6,479</u>	<u>1,013,573</u>
Carrying amounts at June 30, 2020	<u>\$ 596,559</u>	<u>\$ 23,127</u>	<u>\$ 619,686</u>

16. BONDS PAYABLE

	June 30, 2021	December 31, 2020	June 30, 2020
Unsecured domestic convertible bonds	\$ <u>375,413</u>	\$ <u>1,207,820</u>	\$ <u>2,006,339</u>

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

- a. The conversion price was set at \$39.9 per share at the time of issuance. When meeting certain criteria, adjustments on the conversion price are made in accordance with the terms and conditions. Since the Company issued ordinary shares in December 2020, the conversion price should be adjusted according to issuance and conversion measures, the conversion price was adjusted to \$38.2 since December 10, 2020.
- b. After the first three months of the issuance and forty days before the maturity date, if the closing price of the Company'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, the Company may redeem the bonds in cash at the principal amount.
- c. After the bonds has been issued for over five years, the bondholders may request the Company 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 \$5,435 thousand, \$9,095 thousand and \$5,800 thousand on June 30, 2021, December 31, 2020 and June 30, 2020, respectively.
- d. Except for the bonds that have been redeemed, sold back, converted, or bought back by the Company in the market, the principal will be repaid in cash upon maturity at a rate of 109.09% (annual rate of return 1.25% upon maturity).

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

Proceeds from issuance (less transaction costs of \$6,426 thousand)	\$ 1,998,428
The right of redemption	<u>5,200</u>
Liability component at the date of issue	2,003,628
Convertible bonds converted into ordinary shares	(1,648,141)
Interest charged at an effective interest rate of 1.22%	<u>19,926</u>
Liability component at June 30, 2021	<u>\$ 375,413</u>

17. BORROWINGS

a. Short-term borrowings

	<u>June 30, 2021</u>		<u>December 31, 2020</u>		<u>June 30, 2020</u>	
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
<u>Secured borrowings</u>						
Bank of Taiwan (Note 6)	-	\$ -	4.35%	\$ 1,544,910	-	\$ -
Chinatrust Commercial Bank Co., Ltd. (Note 30)	1.27%	<u>378,150</u>	1.29%	<u>276,300</u>	-	<u>-</u>
		<u>\$ 378,150</u>		<u>\$ 1,821,210</u>		<u>\$ -</u>

The short-term borrowings of Chinatrust Commercial Bank Co., Ltd. are secured and guaranteed by the parent company (refer to Note 30 to the consolidated financial statements).

b. Long-term Borrowings

	Period	Interest Rate	June 30, 2021	December 31, 2020	June 30, 2020
<u>Unsecured borrowings</u>					
The Export-Import Bank of ROC	2019.09.20-2026.09.21	0.92%	\$ 500,000	\$ 500,000	\$ 500,000
The Export-Import Bank of ROC	2020.08.25-2027.08.25	0.92%	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>
			<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>	<u>\$ 500,000</u>

The proceeds of the Group's unsecured loan was invested in Autotalks Ltd. and acquired Panasonic's semiconductor business in Japan.

To repay outstanding debt and enhance mid-term working capital, NTCJ entered into a JPY30 billion syndicated loan agreement with banks on May 17, 2021, which include Chinatrust Commercial Bank Co., Ltd. and other banks. Pursuant to the loan contract, the Company should directly or indirectly hold at least 100% of the issued shares or capital and maintain control over the operation of NTCJ, and NTCJ must maintain the financial debt ratio not to be lower than certain ratio during the loan period. The aforementioned financial ratio is calculated based on the audited consolidated financial statements.

Please refer to Note 31 to the consolidated financial statements for the collateral of the syndicated loan.

18. OTHER PAYABLES

	June 30, 2021	December 31, 2020	June 30, 2020
Payable for salaries or employee benefits	\$ 1,555,576	\$ 1,035,436	\$ 350,698
Payable for royalties	348,792	421,639	339,483
Payable for investment	200,620	242,960	-
Payable for maintenance	199,161	199,508	43,642
Payable for service	159,613	169,828	94,237
Payable for utilities	157,984	172,638	-
Payable for purchase of equipment	107,012	131,281	64,826
Payable for software	50,706	320,223	24,519
Others	<u>1,574,907</u>	<u>1,314,761</u>	<u>181,339</u>
	<u>\$ 4,354,371</u>	<u>\$ 4,008,274</u>	<u>\$ 1,098,744</u>

19. PROVISIONS

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Current</u>			
Decommissioning costs	\$ 558,654	\$ 612,281	\$ -
Employee benefits	<u>-</u>	<u>316,438</u>	<u>-</u>
	<u>\$ 558,654</u>	<u>\$ 928,719</u>	<u>\$ -</u>
<u>Non-current</u>			
Employee benefits	\$ 1,611,171	\$ 1,765,833	\$ -
Decommissioning costs	685,208	750,983	-
Warranties	<u>559,704</u>	<u>603,652</u>	<u>101,891</u>
	<u>\$ 2,856,083</u>	<u>\$ 3,120,468</u>	<u>\$ 101,891</u>

The Group acquired Panasonic's semiconductor business in September 2020. Some fabs will be closed due to low capacity utilization, decommissioning costs and labor costs were accounted separately for decommissioning liabilities and employee benefit provision.

20. RETIREMENT BENEFIT PLANS

Employee benefit expense in respect of the Company's defined benefit retirement plans was calculated using the actuarially determined pension cost discount rate as of December 31, 2020 and 2019, and recognized \$10,540 thousand, \$9,709 thousand, \$20,590 thousand and \$19,511 thousand for the three months ended and six months ended June 30, 2021 and 2020, respectively.

21. EQUITY

a. Share capital

Ordinary Shares

	June 30, 2021	December 31, 2020	June 30, 2020
Shares authorized (in thousands of shares)	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>
Shares authorized	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>
Shares issued and fully paid (in thousands of shares)	<u>390,674</u>	<u>375,962</u>	<u>287,554</u>
Shares issued and fully paid	<u>\$ 3,906,736</u>	<u>\$ 3,759,616</u>	<u>\$ 2,875,544</u>
Par value (in New Taiwan dollars)	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 10</u>

On August 21, 2020, the Company's board of directors resolved to issue 80,000 thousand ordinary shares with a par value of NT\$10 to repay bank loans and enhance working capital. On September 25, 2020, the resolution was approved by the FSC. The consideration of NT\$38 per share was determined by the chairman which was authorized by the board of directors of the Company, the subscription base date was December 10, 2020. The associated issuance cost of \$8,832 thousand was deducted from capital surplus - additional paid-in capital.

For the six months ended June 30, 2021, the Company has issued 21,649 thousand shares of ordinary shares due to the conversion of unsecured convertible bonds, the registration of 19,369 thousand ordinary shares issuance has not been completed as of June 30, 2021.

As of June 30, 2021, December 31, 2020 and June 30, 2020, the balance of the Company's capital account amounted to NT\$3,906,736 thousand, NT\$3,759,616 thousand and NT\$2,875,544 thousand, divided into 390,674 thousand ordinary shares, 375,962 thousand ordinary shares and 287,554 thousand ordinary shares with a par value of NT\$10.

b. Capital surplus

	June 30, 2021	December 31, 2020	June 30, 2020
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*</u>			
Additional paid-in capital	\$ 5,088,159	\$ 5,088,159	\$ 2,856,991
Conversion of bonds	1,208,324	596,347	-
<u>May only be used to offset a deficit</u>			
Cash capital increase reserved for employee share options	112,160	112,160	49,920
Overdue dividends unclaimed	62	52	52
<u>May not be used for any purpose</u>			
Employee share options	<u>13</u>	<u>13</u>	<u>13</u>
	<u>\$ 6,408,718</u>	<u>\$ 5,796,731</u>	<u>\$ 2,906,976</u>

- * Such capital surplus 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 transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

c. Retained earnings and dividends policy

The shareholders held their regular meeting on May 29, 2020 and resolved the amendments to the Company's dividend distribution policy in the Company's Articles of Incorporation (the "Articles"). Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. The board of directors shall be authorized to distribute the profit, the legal reserve, and the capital plus 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. In principle, not less than 10% of the total shareholders' bonus shall be distributed in the form of cash. For the policies on the distribution of employees' compensation and remuneration of directors, refer to employees' compensation and remuneration of directors in Note 24 to the consolidated financial statements.

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

The appropriations of earnings for 2020 and 2019 were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For Year 2020	For Year 2019	For Year 2020	For Year 2019
Legal reserve	\$ 58,610	\$ 55,183		
Cash dividends	<u>311,733</u>	<u>345,065</u>	\$0.80	\$1.20
	<u>\$ 370,343</u>	<u>\$ 400,248</u>		

The above 2020 and 2019 appropriations for cash dividends had been resolved by the Company's board of directors on March 16, 2021 and March 12, 2020, respectively. The other proposed appropriations for 2020 will be resolved by the shareholders in their meeting to be held on August 20, 2021; the other proposed appropriations for 2019 had been resolved by the shareholders in their meetings on May 29, 2020. The Group suspends its originally scheduled shareholders' meeting in response to the FSC's announcement: "For pandemic prevention, the FSC demands public companies to postpone their shareholders' meetings". The shareholders' meeting will be held on August 20, 2021.

d. Other equity items

- 1) The exchange differences arising on translation of foreign operations' net assets from its functional currency to the Group's presentation currency (New Taiwan dollar) are recognized directly in other comprehensive income. For the three months ended June 30, 2021 and 2020 and the six months ended June 30, 2021 and 2020, other comprehensive loss was NT\$172,247 thousand, NT\$11,878 thousand, NT\$621,523 thousand and NT\$18,065 thousand, respectively.

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

	For the Six Months Ended June 30	
	2021	2020
Balance at January 1	\$ 269,065	\$ 169,544
Recognized for the period	766,074	(45,418)
Cumulative unrealized gains (losses) of equity instruments transferred to retained earnings due to disposal	<u>(138,095)</u>	<u>-</u>
Balance at June 30	<u>\$ 897,044</u>	<u>\$ 124,126</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.

22. REVENUE

Refer to Note 35 to the consolidated financial statements for the Group's revenue.

23. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Current tax				
In respect of the current year	\$ 157,477	\$ 70,931	\$ 286,650	\$ 97,531
Adjustment for prior years' tax	1	(11,245)	(189)	(11,245)
Deferred tax				
In respect of the current year	<u>9,653</u>	<u>7,916</u>	<u>306</u>	<u>(10,454)</u>
Income tax expense recognized in profit or loss	<u>\$ 167,131</u>	<u>\$ 67,602</u>	<u>\$ 286,767</u>	<u>\$ 75,832</u>

b. Income tax assessments

The income tax returns through 2018 have been assessed by the tax authorities.

24. EMPLOYEE BENEFITS EXPENSE, DEPRECIATION AND AMORTIZATION

	For the Three Months Ended June 30				2020			
	2021		Classified as Non-operating Income and Losses	Total	2020		Classified as Non-operating Income and Losses	Total
Classified as Operating Costs	Classified as Operating Expenses	Classified as Operating Costs			Classified as Operating Expenses			
Employee benefits expense								
Short-term employment benefits	\$ 329,821	\$ 1,845,711	\$ -	\$ 2,175,532	\$ 201,311	\$ 570,597	\$ -	\$ 771,908
Post-employment benefits	11,080	106,564	-	117,644	7,627	33,850	-	41,477
Depreciation	131,054	96,908	38,752	266,714	31,898	48,378	1,085	81,361
Amortization	6,640	48,740	-	55,380	8,341	34,145	-	42,486

	For the Six Months Ended June 30				2020			
	2021		Classified as Non-operating Income and Losses	Total	2020		Classified as Non-operating Income and Losses	Total
Classified as Operating Costs	Classified as Operating Expenses	Classified as Operating Costs			Classified as Operating Expenses			
Employee benefits expense								
Short-term employment benefits	\$ 586,506	\$ 3,630,512	\$ -	\$ 4,217,018	\$ 375,345	\$ 1,023,661	\$ -	\$ 1,399,006
Post-employment benefits	13,408	244,381	-	257,789	15,051	71,587	-	86,638
Depreciation	279,745	197,981	79,473	557,199	64,566	97,347	2,194	164,107
Amortization	15,578	99,450	-	115,028	16,681	53,364	-	70,045

According to the Company's Articles, the Company accrued employees' compensation and remuneration of directors at rates of no less than 6% and no higher than 1%, respectively, of net profit before income tax, employees' compensation, and remuneration of director.

For the three months ended June 30, 2021 and 2020 and the six months ended June 30, 2021 and 2020, the employees' compensation and remuneration of directors were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Employees' cash compensation	<u>\$ 68,851</u>	<u>\$ 24,996</u>	<u>\$ 89,664</u>	<u>\$ 25,913</u>
Remuneration of directors	<u>\$ 11,475</u>	<u>\$ 4,166</u>	<u>\$ 14,944</u>	<u>\$ 4,319</u>

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

The employees' compensation and remuneration to the directors of 2020 and 2019, which were approved by the Company's board of directors on February 18, 2021 and February 6, 2020, respectively, were as below:

	2020		2019	
	Amount	%	Amount	%
Employees' cash compensation	\$ 42,422	6	\$ 40,868	6
Remuneration of directors	7,070	1	6,811	1

There is 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, 2020 and 2019.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2021 and 2020 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

25. SHARE-BASED PAYMENT ARRANGEMENTS

The Company's board of directors resolved to reserve 10% of the shares from the issuance of 80,000 thousand shares approved by the FSC on September 25, 2020 to be subscribed for by its employees. The number of shares subscribed for by the employees was affirmed on October 21, 2020. The fair value of such share options subscribed for by the Company's employees on the grant date was measured using the Black-Scholes Option Pricing Model and amounted to NT\$62,240 thousand which was recorded as compensation costs with a corresponding increase in capital surplus.

a. As of December 31, 2020, the Company's Share-based payments agreements was as follows:

Agreement	Grant Date	Number of Shares Grant	Vesting Conditions
Cash capital increase reserved for employee share options	October 21, 2020	8,000 thousand shares	Vested immediately

b. The fair value of share options acquired by employees on grant day, October 21, 2020, was measured by using Black-Scholes Option Pricing Model. Relevant information was as follows:

Share Price (NT\$)	Exercise Price (NT\$)	Expected Price Volatility	Expected Vesting Period	Expected Dividend Yield Rate	Risk-free Interest Rate	Fair Value Per Share (NT\$)
\$45.6	\$38.0	34.80%	48 days	0.00%	0.18%	\$7.78

26. EARNINGS PER SHARE

The numerators and denominators used in calculating basic and diluted earnings per share ("EPS") were as follows:

	For the Three Months Ended June 30					
	2021			2020		
	Amounts (Numerator)	Shares (Denominator) (In Thousands)	Earnings Per Share (NT\$) (Attributable to Owners of the Company)	Amounts (Numerator)	Shares (Denominator) (In Thousands)	Earnings Per Share (NT\$) (Attributable to Owners of the Company)
Basic earnings per share						
Net profit attributed to owners of the Company	\$ 939,193	397,583	\$ <u>2.36</u>	\$ 332,676	287,554	\$ <u>1.16</u>
Effect of potentially dilutive ordinary shares						
Employees' compensation	-	1,117		-	670	
Convertible bonds	<u>2,110</u>	<u>9,678</u>		<u>-</u>	<u>-</u>	
Diluted earnings per share						
Net profit attributed to owners of the Company	\$ <u>941,303</u>	<u>408,378</u>	\$ <u>2.30</u>	\$ <u>332,676</u>	<u>288,224</u>	\$ <u>1.15</u>

	For the Six Months Ended June 30					
	2021			2020		
	Amounts (Numerator)	Shares (Denominator)	Earnings Per Share (NT\$)	Amounts (Numerator)	Shares (Denominator)	Earnings Per Share (NT\$)
	After Income Tax (Attributable to Owners of the Company)	(In Thousands)	After Income Tax (Attributable to Owners of the Company)	After Income Tax (Attributable to Owners of the Company)	(In Thousands)	After Income Tax (Attributable to Owners of the Company)
Basic earnings per share						
Net profit attributed to owners of the Company	\$ 1,209,789	393,441	<u>\$ 3.07</u>	\$ 343,891	287,554	<u>\$ 1.20</u>
Effect of potentially dilutive ordinary shares						
Employees' compensation	-	1,360		-	869	
Convertible bonds	<u>4,975</u>	<u>9,678</u>		<u>-</u>	<u>-</u>	
Diluted earnings per share						
Net profit attributed to owners of the Company	<u>\$ 1,214,764</u>	<u>404,479</u>	<u>\$ 3.00</u>	<u>\$ 343,891</u>	<u>288,423</u>	<u>\$ 1.19</u>

If the Company offered to settle the compensation or bonuses paid to employees in 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 EPS, as the effect is dilutive. The number of shares used in the computation of diluted EPS is estimated by the amount of compensation divided by the closing price of the potential common shares at the end of the reporting period. 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. BUSINESS COMBINATIONS

a. Subsidiaries acquired

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Panasonic Semiconductor business	Semiconductor business	September 1, 2020	100	<u>\$ 8,432,481</u>

The Group acquired the semiconductor business of Panasonic Corporation on September 1, 2020, including the acquisition of 100% equity in NTHJ, NTCJ (formerly PSCS), AMTC (formerly PIDE) and METC (formerly PIDST), Panasonic Semiconductor (Suzhou) Co., Ltd. (referred to as PSCSZ) related semiconductor business equipment and inventory, and Panasonic Industrial Devices Semiconductor Asia (referred to as PIDSCA) assets and liabilities projects and contracts and other specific operating assets.

b. Consideration transferred

	Panasonic Semiconductor Business
Cash	\$ 8,358,041
Contingent consideration arrangement*	<u>74,440</u>
	<u>\$ 8,432,481</u>

* Under the contingent consideration arrangement, if the TPSCo. held by NTCJ Company (formerly PSCS) is a net profit after tax from the acquisition date to March 31, 2022, the net profit after tax must be reimbursed to Panasonic based on the shareholding ratio (49%).

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

	Panasonic Semiconductor Business
Current assets	
Cash and cash equivalents	\$ 1,102,882
Accounts receivable and other receivables	4,469,464
Inventories	4,613,102
Prepayments	216,082
Non-current assets	
Financial asset at measured at fair value through other comprehensive income	960,800
Property, plant and equipment	6,241,162
Investment property	2,503,591
Right-of-use assets	997,787
Intangible assets	83,046
Deferred tax assets	103,259
Other assets	<u>4,639</u>
Total assets	<u>\$ 21,295,814</u>
Current liabilities	
Accounts payable and other payables	\$ 5,999,366
Current tax liabilities	86,320
Provisions - current	617,821
Lease liabilities - current	176,138
Other current liabilities	57,635
Non-current liabilities	
Provisions - non-current	2,539,589
Net defined benefit liabilities - non-current	1,473,458
Deferred tax liabilities	89,169
Products guarantee based on commitment	506,301
Lease liabilities - non-current	<u>1,156,925</u>
Total liabilities	<u>\$ 12,702,722</u>
Net assets	<u>\$ 8,593,092</u>

d. Gain on the bargain purchase

	Panasonic Semiconductor Business
Fair value of identifiable net assets obtained	\$ 8,593,092
Less: Consideration transferred	<u>(8,432,481)</u>
Gain on the bargain purchase	<u>\$ 160,611</u>

The Group has completed to measure and allocate aforementioned assets and liabilities at fair value for the acquisition of Panasonic semiconductor business on June 16, 2021.

e. Net cash outflow on the acquisition of subsidiaries

	Panasonic Semiconductor Business
Consideration paid in cash	\$ 8,432,481
Less: Cash and cash equivalent balances acquired	<u>(1,102,882)</u>
	7,329,599
Acquisition price adjustment	
Investment payable	(74,440)
Business tax refund receivable	133,101
Other payable for contract (presented in provisions)	(316,438)
Effects of foreign currency exchange differences	<u>(7,324)</u>
	<u>\$ 7,064,498</u>

f. Impact of acquisitions on the results of the Group

The financial results of the acquirees from the acquisition dates (September 1, 2020) to December 31, 2020, which are included in the consolidated statements of comprehensive income, are as follows:

From September 1, 2020 to December 31, 2020

	Panasonic Semiconductor Business
Revenue	<u>\$ 8,993,175</u>
Net loss	<u>\$ (460,607)</u>

Because of the acquisition includes equipment and inventory related to semiconductor business of PSCSZ and assets and liabilities of PIDSCA, rather than a stand-alone entity, it is impractical to disclose the pro-forma revenue and the pro-forma profit.

28. CAPITAL MANAGEMENT

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

29. FINANCIAL INSTRUMENT

a. Categories of financial instruments

	June 30, 2021		December 31, 2020		June 30, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial assets</u>						
Financial assets at amortized cost (Note 1)	\$ 11,995,281	\$ 11,995,281	\$ 12,489,674	\$ 12,489,674	\$ 8,472,154	\$ 8,472,154
Financial assets at FVTPL						
Derivative financial assets	6,245	6,245	13,223	13,223	5,800	5,800
Financial assets at FVTOCI						
Investment in equity instruments	2,388,406	2,388,406	1,806,580	1,806,580	1,071,992	1,071,992
<u>Financial liabilities</u>						
Financial liabilities at amortized cost (Note 2)	10,068,869	10,469,826	12,257,989	12,534,077	5,146,015	5,227,676
Financial liabilities at FVTPL						
Derivative financial liabilities	1,952	1,952	3,191	3,191	-	-

Note 1: Including cash and cash equivalents, notes and accounts receivable (including related parties), other receivables and refundable deposits.

Note 2: Including notes and accounts payable (including related parties), other payables, convertible bonds, short-term loans, long-term loans and guarantee deposits.

b. Fair value information

- 1) Fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value is observable and the significance in its entirety, which are described as follows:
 - a) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
 - b) 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
 - c) 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).
- 2) Fair value measurements recognized in the consolidated balance sheets
 - a) 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 listed shares and emerging market shares).
 - b) The fair value of the financial instruments at fair value through profit or loss is based on Level 2 inputs, either directly or indirectly. The fair value of foreign-currency derivative financial instrument could be determined by reference to the price and discount rate of currency swap quoted by financial institutions. Foreign exchange forward contracts are measured using individual maturity rate to calculate the fair value of each contract.

c) Domestic unlisted equity instruments at FVTOCI were all measured based on Level 3 fair value. Fair values of such equity instruments were determined using discounted cash flow of income approach and comparable listed company approach, by referring to strike price of similar business in active market, implied value multiple of the price and relevant information. Significant unobservable inputs included P/E ratio, value multiple and market liquidity discount. As the discounted cash flow method was used, the discount rate used for lack of marketability was 29%; which increase by 1% while all the other variables are held constant, the fair value of investments will decrease by \$9,726 thousand and \$8,992 thousand for the six months ended June 30, 2021 and 2020, respectively.

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

	June 30, 2021			
	Level 1	Level 2	Level 3	Total
<u>Financial liabilities at amortized cost</u>				
Bonds payable (unsecured)	\$ 776,370	\$ -	\$ -	\$ 776,370
December 31, 2020				
	Level 1	Level 2	Level 3	Total
<u>Financial liabilities at amortized cost</u>				
Bonds payable (unsecured)	\$ 1,483,908	\$ -	\$ -	\$ 1,483,908
June 30, 2020				
	Level 1	Level 2	Level 3	Total
<u>Financial liabilities at amortized cost</u>				
Bonds payable (unsecured)	\$ 2,088,000	\$ -	\$ -	\$ 2,088,000

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

Fair value hierarchy

	June 30, 2021			
	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Derivative financial assets	\$ -	\$ 6,245	\$ -	\$ 6,245
<u>Financial assets at FVTOCI</u>				
Domestic and overseas listed shares and emerging market shares	\$ 210,345	\$ -	\$ -	\$ 210,345
Domestic and overseas unlisted shares	\$ -	\$ -	\$ 2,178,061	\$ 2,178,061
<u>Financial liabilities at FVTPL</u>				
Derivative financial liabilities	\$ -	\$ 1,952	\$ -	\$ 1,952

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Derivative financial assets	\$ <u> -</u>	\$ <u> 13,223</u>	\$ <u> -</u>	\$ <u> 13,223</u>
<u>Financial assets at FVTOCI</u>				
Domestic and overseas listed shares and emerging market shares	\$ <u> 313,689</u>	\$ <u> -</u>	\$ <u> -</u>	\$ <u> 313,689</u>
Domestic and overseas unlisted shares	\$ <u> -</u>	\$ <u> -</u>	\$ <u> 1,492,891</u>	\$ <u> 1,492,891</u>
<u>Financial liabilities at FVTPL</u>				
Derivative financial liabilities	\$ <u> -</u>	\$ <u> 3,191</u>	\$ <u> -</u>	\$ <u> 3,191</u>

	June 30, 2020			
	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Derivative financial assets	\$ <u> -</u>	\$ <u> 5,800</u>	\$ <u> -</u>	\$ <u> 5,800</u>
<u>Financial assets at FVTOCI</u>				
Domestic listed shares and emerging market shares	\$ <u> 51,860</u>	\$ <u> -</u>	\$ <u> -</u>	\$ <u> 51,860</u>
Domestic and overseas unlisted shares	\$ <u> -</u>	\$ <u> -</u>	\$ <u> 1,020,132</u>	\$ <u> 1,020,132</u>

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

The financial assets measured at Level 3 fair value were financial assets at FVTPL and equity investments classified as financial assets at FVTOCI. Reconciliations for the six months ended June 30, 2021 and 2020 were as follows:

	For the Six Months Ended June 30	
	2021	2020
Balance at January 1	\$ 1,492,891	\$ 1,056,205
Recognized in other comprehensive income	<u> 685,170</u>	<u> (36,073)</u>
Balance at June 30	<u>\$ 2,178,061</u>	<u>\$ 1,020,132</u>

c. Financial risk management objectives and policies

The Group seeks to minimize the effects of financial risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on foreign currency risk, and the 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 exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group entered into foreign exchange forward contracts to hedge the foreign currency risk arising on the export business.

a) Foreign currency risk

The Group has foreign currency denominated transactions, which expose the Group to foreign currency risk. Exchange rate exposures are managed within approved policy parameters utilizing foreign exchange forward contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 34 to the consolidated financial statements.

The sensitivity analysis included only outstanding foreign currency denominated monetary items at the end of the reporting period and assuming an increase in net income and equity if New Taiwan dollars strengthen by 1% against foreign currencies. For a 1% weakening of New Taiwan dollars against the relevant currency, there would be impact on net income in the amounts of NT\$7,612 thousand decrease and NT\$14,157 thousand decrease for the six months ended June 30, 2021 and 2020, respectively. The amounts used in the 1% weakening of New Taiwan dollars against the relevant currency did not consider the impact of hedge contracts and hedged item.

b) Interest rate risk

Interest rate risk refers to the risk that the change in market value will influence the fair value of financial instruments. The Group's interest rate risk arises primarily from floating rate deposits and long-term loans.

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

	June 30, 2021	December 31, 2020	June 30, 2020
Cash flow interest rate risk			
Financial assets	\$ 8,413	\$ 7,749	\$ 108,313
Financial liabilities	1,500,000	3,321,210	500,000

The sensitivity analysis of cash flows based on the Group's exposure to interest rates for fair value of variable-rate non-derivatives instruments at the end of the reporting period. If interest rates increased by 1%, the Group's cash outflows for the six months ended June 30, 2021 and 2020 would have increased by NT\$7,458 thousand and increased by NT\$1,959 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a 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 this regard, the management 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 are as follows:

	June 30, 2021			
	Within 1 Year	1-2 Years	Over 2 Years	Total
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 7,740,041	\$ -	\$ -	\$ 7,740,041
Lease liabilities	273,964	227,606	1,043,127	1,544,697
Variable interest rate liabilities	-	-	1,500,000	1,500,000
Fixed interest rate liabilities	<u>378,150</u>	<u>-</u>	<u>403,306</u>	<u>781,456</u>
	<u>\$ 8,392,155</u>	<u>\$ 227,606</u>	<u>\$ 2,946,433</u>	<u>\$ 11,566,194</u>

Additional information about the maturity analysis of lease liabilities:

	Less than 2 Years	2-5 Years	Over 5 Years	Total
<u>Non-derivative financial liabilities</u>				
Lease liabilities	<u>\$ 501,570</u>	<u>\$ 426,117</u>	<u>\$ 617,010</u>	<u>\$ 1,544,697</u>

	December 31, 2020			
	Within 1 Year	1-2 Years	Over 2 Years	Total
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 7,659,385	\$ -	\$ -	\$ 7,659,385
Lease liabilities	308,294	264,121	1,231,072	1,803,487
Variable interest rate liabilities	1,821,210	-	1,500,000	3,321,210
Fixed interest rate liabilities	<u>-</u>	<u>-</u>	<u>1,305,480</u>	<u>1,305,480</u>
	<u>\$ 9,788,889</u>	<u>\$ 264,121</u>	<u>\$ 4,036,552</u>	<u>\$ 14,089,562</u>

Additional information about the maturity analysis of lease liabilities:

	Less than 2 Years	2-5 Years	Over 5 Years	Total
<u>Non-derivative financial liabilities</u>				
Lease liabilities	\$ <u>572,415</u>	\$ <u>500,296</u>	\$ <u>730,776</u>	\$ <u>1,803,487</u>
June 30, 2020				
	Within 1 Year	1-2 Years	Over 2 Years	Total
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 2,577,936	\$ -	\$ -	\$ 2,577,936
Lease liabilities	122,212	113,005	309,190	544,407
Variable interest rate liabilities	-	-	500,000	500,000
Fixed interest rate liabilities	<u>-</u>	<u>-</u>	<u>2,181,800</u>	<u>2,181,800</u>
	<u>\$ 2,700,148</u>	<u>\$ 113,005</u>	<u>\$ 2,990,990</u>	<u>\$ 5,804,143</u>

Additional information about the maturity analysis of lease liabilities:

	Less than 2 Years	2-5 Years	Over 5 Years	Total
<u>Non-derivative financial liabilities</u>				
Lease liabilities	\$ <u>235,217</u>	\$ <u>214,009</u>	\$ <u>95,181</u>	\$ <u>544,407</u>

4) Transfers of financial assets

Factored accounts receivable that are not yet overdue on June 30, 2021 and December 31, 2020, respectively were as follows:

June 30, 2021

Counterparty	Receivables Factoring Proceeds	Advances Received - Unused	Advances Received - Used	Annual Interest Rates on Advances Received (Used) (%)
Sumitomo Mitsui Banking Corporation	\$ <u>125,327</u>	\$ <u>-</u>	\$ <u>125,327</u>	<u>0.9%</u>

December 31, 2020

Counterparty	Receivables Factoring Proceeds	Advances Received - Unused	Advances Received - Used	Annual Interest Rates on Advances Received (Used) (%)
Sumitomo Mitsui Banking Corporation	<u>\$ 230,449</u>	<u>\$ -</u>	<u>\$ 230,449</u>	<u>0.9%</u>

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

30. TRANSACTIONS WITH RELATED PARTIES

a. Related party name and categories

<u>Related Party Name</u>	<u>Related Party Categories</u>
Winbond Electronics Corporation ("WEC")	The Company's parent
Winbond Electronics (HK) Limited ("WEHK")	Associate
Winbond Electronics Corporation America ("WECA")	Associate
Winbond Electronics Corporation Japan ("WECJ")	Associate
Callisto Holding Limited	Associate
Tower Partners Semiconductor Co., Ltd. ("TPSCo.")	Related party in substance
Nyquest Technology Co., Ltd. ("Nyquest")	Related party in substance
Walton Advanced Engineering Inc.	Related party in substance
Chin Cherng Construction Co., Ltd.	Related party in substance
United Industrial Gases Co., Ltd.	Related party in substance
Glorystones Corporation	Related party in substance
Waltech Advanced Engineering (SuZhou), Inc. ("Waltech Suzhou")	Related party in substance

b. Operating activities

	<u>For the Three Months Ended June 30</u>		<u>For the Six Months Ended June 30</u>	
	2021	2020	2021	2020
1) Operating revenue				
Related party in substance				
Waltech Suzhou	\$ 1,260,534	\$ -	\$ 1,260,534	\$ -
Others	137,051	48,389	283,142	85,490
Associate	<u>20,613</u>	<u>24,918</u>	<u>44,771</u>	<u>46,202</u>
	<u>\$ 1,418,198</u>	<u>\$ 73,307</u>	<u>\$ 1,588,447</u>	<u>\$ 131,692</u>

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
2) Purchases of goods				
Related party in substance				
TPSCo.	\$ 1,600,714	\$ -	\$ 3,363,222	\$ -
Others	28,691	-	28,691	-
Parent company	<u>94,005</u>	<u>44,466</u>	<u>166,190</u>	<u>84,565</u>
	<u>\$ 1,723,410</u>	<u>\$ 44,466</u>	<u>\$ 3,558,103</u>	<u>\$ 84,565</u>
3) Manufacturing expenses				
Related party in substance				
TPSCo.	\$ 513,559	\$ -	\$ 1,034,863	\$ -
Others	4,022	-	7,465	-
Parent company	<u>348</u>	<u>121</u>	<u>441</u>	<u>220</u>
	<u>\$ 517,929</u>	<u>\$ 121</u>	<u>\$ 1,042,769</u>	<u>\$ 220</u>
4) Operating expenses				
Related party in substance	\$ 104,068	\$ 2,695	\$ 229,109	\$ 5,390
Parent company	10,932	1,925	20,371	7,304
Associate	<u>2,448</u>	<u>1,928</u>	<u>4,289</u>	<u>3,859</u>
	<u>\$ 117,448</u>	<u>\$ 6,548</u>	<u>\$ 253,769</u>	<u>\$ 16,553</u>
5) Dividend income				
Related party in substance				
United Industrial Gases Co., Ltd.	\$ 62,000	\$ 64,394	\$ 62,000	\$ 64,394
Nyquest Technology Co., Ltd.	<u>-</u>	<u>3,300</u>	<u>-</u>	<u>3,300</u>
	<u>\$ 62,000</u>	<u>\$ 67,694</u>	<u>\$ 62,000</u>	<u>\$ 67,694</u>
6) Other income				
Related party in substance	\$ 339	\$ -	\$ 339	\$ -
Parent company	<u>-</u>	<u>20</u>	<u>-</u>	<u>20</u>
	<u>\$ 339</u>	<u>\$ 20</u>	<u>\$ 339</u>	<u>\$ 20</u>

	June 30, 2021	December 31, 2020	June 30, 2020
7) Accounts receivable from related parties			
Related party in substance	\$ 69,281	\$ 77,760	\$ 35,901
Associate	<u>14,208</u>	<u>12,817</u>	<u>23,095</u>
	<u>\$ 83,489</u>	<u>\$ 90,577</u>	<u>\$ 58,996</u>

8) Other receivables

Related party in substance			
TPSCo.	\$ 248,969	\$ 255,453	\$ -
Others	9,649	-	-
Associate	6,672	214	98
Parent company	<u>363</u>	<u>-</u>	<u>-</u>
	<u>\$ 265,653</u>	<u>\$ 255,667</u>	<u>\$ 98</u>

Other receivables-related parties were collection or payment on behalf of others.

	June 30, 2021	December 31, 2020	June 30, 2020
9) Refundable deposits			
Parent company	\$ 1,780	\$ 1,780	\$ 1,780
Related party in substance	<u>1,722</u>	<u>1,722</u>	<u>1,722</u>
	<u>\$ 3,502</u>	<u>\$ 3,502</u>	<u>\$ 3,502</u>

10) Accounts payable to related parties

Related party in substance			
TPSCo.	\$ 352,183	\$ 788,043	\$ -
Others	10,161	-	-
Parent company	<u>68,906</u>	<u>39,500</u>	<u>26,891</u>
	<u>\$ 431,250</u>	<u>\$ 827,543</u>	<u>\$ 26,891</u>

11) Other payables

Related party in substance	\$ 58,844	\$ 77,373	\$ -
Parent company	<u>15,255</u>	<u>9,738</u>	<u>1,818</u>
	<u>\$ 74,099</u>	<u>\$ 87,111</u>	<u>\$ 1,818</u>

12) Guarantee deposits

Parent company	<u>\$ 545</u>	<u>\$ 545</u>	<u>\$ 545</u>
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The sales and purchase prices and collection and payment terms with related parties were not significantly different from those with third parties. For other related party transactions, price and terms were determined in accordance with mutual agreement.

13) Disposal of property, plant and equipment

Related Party Category	Proceeds		Gain (Loss) on Disposal	
	For the Three Months Ended		For the Three Months Ended	
	June 30		June 30	
	2021	2020	2021	2020
Related party in substance				
Waltech Suzhou	\$ 885,976	\$ -	\$ 143,793	\$ -

Related Party Category	Proceeds		Gain (Loss) on Disposal	
	For the Six Months Ended		For the Six Months Ended	
	June 30		June 30	
	2021	2020	2021	2020
Related party in substance				
Waltech Suzhou	\$ 885,976	\$ -	\$ 143,793	\$ -

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

c. Lease arrangements - Group is lessee

	June 30, 2021	December 31, 2020	June 30, 2020
1) Lease liabilities			
Parent company	\$ 42,087	\$ 47,969	\$ 53,932
Related party in substance	16,905	22,451	27,680
Associate	3,733	7,566	11,704
	<u>\$ 62,725</u>	<u>\$ 77,986</u>	<u>\$ 93,316</u>

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2021	2020	2021	2020
2) Finance costs				
Parent company	\$ 114	\$ 147	\$ 236	\$ 301
Related party in substance	72	115	155	240
Associate	38	110	94	238
	<u>\$ 224</u>	<u>\$ 372</u>	<u>\$ 485</u>	<u>\$ 779</u>

d. Lease arrangements - Group is lessor/Sublease arrangements

Sublease arrangements under operating leases

For the six months ended June 30, 2021 and 2020, the Group subleases its right-of-use assets to its associate companies WEC, WEHK and TPSCo. under operating leases with lease terms between 1 and 12 years, and the rental is based on similar asset's market rental rates and fixed lease payments are received monthly.

1) The balance of operating lease receivables was as follows:

	June 30, 2021	December 31, 2020	June 30, 2020
Related party in substance	\$ 21,445	\$ 23,504	\$ -
Parent company	398	-	386
Associate	<u>239</u>	<u>245</u>	<u>255</u>
	<u>\$ 22,082</u>	<u>\$ 23,749</u>	<u>\$ 641</u>

2) Future lease payment receivables are as follows:

	June 30, 2021	December 31, 2020	June 30, 2020
Related party in substance	\$ 1,374,827	\$ 1,635,005	\$ -
Parent company	5,885	11,133	9,568
Associate	<u>1,191</u>	<u>1,948</u>	<u>3,040</u>
	<u>\$ 1,381,903</u>	<u>\$ 1,648,086</u>	<u>\$ 12,608</u>

3) Lease income was as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Related party in substance	\$ 59,337	\$ -	\$ 121,467	\$ -
Parent company	971	936	1,989	1,919
Associate	<u>359</u>	<u>386</u>	<u>723</u>	<u>778</u>
	<u>\$ 60,667</u>	<u>\$ 1,322</u>	<u>\$ 124,179</u>	<u>\$ 2,697</u>

e. Endorsements and guarantees

Endorsements and guarantees provided by the Group

The chairman of the Company is a joint guarantor of the land-leasing from Taiwan Sugar Corporation. Refer to Note 13 to the consolidated financial statements.

Endorsements and guarantees given by related parties

Related Party Category/Name	June 30, 2021	December 31, 2020	June 30, 2020
Parent company			
Amount endorsed	<u>\$ 11,614,499</u>	<u>\$ 4,440,417</u>	<u>\$ _____</u> -
Amount utilized (reported as secured bank loans)	<u>\$ 378,150</u>	<u>\$ 276,300</u>	<u>\$ _____</u> -

According to the contract, the endorsements and guarantees given by the related party above mentioned shall maintain a specific financial ratio (current ratio, debt ratio) and net tangible value shall not be less than a specific amount during the every half year. The calculation of the foregoing financial standards is based on the consolidated financial report audited by certified public accountants.

f. Compensation of key management personnel

	<u>For the Three Months Ended</u> <u>June 30</u>		<u>For the Six Months Ended</u> <u>June 30</u>	
	2021	2020	2021	2020
Short-term employee benefits	\$ 37,706	\$ 19,516	\$ 98,749	\$ 48,295
Post-employment benefits	<u>834</u>	<u>630</u>	<u>1,663</u>	<u>1,277</u>
	<u>\$ 38,540</u>	<u>\$ 20,146</u>	<u>\$ 100,412</u>	<u>\$ 49,572</u>

The remuneration of directors and key executives, as determined by the remuneration committee, was based on the performance of individuals and market trends.

31. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for land leases, customs tariff obligations and bank borrowings:

	June 30, 2021	December 31, 2020	June 30, 2020
Land	\$ 1,477,211	\$ -	\$ -
Buildings	753,261	-	-
Investment properties	462,435	-	-
Time deposits (accounted as refundable deposits)	<u>86,318</u>	<u>636,102</u>	<u>76,000</u>
	<u>\$ 2,779,225</u>	<u>\$ 636,102</u>	<u>\$ 76,000</u>

32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

L Company filed a complaint in the U.S. District Court for the District of Delaware on April 29, 2021. The plaintiff alleged that NTCA (and NTCA only) infringes one of its patents. On June 22, 2021, NTCA signed the authorization and settlement agreement. According to the agreement, L Company then withdrew the complaint in the U.S. District Court for the District of Delaware on June 30, 2021.

The Company and NTCA received a complaint served by the court on June 29, 2020. The plaintiff charged in the California High Court that the gasoline generator produced by HD POWER SYSTEMS INC., exploded during use and caused damage to it. At the same time, the Company, NTCA and other related companies shall bear the relevant compensation liabilities. The plaintiff applied to withdraw the complaint against the Company in the Court on June 29, 2021, and applied to withdraw the complaint against NTCA in the Court on July 7, 2021.

33. OTHER ITEMS

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

34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currency of the entities in the Group and the related exchange rates between foreign currencies and respective functional currency were as follows:

	June 30, 2021		
	Foreign Currencies (Thousand)	Exchange Rate (Note)	New Taiwan Dollars (Thousand)
<u>Financial assets</u>			
Monetary items			
USD	\$ 71,634	27.86	\$ 1,995,714
ILS	14,986	8.5668	128,386
RMB	10,990	4.309	47,354
JPY	51,868	0.2521	13,076
<u>Financial liabilities</u>			
Monetary items			
USD	44,722	27.86	1,245,963
ILS	15,243	8.5668	130,580
RMB	5,861	4.309	25,256
JPY	52,472	0.2521	13,228

	December 31, 2020		
	Foreign Currencies (Thousand)	Exchange Rate (Note)	New Taiwan Dollars (Thousand)
<u>Financial assets</u>			
Monetary items			
USD	\$ 57,028	28.48	\$ 1,624,156
ILS	20,800	8.8712	184,522
RMB	8,724	4.377	38,186
JPY	48,824	0.276	13,490
<u>Financial liabilities</u>			
Monetary items			
USD	46,275	28.48	1,317,309
ILS	18,706	8.8712	165,943
RMB	7,098	4.377	31,067
JPY	68,971	0.276	19,057
	June 30, 2020		
	Foreign Currencies (Thousand)	Exchange Rate (Note)	New Taiwan Dollars (Thousand)
<u>Financial assets</u>			
Monetary items			
USD	\$ 80,581	29.63	\$ 2,387,610
ILS	15,369	8.5609	131,573
RMB	4,574	4.191	19,168
JPY	38,158	0.2751	10,497
<u>Financial liabilities</u>			
Monetary items			
USD	33,644	29.63	996,871
ILS	15,405	8.5609	131,882
RMB	5,134	4.191	21,518
JPY	40,838	0.2751	11,234

Note: The rate foreign currencies are exchanged to New Taiwan dollars and displayed as a rate.

For the three months ended June 30, 2021 and 2020 and the six months ended June 30, 2021 and 2020, realized and unrealized net foreign exchange losses were NT\$13,017 thousand, NT\$11,252 thousand, NT\$33,693 thousand and NT\$3,313 thousand, respectively. It is impractical to disclose net foreign exchange gains and losses by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the entities in the Group.

35. SEGMENT INFORMATION

a. Basic information about operating segment

1) Classification of operating segments

The Group's reportable segments under IFRS 8 and IAS 34 were as follows:

a) General IC product segment

The general IC product segment engages mainly in research, design, manufacturing, sale and after-sales service.

b) Foundry service segment

The foundry service segment engages mainly in research, design, manufacturing and sale.

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. The Group does not provide information on assets regularly to the Group's chief operating decision maker; thus, the measure of assets is zero. 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 is an analysis of the Group's revenue from continuing operations by reportable segments.

	Segment Revenue		Segment Profit and Loss	
	For the Six Months Ended		For the Six Months Ended	
	June 30		June 30	
	2021	2020	2021	2020
General IC products	\$ 17,556,835	\$ 4,190,666	\$ 2,212,659	\$ 449,992
Foundry service	1,119,880	978,268	430,631	326,744
Total of segment revenue	18,676,715	5,168,934	2,643,290	776,736
Other revenue	2,010,454	25,363	970,954	22,060
Operating revenue	\$ 20,687,169	\$ 5,194,297	3,614,244	798,796
Unallocated expenditure				
Administrative and supporting expense			(1,503,096)	(261,110)
Sales and other common expenses			(814,766)	(190,343)
Income from operations			1,296,382	347,343
Finance costs			(51,069)	(11,325)
Interest income			18,844	14,314
Dividend income			62,000	67,694
Other gains and losses			63,730	8,492

(Continued)

	Segment Revenue		Segment Profit and Loss	
	For the Six Months Ended		For the Six Months Ended	
	June 30		June 30	
	2021	2020	2021	2020
Gains (losses) on disposal of property, plant and equipment			\$ 125,188	\$ 29
Foreign exchange gains (losses)			(33,693)	(3,313)
Gains (losses) on financial instruments at fair value through profit or loss			15,174	(3,511)
Profit before income tax			\$ 1,496,556	\$ 419,723 (Concluded)