

**Nuvoton Technology Corporation and
Subsidiaries**

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Nuvoton Technology Corporation

Opinion

We have audited the accompanying consolidated financial statements of Nuvoton Technology Corporation and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Occurrence of Sales Revenues

Revenue from the sale of goods is recognized when the customer received the goods and bear the risk. There is a significant risk on revenue recognition, and customers' line of credit and delivery of products are highly correlated to recognition of sales revenue. We therefore considered that the occurrence of sales revenue from the ten largest customers with temporary increase in their credit facilities in 2021 as a key audit matter for the year ended December 31, 2021. Refer to Note 4 to the consolidated financial statements for the Group's revenue recognition policies.

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

Other Matter

We have also audited the parent company only financial statements of Nuvoton Technology Corporation as of and for the years ended December 31, 2021 and 2020 on which we have issued an unmodified opinion.

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

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

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

Those charged with governance (including members of the audit committee) are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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


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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Kenny Hong and Shu-Lin Liu.



Deloitte & Touche
Taipei, Taiwan
Republic of China

February 10, 2022

Notice to Readers

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

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

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

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

ASSETS	2021		2020	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 9,699,031	28	\$ 5,881,733	18
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	1,631	-	13,223	-
Accounts receivable, net (Notes 4 and 8)	3,514,424	10	4,155,816	13
Accounts receivable from related parties, net (Notes 4, 8 and 32)	656,738	2	90,577	-
Other receivables (Notes 9 and 32)	930,548	3	1,710,051	5
Inventories (Notes 4 and 10)	6,859,466	20	6,250,131	20
Other current assets	338,614	1	259,015	1
Total current assets	<u>22,000,452</u>	<u>64</u>	<u>18,360,546</u>	<u>57</u>
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	69,200	-	-	-
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 11)	2,676,174	8	1,806,580	6
Property, plant and equipment (Notes 4, 12 and 33)	5,248,513	15	6,547,107	20
Right-of-use assets (Notes 4, 13 and 32)	1,197,613	4	1,498,888	5
Investment properties (Notes 4, 14 and 33)	2,005,598	6	2,466,667	8
Intangible assets (Notes 4 and 15)	983,329	3	802,691	2
Deferred tax assets (Notes 4 and 24)	89,019	-	188,397	-
Refundable deposits (Note 6 and 33)	134,187	-	651,497	2
Other non-current assets	4,305	-	328	-
Total non-current assets	<u>12,407,938</u>	<u>36</u>	<u>13,962,155</u>	<u>43</u>
TOTAL	<u>\$ 34,408,390</u>	<u>100</u>	<u>\$ 32,322,701</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 17 and 31)	\$ -	-	\$ 1,821,210	6
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	-	-	3,191	-
Notes payable	38,753	-	365,870	1
Accounts payable	2,634,376	8	2,653,008	8
Accounts payable to related parties (Note 32)	466,673	1	827,543	3
Other payables (Notes 18 and 32)	4,795,770	14	4,008,274	12
Current tax liabilities (Notes 4 and 24)	402,369	1	221,412	1
Provisions - current (Note 19)	532,948	2	928,719	3
Lease liabilities - current (Notes 4, 13 and 32)	247,308	1	300,067	1
Other current liabilities	700,791	2	421,034	1
Total current liabilities	<u>9,818,988</u>	<u>29</u>	<u>11,550,328</u>	<u>36</u>
NON-CURRENT LIABILITIES				
Bonds payable (Note 16)	-	-	1,207,820	4
Long-term borrowings (Notes 17 and 31)	1,500,000	4	1,500,000	5
Provisions - non-current (Note 19)	2,729,353	8	3,120,468	10
Deferred tax liabilities (Notes 4 and 24)	36,583	-	52,132	-
Lease liabilities - non-current (Notes 4, 13 and 32)	1,118,284	3	1,474,041	4
Net defined benefit liabilities - non-current (Notes 4 and 20)	1,641,861	5	1,780,008	5
Guarantee deposits (Notes 4, 21 and 32)	1,962,242	6	69,573	-
Other non-current liabilities	46,389	-	46,963	-
Total non-current liabilities	<u>9,034,712</u>	<u>26</u>	<u>9,251,005</u>	<u>28</u>
Total liabilities	<u>18,853,700</u>	<u>55</u>	<u>20,801,333</u>	<u>64</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share capital (Note 22)	4,172,101	12	3,759,616	12
Certificates of bond-to-stock conversion (Note 22)	25,552	-	124,320	-
Capital surplus (Note 22)	6,871,811	20	5,796,731	18
Retained earnings (Note 22)				
Legal reserve	655,515	2	596,905	2
Unappropriated earnings	3,763,192	11	1,103,083	3
Exchange differences on translation of financial statements of foreign operations (Notes 4 and 22)	(1,044,941)	(3)	(128,352)	-
Unrealized gains (losses) on financial assets at fair value through other comprehensive income (Notes 4 and 22)	1,111,460	3	269,065	1
Total equity	<u>15,554,690</u>	<u>45</u>	<u>11,521,368</u>	<u>36</u>
TOTAL	<u>\$ 34,408,390</u>	<u>100</u>	<u>\$ 32,322,701</u>	<u>100</u>

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

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Note 23)	\$ 41,455,957	100	\$ 20,668,056	100
OPERATING COST (Notes 10, 25 and 32)	<u>24,599,840</u>	<u>59</u>	<u>12,961,144</u>	<u>62</u>
GROSS PROFIT	<u>16,856,117</u>	<u>41</u>	<u>7,706,912</u>	<u>38</u>
OPERATING EXPENSES (Notes 25 and 32)				
Selling expenses	1,185,131	3	507,929	2
General and administrative expenses	2,884,137	7	1,358,393	7
Research and development expenses	9,451,500	23	5,516,242	27
Expected credit loss	<u>8,206</u>	<u>-</u>	<u>2,066</u>	<u>-</u>
Total operating expenses	<u>13,528,974</u>	<u>33</u>	<u>7,384,630</u>	<u>36</u>
PROFIT FROM OPERATIONS	<u>3,327,143</u>	<u>8</u>	<u>322,282</u>	<u>2</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4, 28 and 32)				
Finance costs	(68,915)	-	(70,228)	-
Interest income	30,007	-	22,330	-
Dividend income	67,845	-	67,746	-
Gain on the bargain purchase	-	-	218,968	1
Other gains and losses	67,420	-	114,345	1
Gains (losses) on disposal of property, plant and equipment	134,893	1	40,433	-
Gains (losses) on disposals of intangible assets	(4,803)	-	-	-
Foreign exchange gains (losses)	(24,204)	-	(6,417)	-
Gains (losses) on financial assets at fair value through profit or loss	<u>16,110</u>	<u>-</u>	<u>33,966</u>	<u>-</u>
Total non-operating income and expenses	<u>218,353</u>	<u>1</u>	<u>421,143</u>	<u>2</u>
PROFIT BEFORE INCOME TAX	3,545,496	9	743,425	4
INCOME TAX EXPENSE (Notes 4 and 24)	<u>(604,744)</u>	<u>(2)</u>	<u>(210,640)</u>	<u>(1)</u>
NET PROFIT FOR THE YEAR	<u>2,940,752</u>	<u>7</u>	<u>532,785</u>	<u>3</u>

(Continued)

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

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

	2021		2020	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Note 22)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 20)	\$ (48,395)	-	\$ (29,082)	-
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	980,490	2	181,920	1
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	<u>(916,589)</u>	<u>(2)</u>	<u>(109,368)</u>	<u>(1)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>15,506</u>	<u>-</u>	<u>43,470</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 2,956,258</u>	<u>7</u>	<u>\$ 576,255</u>	<u>3</u>
EARNINGS PER SHARE (Notes 4 and 27)				
From continuing operations				
Basic	<u>\$ 7.27</u>		<u>\$ 1.81</u>	
Diluted	<u>\$ 6.99</u>		<u>\$ 1.72</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 FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	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
Appropriation of 2019 earnings (Note 22)								
Legal reserve	-	-	-	55,183	(55,183)	-	-	-
Cash dividends	-	-	-	-	(345,065)	-	-	(345,065)
Net profit for the year ended December 31, 2020	-	-	-	-	532,785	-	-	532,785
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	(29,082)	(109,368)	181,920	43,470
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	503,703	(109,368)	181,920	576,255
Convertible bonds converted to ordinary shares (Note 16)	84,072	124,320	596,347	-	-	-	-	804,739
Compensation cost of employee share options (Notes 22 and 26)	-	-	62,240	-	-	-	-	62,240
Disposal of investments in equity instruments designated as at fair value through other comprehensive income (Notes 11 and 22)	-	-	-	-	82,399	-	(82,399)	-
Issuance of ordinary shares for cash (Note 22)	800,000	-	2,231,168	-	-	-	-	3,031,168
BALANCE AT DECEMBER 31, 2020	3,759,616	124,320	5,796,731	596,905	1,103,083	(128,352)	269,065	11,521,368
Appropriation of 2020 earnings (Note 22)								
Legal reserve	-	-	-	58,610	(58,610)	-	-	-
Cash dividends	-	-	-	-	(311,733)	-	-	(311,733)
Net profit for the year ended December 31, 2021	-	-	-	-	2,940,752	-	-	2,940,752
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	(48,395)	(916,589)	980,490	15,506
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	2,892,357	(916,589)	980,490	2,956,258
Dividends from claims extinguished by prescriptions	-	-	10	-	-	-	-	10
Disposal of investments in equity instruments designated as at fair value through other comprehensive income (Notes 11 and 22)	-	-	-	-	138,095	-	(138,095)	-
Disposal of subsidiaries (Note 29)	-	-	190,237	-	-	-	-	190,237
Convertible bonds converted to ordinary shares (Note 16)	412,485	(98,768)	884,833	-	-	-	-	1,198,550
BALANCE AT DECEMBER 31, 2021	\$ 4,172,101	\$ 25,552	\$ 6,871,811	\$ 655,515	\$ 3,763,192	\$ (1,044,941)	\$ 1,111,460	\$ 15,554,690

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

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

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

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 3,545,496	\$ 743,425
Adjustments for:		
Depreciation expense	1,089,508	602,985
Amortization expense	240,739	179,513
Finance costs	68,915	70,228
Expected credit loss recognized on accounts receivable	8,206	2,066
Interest income	(30,007)	(22,330)
Dividend income	(67,845)	(67,746)
Compensation cost of employee share options	-	62,240
Gains on disposal of property, plant and equipment	(134,893)	(40,433)
Losses on disposal of intangible assets	4,803	-
Gain on the bargain purchase	-	(218,968)
Other income	-	(5)
Changes in operating assets and liabilities		
(Increase) decrease in financial assets at fair value through profit or loss	(7,627)	(3,570)
(Increase) decrease in accounts receivable	577,125	99,420
(Increase) decrease in accounts receivable from related parties	(566,161)	3,023
(Increase) decrease in other receivables	265,280	382,463
(Increase) decrease in inventories	(649,170)	(32,371)
(Increase) decrease in other current assets	(95,441)	98,794
(Increase) decrease in other non-current assets	(3,977)	952
(Increase) decrease in notes payable	(327,117)	(49,851)
Increase (decrease) in accounts payable	(21,059)	144,843
Increase (decrease) in accounts payable to related parties	(358,443)	(727,254)
Increase (decrease) in other payables	916,119	(130,220)
Increase (decrease) in provisions	(316,438)	-
Increase (decrease) in other current liabilities	334,810	294,988
Increase (decrease) in net defined benefit liabilities	2,013	2,405
Increase (decrease) in other non-current liabilities	(572)	9,673
Cash flows from operations	<u>4,474,264</u>	<u>1,404,270</u>
Income tax paid	(393,035)	(79,348)
Interest received	26,321	27,426
Interest paid	(64,963)	(50,438)
Dividend received	<u>67,845</u>	<u>67,746</u>
Net cash flows generated from (used in) operating activities	<u>4,110,432</u>	<u>1,369,656</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through profit or loss	(69,763)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	235,166	402,003
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	4,500	2,250

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NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

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

	2021	2020
Acquisition of intangible assets	\$ (308,239)	\$ (443,458)
Proceeds from disposal of intangible assets	-	736
Acquisition of property, plant and equipment	(514,503)	(364,747)
Proceeds from disposal of property, plant and equipment	898,872	46,884
(Increase) decrease in refundable deposits paid	517,310	(560,641)
Proceeds from disposal of subsidiaries (Note 29)	59,593	-
Acquisition of subsidiaries (Note 28)	(77,934)	(6,928,207)
Decrease in other receivables - time deposits	<u>13,008</u>	<u>250,236</u>
Net cash flows generated from (used in) investing activities	<u>758,010</u>	<u>(7,594,944)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	452,550	1,821,210
Proceeds from long-term borrowings	-	2,800,000
Repayment of short-term borrowings	(2,242,449)	-
Repayments of long-term borrowings	-	(1,800,000)
Repayments of the principal portion of lease liabilities	(285,811)	(187,753)
Proceeds from guarantee deposits received	1,892,669	26,720
Proceeds from issuance of bonds	-	1,998,428
Dividends paid to owners of the Company	(311,733)	(345,065)
Proceeds from issuance of ordinary shares	<u>-</u>	<u>3,031,168</u>
Net cash flows generated from (used in) financing activities	<u>(494,774)</u>	<u>7,344,708</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(556,370)</u>	<u>(96,910)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,817,298	1,022,510
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>5,881,733</u>	<u>4,859,223</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 9,699,031</u>	<u>\$ 5,881,733</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 YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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 and the Company commenced business in July 2008. WEC held approximately 51% and 55% of the ownership interest in the Company as of December 31, 2021 and 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 February 10, 2022.

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

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), 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 has assessed that the application of other standards and interpretations will not have a material impact on the Group’s financial position and financial performance.

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

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

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

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

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

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

As of the date the 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 consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments and 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	Percentage of Ownership (%)	
			2021	2020
The Company	Nuvoton Electronics Technology (H.K.) Limited ("NTHK")	Sales of semiconductor	100	100
	Marketplace Management Limited ("MML")	Investment holding	100	100
	Nuvoton Investment Holding Ltd. ("NIH")	Investment holding	100	100
	Song Yong Investment Corporation ("SYI")	Investment holding	100	100
	Nuvoton Technology India Private Limited ("NTIPL")	Design, sales and after-sales service of semiconductor	100	100
	Nuvoton Technology Corporation America ("NTCA")	Design, sales and after-sales service of semiconductor	100	100
	Nuvoton Technology Holdings Japan ("NTHJ") (Note 1)	Investment holding	100	100
	Nuvoton Technology Singapore Pte. Ltd ("NTSG")	Design, sales and after-sales service of semiconductor	100	100
	Nuvoton Technology Korea Limited ("NTKL")	Design, sales and after-sales service of semiconductor	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
MML	Goldbond LLC ("GLLC")	Investment holding	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
	Winbond Electronics (Nanjing) Ltd. ("WENJ")	Computer software service (except I.C. design)	100	100

(Continued)

Investor	Investee	Main Business	Percentage of Ownership (%)	
			2021	2020
NTSH	Song Zhi Electronics Technology (Suzhou) (“Song Zhi Suzhou”)	Provide development of semiconductor and technology, consult service and equipment leasing business	100	-
NIH	Nuvoton Technology Israel Ltd. (“NTIL”)	Design and service of semiconductor	100	100
NTHJ	Nuvoton Technology Corporation Japan (“NTCJ”, formerly PSCS company) (Note 1)	Design, sales and after-sales service of semiconductor	100	100
NTCJ	Atfields Manufacturing Technology Corporation (“AMTC”, formerly PIDE company) (Note 1)	Design and service of semiconductor	100	100
NTCJ	Miraxia Edge Technology Corporation (“METC”, formerly PIDST company) (Note 1)	Design and service of semiconductor	- (Note 2)	100

(Concluded)

Note 1: The Company 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 28 to the consolidated financial statements.

Note 2: NTCJ has sold all of its shares of METC to Winbond Company on November 1, 2021, refer to Note 29 to the consolidated financial statements.

Classification of Current and Non-current Assets and Liabilities

Current assets include:

- a. Assets held primarily for the purpose of trading;
- b. Assets expected to be realized within 12 months after the reporting period; and
- c. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- a. Liabilities held primarily for the purpose of trading;
- b. Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- c. Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

Business Combinations

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

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

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

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

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

Foreign Currencies

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

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

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when fair value was determined. Exchange differences arising from the retranslation of non-monetary items measured at fair value are included in profit or loss for the period at the rates prevailing at the end of reporting period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

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

Cash Equivalents

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

Financial Instruments

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

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

a. Financial assets

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

Measurement categories

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

1) Financial asset at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 31 to the consolidated financial statements.

2) Financial assets at amortized cost

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

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

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

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

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

3) Investments in equity instruments at FVTOCI

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

Investments in equity instruments at FVOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

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

Impairment of financial assets

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

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

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

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset to another entity. On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

b. Financial liabilities

1) Subsequent measurement

Financial liabilities are classified as at FVTPL when such financial liabilities are either held for trading or are designated as at FVTPL. Financial liabilities at fair value through profit or loss are stated at fair value, with any interest paid on such financial liabilities is recognized in finance costs, and any gains or losses arising on remeasurement recognized in profit or loss.

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

2) Derecognition of financial liabilities

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

c. Derivative financial instruments

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

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

d. Convertible bonds

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

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

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

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

Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process. The cost of raw materials and supplies are recognized using moving-average method and finished goods and work-in-process are recorded at standard cost and adjusted to approximate weighted-average cost at the end of the reporting period. Inventories are stated at the lower of cost or net realizable value; evaluation and recognition of appropriate allowance for value decline are based on the amount of inventories and sales situation. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale.

Property, Plant and Equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

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

Depreciation is recognized using the straight-line method over the following estimated useful life after considering residual values: buildings 8-20 years, machinery and equipment 3-5 years and other equipment 5 years. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are initially measured at cost. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss, and depreciated over 20 years useful life after considering residual values, using the straight-line method. On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

Intangible Assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line method over the following estimated useful life of the assets: Deferred technical assets - economic life or contract period and other intangible assets 3-5 years. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

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

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

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the reversed carrying amount should not exceed the carrying amount (after amortization or depreciation) that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

Products Guarantee Based on Commitment

The Group will estimate guarantee provision by using appropriate ratio at the time the related product is sold.

Guarantee Deposit

The Group guarantee deposit mainly consists of cash received under deposit agreements with customers to ensure they have access to the Group specified capacity. When the contract expires, the guarantee deposits will be refunded to customers by offsetting related accounts receivable or returned.

Revenue Recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

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

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

Leases

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

a. The Group as lessor

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

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

Under finance leases, the lease payments comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives payable. The net investment in a lease is measured at (a) the present value of the sum of the lease payments receivable by a lessor and any unguaranteed residual value accrued to the lessor plus (b) initial direct costs, and is presented as a finance lease receivable. Finance lease income is allocated to the relevant accounting periods so as to reflect a constant, periodic rate of return on the Group's net investment outstanding in respect of leases.

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

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

b. The Group as lessee

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

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

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

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

Defined benefit costs (including service cost, net interest and remeasurement) 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. Remeasurement, comprising actuarial gains and losses and the return on plan assets excluding interest, is recognized in other comprehensive income in the period in which it occurs. Remeasurement 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.

Share-based Payment Arrangements

Cash-settled share-based payment is a liability in which the entity receives goods or services and the fair value of the amount payable is initially measured at cost. The amount is remeasured at each reporting date and at settlement based on the fair value. Any changes in the liabilities are recognized in profit or loss, with a corresponding adjustment to capital surplus - employee share options.

Taxation

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

a. Current tax

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

b. Deferred tax

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

Deferred tax assets arising from deductible temporary differences associated with investments in subsidiaries are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Group considers the 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.

Write-down of Inventories

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2021	2020
Cash and deposits in banks	\$ 9,224,031	\$ 4,898,733
Repurchase agreements collateralized by bonds	<u>475,000</u>	<u>983,000</u>
	<u>\$ 9,699,031</u>	<u>\$ 5,881,733</u>

- a. Please refer to Note 33 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):

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Time deposits	\$ <u>184,481</u>	\$ <u>197,489</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Financial assets - current</u>		
Held for trading		
Foreign exchange forward contracts and cross-currency swap contracts	\$ 1,631	\$ 4,128
Right of redemption of convertible bonds (Note 16)	<u>-</u>	<u>9,095</u>
	<u>\$ 1,631</u>	<u>\$ 13,223</u>
<u>Financial assets - non-current</u>		
Mandatorily measured at FVTPL		
Foreign warrants	<u>\$ 69,200</u>	<u>\$ -</u>
<u>Financial liabilities - current</u>		
Held for trading		
Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ 3,191</u>

As at the end of the year, the outstanding foreign exchange forward contracts not treated under hedge accounting were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
<u>December 31, 2021</u>			
Sell forward exchange contracts	USD/NTD	2022.01.06-2022.01.27	USD18,000/NTD499,871
<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. ACCOUNTS RECEIVABLE, NET

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Accounts receivable (including related parties)</u>		
At amortized cost		
Gross carrying amount	\$ 4,204,016	\$ 4,271,490
Less: Allowance for impairment loss	<u>(32,854)</u>	<u>(25,097)</u>
	<u>\$ 4,171,162</u>	<u>\$ 4,246,393</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 the Group 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 actions are 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 a 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.

December 31, 2021

	Not Overdue	Overdue under 30 Days	Overdue 31-90 Days	Overdue 91-180 Days	Over 180 Days	Total
Expected credit loss rate	0.1-2%	2%	10%	20%	50%	
Gross carrying amount	\$ 4,180,759	\$ 23,257	\$ -	\$ -	\$ -	\$ 4,204,016
Loss allowance (lifetime ECL)	<u>(32,389)</u>	<u>(465)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(32,854)</u>
Amortized cost	<u>\$ 4,148,370</u>	<u>\$ 22,792</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,171,162</u>

December 31, 2020

	Not Overdue	Overdue under 30 Days	Overdue 31-90 Days	Overdue 91-180 Days	Over 180 Days	Total
Expected credit loss rate	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>

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

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ 25,097	\$ 22,566
Add: Acquired through business combinations	-	806
Add: Net remeasurement of loss allowance	8,206	2,066
Foreign currency exchange gains and losses	<u>(449)</u>	<u>(341)</u>
Balance at December 31	<u>\$ 32,854</u>	<u>\$ 25,097</u>

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

Refer to Note 31 to the consolidated financial statements for details of the factoring agreements for accounts receivable.

9. OTHER RECEIVABLES

	December 31	
	2021	2020
Royalty receivable	\$ 370,327	\$ 425,453
Time deposits (Note 6)	184,481	197,489
Technical service receivable	136,345	175,667
Business tax refund receivable	51,468	165,647
Receivables for acquisition price adjustment	-	520,890
Others	<u>187,927</u>	<u>224,905</u>
	<u>\$ 930,548</u>	<u>\$ 1,710,051</u>

10. INVENTORIES

	December 31	
	2021	2020
Raw materials and supplies	\$ 308,639	\$ 301,764
Work-in-process	4,582,132	4,008,947
Finished goods	1,953,941	1,934,294
Inventories in transit	<u>14,754</u>	<u>5,126</u>
	<u>\$ 6,859,466</u>	<u>\$ 6,250,131</u>

The operating cost for the years ended December 31, 2021 and 2020 was NT\$24,599,840 thousand and NT\$12,961,144 thousand, respectively. The inventory write-downs, obsolescence and abandonment of inventories for the years ended December 31, 2021 and 2020 were NT\$(7,302) thousand and NT\$(60,828) thousand, respectively.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in equity instruments at FVTOCI:

	December 31	
	2021	2020
Listed shares and emerging market shares		
Nyquest Technology Co., Ltd.	\$ 255,750	\$ 80,685
Brightek Optoelectronic Co., Ltd.	1,933	894
Tower Semiconductor Ltd.	-	232,110
Unlisted shares		
United Industrial Gases Co., Ltd.	598,400	396,000
Yu-Ji Venture Capital Co., Ltd.	10,840	14,479
Autotalks Ltd. - Preferred E. Share	553,600	569,600
Tower Partners Semiconductor Co., Ltd. (“TPSCo.”)	1,255,651	512,812
Symetrix Corporation - Preferred A. Share	-	-
	<u>\$ 2,676,174</u>	<u>\$ 1,806,580</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 decided to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments’ fair value in profit or loss would not be consistent with the Group’s strategy of holding these investments for long-term purposes.

In January 2021 and for the year ended December 31, 2020, the Group sold 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 and NT\$401,356, respectively. Their related unrealized valuation gain of NT\$138,095 thousand and NT\$82,399 were transferred from other equity to retained earnings, respectively. Refer to Note 22 to the consolidated financial statements for related information.

Dividends of NT\$67,845 thousand and NT\$67,746 thousand were recognized during 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

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Land	\$ 1,918,115	\$ 2,203,639
Buildings	1,942,495	2,374,032
Machinery and equipment	1,057,514	1,574,487
Other equipment	229,092	256,600
Construction in progress and prepayments for purchase of equipment	<u>101,297</u>	<u>138,349</u>
	<u>\$ 5,248,513</u>	<u>\$ 6,547,107</u>

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and Equipment</u>	<u>Other Equipment</u>	<u>Construction in Progress and Prepayments for Purchase of Equipment</u>	<u>Total</u>
<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	-	35,417	159,336	178,529	78,895	452,177
Business combinations - subsequent adjustment of fair value	-	-	437,628	-	-	437,628
Disposals	-	(13,697)	(1,569,426)	(214,383)	-	(1,797,506)
Disposals of subsidiaries (Reorganization)	-	(9,456)	-	(34,701)	-	(44,157)
Reclassified	-	3,095	116,918	10,830	(130,843)	-
Effects of foreign currency exchange differences	(285,524)	(2,557,784)	(6,628,423)	(448,357)	(19,575)	(9,939,663)
Balance at December 31, 2021	<u>1,918,115</u>	<u>20,895,264</u>	<u>55,766,204</u>	<u>3,323,174</u>	<u>101,297</u>	<u>82,004,054</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	-	(13,650)	(822,206)	(197,671)	-	(1,033,527)
Depreciation expense	-	195,267	354,700	169,364	-	719,331
Disposals of subsidiaries (Reorganization)	-	(7,029)	-	(30,981)	-	(38,010)
Reclassified	-	79	31,168	428	(31,675)	-
Effects of foreign currency exchange differences	-	(2,285,555)	(6,530,656)	(421,714)	(2,796)	(9,240,721)
Balance at December 31, 2021	<u>-</u>	<u>18,952,769</u>	<u>54,708,690</u>	<u>3,094,082</u>	<u>-</u>	<u>76,755,541</u>
Carrying amounts at December 31, 2021	<u>\$ 1,918,115</u>	<u>\$ 1,942,495</u>	<u>\$ 1,057,514</u>	<u>\$ 229,092</u>	<u>\$ 101,297</u>	<u>\$ 5,248,513</u>
<u>Cost</u>						
Balance at January 1, 2020	\$ -	\$ 3,662,145	\$ 11,557,247	\$ 405,918	\$ 1,416	\$ 15,626,726
Additions	-	48,810	141,324	75,791	136,484	402,409
Acquired through business combinations	2,223,578	19,911,591	52,834,858	3,543,897	110,089	78,624,013
Disposals	-	(9,672)	(903,884)	(160,157)	-	(1,073,713)
Reclassified	-	3,387	74,474	(3,968)	(73,893)	-
Effects of foreign currency exchange differences	(19,939)	(178,572)	(453,848)	(30,225)	(1,276)	(683,860)
Balance at December 31, 2020	<u>2,203,639</u>	<u>23,437,689</u>	<u>63,250,171</u>	<u>3,831,256</u>	<u>172,820</u>	<u>92,895,575</u>

(Continued)

	Land	Buildings	Machinery and Equipment	Other Equipment	Construction in Progress and Prepayments for Purchase of Equipment	Total
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2020	\$ -	\$ 3,472,390	\$ 11,092,214	\$ 301,801	\$ -	\$ 14,866,405
Disposals	-	(9,543)	(900,382)	(157,337)	-	(1,067,262)
Depreciation expense	-	91,828	214,766	75,107	-	381,701
Acquired through business combinations	-	17,667,303	51,732,718	3,384,282	36,176	72,820,479
Reclassified	-	-	1,388	-	(1,388)	-
Effects of foreign currency exchange differences	-	(158,321)	(465,020)	(29,197)	(317)	(652,855)
Balance at December 31, 2020	<u>-</u>	<u>21,063,657</u>	<u>61,675,684</u>	<u>3,574,656</u>	<u>34,471</u>	<u>86,348,468</u>
Carrying amounts at December 31, 2020	<u>\$ 2,203,639</u>	<u>\$ 2,374,032</u>	<u>\$ 1,574,487</u>	<u>\$ 256,600</u>	<u>\$ 138,349</u>	<u>\$ 6,547,107</u>

(Concluded)

Please refer to Note 33 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

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Carrying amounts</u>		
Land	\$ 173,211	\$ 198,547
Buildings	246,377	326,004
Machinery and equipment	754,180	940,671
Other equipment	<u>23,845</u>	<u>33,666</u>
	<u>\$ 1,197,613</u>	<u>\$ 1,498,888</u>
<u>For the Year Ended December 31</u>		
	<u>2021</u>	<u>2020</u>
Additions to right-of-use assets	<u>\$ 36,274</u>	<u>\$ 73,933</u>
Acquired through business combinations	<u>\$ -</u>	<u>\$ 997,787</u>
Depreciation for right-of-use assets		
Land	\$ 25,055	\$ 25,211
Buildings	102,506	91,830
Machinery and equipment	68,557	24,792
Other equipment	<u>18,869</u>	<u>20,203</u>
	<u>\$ 214,987</u>	<u>\$ 162,036</u>
Income from the subleasing of right-of-use assets (presented in other income)	<u>\$ (7,433)</u>	<u>\$ (7,010)</u>

b. Lease liabilities

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Carrying amounts</u>		
Current	\$ 247,308	\$ 300,067
Non-current	<u>\$ 1,118,284</u>	<u>\$ 1,474,041</u>

Range of discount rate for lease liabilities was as follows:

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Land	1.76%-2.06%	1.76%-2.06%
Buildings	0.33%-3.75%	0.33%-3.75%
Machinery and Equipment	0.26%-0.80%	0.33%-0.80%
Other equipment	0.44%-3.61%	0.26%-3.61%

For the years ended December 31, 2021 and 2020, the interest expense under lease liabilities amounted to \$16,769 thousand and \$14,007 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 2022 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 32 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 2022 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 analysis of lease payments receivable under operating subleases is as follows:

	December 31	
	2021	2020
Year 1	\$ 7,373	\$ 6,816
Year 2	2,080	5,041
Year 3	-	1,224
Year 4	-	-
Year 5	-	-
Year 6 onwards	<u>-</u>	<u>-</u>
	<u>\$ 9,453</u>	<u>\$ 13,081</u>

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

e. Other lease information

	For the Year Ended December 31	
	2021	2020
Expenses relating to short-term leases	<u>\$ 230,634</u>	<u>\$ 133,468</u>
Total cash outflow for leases	<u>\$ (533,568)</u>	<u>\$ (332,380)</u>

The Group leases certain buildings, machinery 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

	December 31	
	2021	2020
Investment properties, net	<u>\$ 2,005,598</u>	<u>\$ 2,466,667</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 December 31, 2021.

The remaining investment properties are located in Shenzhen, China. As of December 31, 2021 and 2020, the fair value of such investment properties was both approximately NT\$200,000 thousand, which used as reference the neighboring area transactions.

	December 31	
	2021	2020
<u>Cost</u>		
Balance at January 1	\$ 9,090,968	\$ 98,511
Acquired through business combinations	-	9,072,159
Disposals	(1,176)	-
Effects of foreign currency exchange differences	<u>(1,165,596)</u>	<u>(79,702)</u>
Balance at December 31	<u>7,924,196</u>	<u>9,090,968</u>
<u>Accumulated depreciation and impairment</u>		
Balance at January 1	6,624,301	54,304
Acquired through business combinations	-	6,568,568
Depreciation expense	155,190	59,248
Disposals	(1,176)	-
Effects of foreign currency exchange differences	<u>(859,717)</u>	<u>(57,819)</u>
Balance at December 31	<u>5,918,598</u>	<u>6,624,301</u>
Carrying amount at December 31	<u>\$ 2,005,598</u>	<u>\$ 2,466,667</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 analysis of lease payments receivable under operating leases of investment properties was as follows:

	December 31	
	2021	2020
Year 1	\$ 178,142	\$ 265,390
Year 2	155,123	203,485
Year 3	155,123	178,214
Year 4	155,123	159,218
Year 5	155,123	102,231
Year 6 on wards	<u>814,391</u>	<u>741,175</u>
	<u>\$ 1,613,025</u>	<u>\$ 1,649,713</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 33 to the consolidated financial statements for the amount of investment properties pledged as collateral for bank borrowings.

15. INTANGIBLE ASSETS

	December 31		
	2021	2020	
Deferred technical assets	\$ 600,612	\$ 537,497	
Other intangible assets	<u>382,717</u>	<u>265,194</u>	
	<u>\$ 983,329</u>	<u>\$ 802,691</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	259,590	210,226	469,816
Disposals	(5,591)	-	(5,591)
Disposals of subsidiaries (Reorganization)	-	(98,539)	(98,539)
Effects of foreign currency exchange differences	<u>(1,437)</u>	<u>(167,458)</u>	<u>(168,895)</u>
Balance at December 31, 2021	<u>1,892,805</u>	<u>1,305,198</u>	<u>3,198,003</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2021	1,102,746	1,095,775	2,198,521
Amortization expense	190,174	50,565	240,739
Disposals	(788)	-	(788)
Disposals of subsidiaries (Reorganization)	-	(83,811)	(83,811)
Effects of foreign currency exchange differences	<u>61</u>	<u>(140,048)</u>	<u>(139,987)</u>
Balance at December 31, 2021	<u>1,292,193</u>	<u>922,481</u>	<u>2,214,674</u>
Carrying amounts at December 31, 2021	<u>\$ 600,612</u>	<u>\$ 382,717</u>	<u>\$ 983,329</u>
<u>Cost</u>			
Balance at January 1, 2020	\$ 1,202,455	\$ 3,426	\$ 1,205,881
Additions	435,378	203,101	638,479
Acquired through business combinations	-	1,200,865	1,200,865
Disposals	-	(35,705)	(35,705)
Effects of foreign currency exchange differences	<u>2,410</u>	<u>(10,718)</u>	<u>(8,308)</u>
Balance at December 31, 2020	<u>1,640,243</u>	<u>1,360,969</u>	<u>3,001,212</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2020	941,618	3,033	944,651
Amortization expense	159,518	19,995	179,513
Acquired through business combinations	-	1,117,819	1,117,819
Disposals	-	(34,969)	(34,969)
Effects of foreign currency exchange differences	<u>1,610</u>	<u>(10,103)</u>	<u>(8,493)</u>
Balance at December 31, 2020	<u>1,102,746</u>	<u>1,095,775</u>	<u>2,198,521</u>
Carrying amounts at December 31, 2020	<u>\$ 537,497</u>	<u>\$ 265,194</u>	<u>\$ 802,691</u>

16. BONDS PAYABLE

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Unsecured domestic convertible bonds	\$ _____ -	\$ <u>1,207,820</u>

In May 2020, the Company issued 20 thousand units, \$100,000 per unit, maturity after 7 years, 0% NTD-denominated unsecured convertible bonds, with an aggregate principal amount of NT\$2,000,000 thousand. The terms of issuance, amounts and interest rate as follows:

- a. The conversion price was set at NT\$39.9 per share at the time of issuance. When meeting certain criteria, adjustments on the conversion price are made in accordance with the terms and conditions. Since the Company distributed cash dividends in August 2021, the conversion price should be adjusted according to issuance and conversion measures, the conversion price was adjusted to NT\$38 since August 22, 2021. All convertible bonds were converted into ordinary shares as of December 31, 2021.
- 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 NT\$9,095 thousand on December 31, 2020.
- 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	(2,024,656)
Interest charged at an effective interest rate of 1.22%	<u>21,028</u>
Liability component at December 31, 2021	\$ _____ -

17. BORROWINGS

a. Short-term borrowings

	December 31			
	2021		2020	
	Interest Rate	Amount	Interest Rate	Amount
<u>Secured borrowings</u>				
Bank of Taiwan (Note 33)	-	\$ -	4.35%	\$ 1,544,910
Chinatrust Commercial Bank Co., Ltd. (Note 32)	-	<u>-</u>	1.29%	<u>276,300</u>
		<u>\$ -</u>		<u>\$ 1,821,210</u>

The short-term borrowings of Chinatrust Commercial Bank Co., Ltd are secured and guaranteed by the parent company (refer to Note 32 to the consolidated financial statements).

b. Long-term borrowings

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

The proceeds of the Group's unsecured loan was use to invest in Autotalks Ltd. and acquire 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 and Winbond Company 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. As of December 31, 2021, the syndicated loan is undrawn.

Please refer to Note 33 to the consolidated financial statements for the collateral of the syndicated loan.

18. OTHER PAYABLES

	December 31	
	2021	2020
Payable for salaries or employee benefits	\$ 1,510,233	\$ 1,035,436
Payable for royalties	538,268	421,639
Payable for maintenance	313,857	199,508
Payable for investment	285,923	242,960
Payable for utilities	207,440	172,638
Payable for professional service	96,124	1,976
Payable for purchase of equipment	68,578	131,281
Payable for software	61,983	320,223
Payable for service	36,952	169,828
Others	<u>1,676,412</u>	<u>1,312,785</u>
	<u>\$ 4,795,770</u>	<u>\$ 4,008,274</u>

19. PROVISIONS

	December 31	
	2021	2020
<u>Current</u>		
Decommissioning costs	\$ 532,948	\$ 612,281
Employee benefits	<u>-</u>	<u>316,438</u>
	<u>\$ 532,948</u>	<u>\$ 928,719</u>
<u>Non-current</u>		
Employee benefits	\$ 1,537,035	\$ 1,765,833
Decommissioning costs	653,679	750,983
Warranties	<u>538,639</u>	<u>603,652</u>
	<u>\$ 2,729,353</u>	<u>\$ 3,120,468</u>

	Decommiss- ioning Costs	Employee Benefits	Warranties	Total
Balance at January 1, 2021	\$ 1,363,264	\$ 2,082,271	\$ 603,652	\$ 4,049,187
Decreased	-	(316,438)	-	(316,438)
Effects of foreign currency exchange differences	<u>(176,637)</u>	<u>(228,798)</u>	<u>(65,013)</u>	<u>(470,448)</u>
Balance at December 31, 2021	<u>\$ 1,186,627</u>	<u>\$ 1,537,035</u>	<u>\$ 538,639</u>	<u>\$ 3,262,301</u>

The Company 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 benefits provision.

20. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

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

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

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average of monthly salaries of the 6 months before retirement. In 2021 and 2020, the Company contributed amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee of the Company. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

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

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31	
	2021	2020
Present value of defined benefit obligation	\$ 2,851,529	\$ 2,968,227
Fair value of plan assets	<u>(1,209,668)</u>	<u>(1,188,219)</u>
Net defined benefit liabilities, non-current	<u>\$ 1,641,861</u>	<u>\$ 1,780,008</u>

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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2020	<u>\$ 1,444,939</u>	<u>\$ (1,157,374)</u>	<u>\$ 287,565</u>
Service cost			
Current service cost	37,017	-	37,017
Net interest expense (income)	<u>19,566</u>	<u>(12,718)</u>	<u>6,848</u>
Recognized in profit or loss	<u>56,583</u>	<u>(12,718)</u>	<u>43,865</u>
Remeasurement			
Actuarial (gain) loss - the discount rate greater (less) than the realized rate of return	-	(22,052)	(22,052)
Actuarial (gain) loss - changes in financial assumptions	25,236	(2,995)	22,241
Actuarial (gain) loss - experience adjustments	<u>14,601</u>	<u>14,292</u>	<u>28,893</u>
Recognized in other comprehensive income	<u>39,837</u>	<u>(10,755)</u>	<u>29,082</u>
Contributions from the employer	-	(41,461)	(41,461)
Benefits paid	(45,792)	45,792	-
Acquired through business combinations	1,473,458	-	1,473,458
Effect of foreign currency exchange differences	<u>(798)</u>	<u>(11,703)</u>	<u>(12,501)</u>
Balance at December 31, 2020	<u>2,968,227</u>	<u>(1,188,219)</u>	<u>1,780,008</u>
Service cost			
Current service cost	42,231	-	42,231
Net interest expense (income)	<u>16,971</u>	<u>(10,973)</u>	<u>5,998</u>
Recognized in profit or loss	<u>59,202</u>	<u>(10,973)</u>	<u>48,229</u>
Remeasurement			
Actuarial (gain) loss - the discount rate greater (less) than the realized rate of return	-	(9,903)	(9,903)
Actuarial (gain) loss - changes in demographic assumptions	16,877	-	16,877
Actuarial (gain) loss - changes in financial assumptions	44,987	(9,249)	35,738
Actuarial (gain) loss - experience adjustments	<u>26,105</u>	<u>(20,422)</u>	<u>5,683</u>
Recognized in other comprehensive income	<u>87,969</u>	<u>(39,574)</u>	<u>48,395</u>
Contributions from the employer	-	(44,875)	(44,875)
Benefits paid	(76,307)	75,397	(910)
Effect of foreign currency exchange differences	<u>(187,562)</u>	<u>(1,424)</u>	<u>(188,986)</u>
Balance at December 31, 2021	<u>\$ 2,851,529</u>	<u>\$ (1,209,668)</u>	<u>\$ 1,641,861</u>

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans were as follows:

	For the Year Ended December 31	
	2021	2020
Analysis by function		
Operating cost	\$ 4,621	\$ 5,113
Selling expenses	101	98
General and administrative expenses	3,266	13,801
Research and development expenses	<u>40,241</u>	<u>24,853</u>
	<u>\$ 48,229</u>	<u>\$ 43,865</u>

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

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

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

	December 31	
	2021	2020
Discount rate(s)	0.7%-1.48%	0.30%-2.50%
Expected rate(s) of salary increase	1.5%-2.5%	1%-2%

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

	December 31	
	2021	2020
Discount rate(s)		
0.25% increase	<u>\$ (34,009)</u>	<u>\$ (33,068)</u>
0.25% decrease	<u>\$ 38,370</u>	<u>\$ 37,302</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 35,010</u>	<u>\$ 34,821</u>
0.25% decrease	<u>\$ (29,137)</u>	<u>\$ (29,927)</u>

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

	<u>December 31</u>	
	2021	2020
Expected contributions to the plans for the next year	<u>\$ 80,551</u>	<u>\$ 60,369</u>
The average duration of the defined benefit obligation	8.2-12.15 years	8.6-12.21 years

21. GUARANTEE DEPOSITS

	<u>December 31</u>	
	2021	2020
Capacity guarantee	\$ 1,879,725	\$ -
Others	<u>82,517</u>	<u>69,573</u>
	<u>\$ 1,962,242</u>	<u>\$ 69,573</u>

When the contract expires, the capacity guarantee deposits will be refunded to customers by offsetting related accounts receivable or returned, since the aforementioned contract's period all exceeds one year, guarantee deposits are accounted as non-current liabilities.

22. EQUITY

a. Share capital

Ordinary shares

	<u>December 31</u>	
	2021	2020
Shares authorized (in thousands of shares)	<u>500,000</u>	<u>500,000</u>
Shares authorized	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>
Shares issued and fully paid (in thousands of shares)	<u>417,210</u>	<u>375,962</u>
Shares issued and fully paid	<u>\$ 4,172,101</u>	<u>\$ 3,759,616</u>
Par value (in New Taiwan dollars)	<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 NT\$8,832 thousand was deducted from capital surplus - additional paid-in capital.

As of December 31, 2021 and 2020, the Company has issued 31,372 thousand and 20,839 thousand shares of ordinary shares due to the conversion of unsecured convertible bonds, the registration of 2,555 thousand and 12,432 thousand ordinary shares issuance has not been completed as of December 31, 2021 and 2020.

As of December 31, 2021 and 2020, the balance of the Company's capital account amounted to NT\$4,172,101 thousand and NT\$3,759,616 thousand, divided into 417,210 thousand ordinary shares and 375,962 thousand ordinary shares with a par value of NT\$10.

b. Capital surplus

	<u>December 31</u>	
	2021	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
Conversion of bonds	1,481,180	596,347
<u>May only be used to offset a deficit</u>		
Cash capital increase reserved for employee share options	112,160	112,160
Overdue dividends unclaimed	62	52
Share of changes in capital surplus of associates or joint ventures (disposals of subsidiaries)	190,237	-
<u>May not be used for any purpose</u>		
Employee share options	<u>13</u>	<u>13</u>
	<u>\$ 6,871,811</u>	<u>\$ 5,796,731</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 25 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 dividends per share for 2020 and 2019 had been resolved by the Company's Board of Directors on March 16, 2021 and March 12, 2020, respectively. The number of ordinary shares outstanding and dividends per share for 2020 were affected by convertible bonds converted to ordinary shares. The appropriation 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>	\$0.76	\$1.20
	<u>\$ 370,343</u>	<u>\$ 400,248</u>		

Except for the cash dividends distributed by the Company's board meeting on March 16, 2021, the rest of the 2020 appropriation of earnings were proposed by the Company's board meeting and resolved by the shareholders regular meeting on August 20, 2021.

The 2019 appropriation of earnings was proposed by the Company's board meeting on March 12, 2020 and resolved by the shareholders regular meeting on May 29, 2020.

The Company's board meeting on February 10, 2022, the appropriation of earnings for 2021 was not initiated.

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 years ended December 31, 2021 and 2020, other comprehensive loss was NT\$916,589 thousand and NT\$109,368 thousand, respectively.

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

	For the Year End December 31	
	2021	2020
Balance at January 1	\$ 269,065	\$ 169,544
Recognized for the period	980,490	181,920
Cumulative unrealized gains (losses) of equity instruments transferred to retained earnings due to disposal	<u>(138,095)</u>	<u>(82,399)</u>
Balance at December 31	<u>\$ 1,111,460</u>	<u>\$ 269,065</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.

23. REVENUE

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

24. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

Major components of income tax expense were as follows:

	<u>For the Year Ended December 31</u>	
	2021	2020
Current tax		
In respect of the current year	\$ 585,262	\$ 250,386
Adjustment for prior years' tax	(440)	(9,778)
Deferred tax		
In respect of the current year	<u>19,922</u>	<u>(29,968)</u>
Income tax expense recognized in profit or loss	<u>\$ 604,744</u>	<u>\$ 210,640</u>

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

	<u>For the Year Ended December 31</u>	
	2021	2020
Income tax expense from continuing operations at the statutory rate	\$ 1,016,166	\$ 221,449
Tax effect of adjustment item		
Permanent differences	(90,911)	99,998
Tax-exempt income	(12,000)	(13,000)
Others	<u>(180,071)</u>	<u>(30,029)</u>
Current income tax	733,184	278,418
Unused investment credits	(128,000)	(58,000)
Adjustment for prior year's income tax	<u>(440)</u>	<u>(9,778)</u>
Income tax expense recognized in profit or loss	<u>\$ 604,744</u>	<u>\$ 210,640</u>

As the shareholders have not yet resolved the appropriation of earnings for 2021, the potential income tax consequences of the 2021 unappropriated earnings are not reliably determinable.

c. Current tax assets and liabilities

	<u>December 31</u>	
	2021	2020
Tax refund receivables	<u>\$ 51,491</u>	<u>\$ 5,561</u>
Income tax payables	<u>\$ 402,369</u>	<u>\$ 221,412</u>

d. Deferred tax assets

	<u>December 31</u>	
	2021	2020
Deferred tax assets		
Allowance for inventory valuation and obsolescence loss and others	<u>\$ 89,019</u>	<u>\$ 188,397</u>

e. Deferred tax liabilities

	December 31	
	2021	2020
Deferred tax liabilities		
Unrealized valuation gains or losses	<u>\$ 36,583</u>	<u>\$ 52,132</u>

f. Income tax assessments

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

g. Information about investment credits

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

25. EMPLOYEE BENEFITS EXPENSE, DEPRECIATION AND AMORTIZATION

	For the Year Ended December 31				For the Year Ended December 31			
	2021		2020		2021		2020	
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	Total	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	Total
Employee benefits expense								
Short-term employment benefits	\$ 1,142,560	\$ 6,272,281	\$ -	\$ 7,414,841	\$ 874,299	\$ 3,729,598	\$ -	\$ 4,603,897
Post-employment benefits	31,910	411,963	-	443,873	34,221	181,238	-	215,459
Compensation cost of employee share options	-	-	-	-	16,945	45,295	-	62,240
Depreciation	543,284	391,034	155,190	1,089,508	287,171	256,566	59,248	602,985
Amortization	23,131	217,608	-	240,739	34,330	145,183	-	179,513

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

The employees' compensation and remuneration of directors for the years ended December 31, 2021 and 2020, which were approved by the Company's board of directors on February 10, 2022 and February 18, 2021, respectively, were as follows:

	For the Year Ended December 31			
	2021		2020	
	Amount	%	Amount	%
Employees' cash compensation	\$ 212,242	6	\$ 42,422	6
Remuneration of directors	35,374	1	7,070	1

If there is a change in the amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate. There is no difference between the actual amounts of employees' compensation and remuneration to directors paid and the amounts recognized in the financial statements for the year ended December 31, 2020 and 2019.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2022 and 2021 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

26. 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 were 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

27. EARNINGS PER SHARE

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

	For the Year Ended December 31					
	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	\$ 2,940,752	404,370	<u>\$ 7.27</u>	\$ 532,785	295,056	<u>\$ 1.81</u>
Effect of potentially dilutive ordinary shares						
Employees' compensation	-	1,629		-	993	
Convertible bonds	<u>5,856</u>	<u>15,395</u>		<u>10,966</u>	<u>19,344</u>	
Diluted earnings per share						
Net profit attributed to owners of the Company	<u>\$ 2,946,608</u>	<u>421,394</u>	<u>\$ 6.99</u>	<u>\$ 543,751</u>	<u>315,393</u>	<u>\$ 1.72</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.

28. 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 FVTOCI	960,800
Property, plant and equipment	6,241,162
Investment property	2,503,591
Right-of-use assets	997,787
Intangible assets	83,046

(Continued)

	Panasonic Semiconductor Business
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> (Concluded)

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, NT\$(58,357) thousand was recognized in non-operating income and expenses to decrease gain on the bargain purchase in 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 (Continued)

**Panasonic
Semiconductor
Business**

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>
	(Concluded)

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:

**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.

29. DISPOSAL OF SUBSIDIARIES

The Group sold 100% shares of METC to the parent company (Winbond Electronics Corporation) at the consideration JPY1,462,000 thousand (NT\$357,897 thousand) on November 1, 2021. Since this equity transaction is deemed as a reorganization, the difference between consideration received and the carrying amount of the net assets of METC during actual disposal was adjusted to the capital surplus.

a. Consideration received from disposals

METC

Cash and cash equivalents	<u>\$ 357,897</u>
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b. Analysis of assets and liabilities on the date control was lost

METC

Current assets	
Cash and cash equivalents	\$ 298,304
Accounts receivable and other receivables	101,201
Inventories	39,835
Prepayments	6,147
	(Continued)

	METC
Non-current assets	
Property, plant and equipment	\$ 6,146
Intangible assets	14,728
Deferred tax assets	<u>65,349</u>
Total assets	<u>\$ 531,710</u>
Current liabilities	
Accounts payable and other payables	\$ 291,280
Current tax liabilities	17,717
Other current liabilities	<u>55,053</u>
Total liabilities	<u>\$ 364,050</u>
Net assets disposed of	<u>\$ 167,660</u>

(Concluded)

c. Net cash inflow on disposals of subsidiaries

	METC
Consideration received in cash and cash equivalents	\$ 357,897
Less: Cash and cash equivalent balances disposed of	<u>(298,304)</u>
	<u>\$ 59,593</u>

30. 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.

31. FINANCIAL INSTRUMENT

a. Categories of financial instruments

	December 31			
	2021		2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial assets</u>				
Financial assets at amortized cost (Note 1)	\$ 14,934,928	\$ 14,934,928	\$ 12,489,674	\$ 12,489,674
Financial assets at FVTPL				
Derivative financial assets	70,831	70,831	13,223	13,223
Financial assets at FVTOCI				
Investment in equity instruments	2,676,174	2,676,174	1,806,580	1,806,580

(Continued)

	December 31			
	2021		2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial liabilities</u>				
Financial liabilities at amortized cost (Note 2)	\$ 11,152,320	\$ 11,152,320	\$ 12,257,989	\$ 12,534,077
Financial liabilities at FVTPL				
Derivative financial liabilities	-	-	3,191	3,191 (Concluded)

Note 1: Including cash and cash equivalents, 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) The 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 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 the 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 \$7,797 thousand and \$8,023 thousand for the years ended December 31, 2021 and 2020, respectively.

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

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

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

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Derivative financial assets	<u>\$ -</u>	<u>\$ 1,631</u>	<u>\$ 69,200</u>	<u>\$ 70,831</u>
<u>Financial assets at FVTOCI</u>				
Domestic and overseas listed shares and emerging market shares	<u>\$ 257,683</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 257,683</u>
Domestic and overseas unlisted shares	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,418,491</u>	<u>\$ 2,418,491</u>

	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>

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 years ended December 31, 2021 and 2020 were as follows:

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ 1,492,891	\$ 1,056,205
Additions	69,763	-
Acquired through business combinations	-	456,117
Proceeds from capital reduction of investments	(4,500)	(2,250)
Recognized in other comprehensive income	930,100	(17,181)
Recognized in profit or loss	<u>(563)</u>	<u>-</u>
Balance at December 31	<u>\$ 2,487,691</u>	<u>\$ 1,492,891</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 year are set out in Note 36 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\$9,044 thousand decrease and NT\$3,140 thousand decrease for the years ended December 31, 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:

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

The sensitivity analysis of cash flows based on the Group's exposure to interest rates for fair value of variable-rate non-derivative instruments at the end of the reporting period. If interest rates increased by 1%, the Group's cash outflows for the years ended December 31, 2021 and 2020 would have increased by NT\$14,916 thousand and NT\$33,135 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, to mitigate the risk of financial loss from defaults, the Group has established risk procedures and is continuously assessing the credit risk of each counterparty, sufficient collateral will be obtained when necessary. 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:

	December 31, 2021			
	Within 1 Year	1-2 Years	Over 2 Years	Total
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 7,690,077	\$ -	\$ -	\$ 7,690,077
Lease liabilities	245,924	200,132	912,715	1,358,771
Variable interest rate liabilities	<u>-</u>	<u>-</u>	<u>1,500,000</u>	<u>1,500,000</u>
	<u>\$ 7,936,001</u>	<u>\$ 200,132</u>	<u>\$ 2,412,715</u>	<u>\$ 10,548,848</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>\$ 446,056</u>	<u>\$ 365,682</u>	<u>\$ 547,033</u>	<u>\$ 1,358,771</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>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>

d. Transfers of financial assets

Factored accounts receivable that are not yet overdue at December 31, 2021, and 2020 was as follows:

December 31, 2021

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

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.

32. RELATED PARTY TRANSACTIONS

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

<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
Miraxia Edge Technology Corporation (“METC”)	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 Cherg 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”)	Related party in substance

b. Operating activities

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
1) Operating revenue		
Related party in substance		
Waltech	\$ 3,472,193	\$ -
Others	568,035	300,887
Associate	<u>81,846</u>	<u>88,422</u>
	<u>\$ 4,122,074</u>	<u>\$ 389,309</u>
2) Purchases of goods		
Related party in substance		
TPSCo.	\$ 6,319,062	\$ 2,101,947
Others	111,089	-
Parent company	<u>372,726</u>	<u>209,957</u>
	<u>\$ 6,802,877</u>	<u>\$ 2,311,904</u>
3) Manufacturing expenses		
Related party in substance		
TPSCo.	\$ 2,037,130	\$ 720,784
Waltech	362,342	-
Others	12,194	833
Parent company	<u>671</u>	<u>369</u>
	<u>\$ 2,412,337</u>	<u>\$ 721,986</u>

	For the Year Ended December 31	
	2021	2020
4) Operating expenses		
Related party in substance	\$ 407,498	\$ 200,794
Parent company	39,065	21,037
Associate	<u>96,922</u>	<u>8,108</u>
	<u>\$ 543,485</u>	<u>\$ 229,939</u>
5) Dividend income		
Related party in substance		
United Industrial Gases Co., Ltd.	\$ 62,000	\$ 64,394
Nyquest Technology Co., Ltd.	<u>5,775</u>	<u>3,300</u>
	<u>\$ 67,775</u>	<u>\$ 67,694</u>
6) Other income (expenses)		
Related party in substance		
Nyquest Technology Co., Ltd.	\$ 339	\$ 218
Waltech	(213)	-
Parent company	<u>-</u>	<u>2</u>
	<u>\$ 126</u>	<u>\$ 220</u>
	December 31	
	2021	2020
7) Accounts receivable from related parties		
Related party in substance		
Waltech	\$ 564,244	\$ -
Others	75,019	77,760
Associate	<u>17,475</u>	<u>12,817</u>
	<u>\$ 656,738</u>	<u>\$ 90,577</u>
8) Other receivables		
Related party in substance		
TPSCo.	\$ 262,957	\$ 278,957
Others	4,241	-
Associate	<u>14,359</u>	<u>214</u>
	<u>\$ 281,557</u>	<u>\$ 279,171</u>

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

	December 31	
	2021	2020
9) Refundable deposits		
Parent company	\$ 1,780	\$ 1,780
Related party in substance	<u>1,722</u>	<u>1,722</u>
	<u>\$ 3,502</u>	<u>\$ 3,502</u>
10) Accounts payable to related parties		
Related party in substance		
TPSCo.	\$ 396,973	\$ 788,043
Others	33,640	-
Parent company	<u>36,060</u>	<u>39,500</u>
	<u>\$ 466,673</u>	<u>\$ 827,543</u>
11) Other payables		
Related party in substance		
TPSCo.	\$ 61,302	\$ 77,373
Waltech	124,227	-
Associate		
METC	53,075	-
Parent company	<u>20,466</u>	<u>9,738</u>
	<u>\$ 259,070</u>	<u>\$ 87,111</u>
12) Guarantee deposits		
Parent company	\$ 545	\$ 545
Related party in substance		
Nyquest Technology Co., Ltd.	<u>225,869</u>	<u>-</u>
	<u>\$ 226,414</u>	<u>\$ 545</u>

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) Acquisition of property, plant and equipment

	Acquisition Price	
	For the Year Ended December 31	
	2021	2020
Related party in substance	<u>\$ -</u>	<u>\$ 8,352</u>

14) Disposal of property, plant and equipment

	<u>Proceeds</u>		<u>Gain (Loss) on Disposal</u>	
	<u>For the Year Ended December</u>		<u>For the Year Ended December</u>	
	<u>31</u>		<u>31</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Related party in substance				
Waltech	\$ 886,862	\$ -	\$ 144,679	\$ -
TPSCo.	<u>150</u>	<u>-</u>	<u>117</u>	<u>-</u>
	<u>\$ 887,012</u>	<u>\$ -</u>	<u>\$ 144,796</u>	<u>\$ -</u>

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

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
1) Lease liabilities		
Parent company	\$ 36,172	\$ 47,969
Related party in substance	11,316	22,451
Associate	<u>-</u>	<u>7,566</u>
	<u>\$ 47,488</u>	<u>\$ 77,986</u>
	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
2) Finance costs		
Parent company	\$ 441	\$ 569
Related party in substance	264	438
Associate	<u>122</u>	<u>404</u>
	<u>\$ 827</u>	<u>\$ 1,411</u>

d. Lease arrangements - Group is lessor/sublease arrangements

Sublease arrangements under operating leases

For the years ended December 31, 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 were as follows:

Related Party Category	December 31	
	2021	2020
Related party in substance TPSCo.	\$ 20,459	\$ 23,504
Parent company	67	-
Associate	<u>237</u>	<u>245</u>
	<u>\$ 20,763</u>	<u>\$ 23,749</u>

2) Future lease payment receivables was as follows:

Related Party Category	December 31	
	2021	2020
Related party in substance TPSCo.	\$ 1,607,021	\$ 1,635,005
Parent company	4,369	11,133
Associate	<u>1,296</u>	<u>1,948</u>
	<u>\$ 1,612,686</u>	<u>\$ 1,648,086</u>

3) Lease income were as follows:

Related Party Category	For the Year Ended December 31	
	2021	2020
Related party in substance TPSCo.	\$ 237,011	\$ 85,353
Parent company	4,198	3,838
Associate	<u>3,133</u>	<u>1,524</u>
	<u>\$ 244,342</u>	<u>\$ 90,715</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	For the Year Ended December 31	
	2021	2020
Parent company		
Amount endorsed	<u>\$ 11,080,076</u>	<u>\$ 4,440,417</u>
Amount utilized (reported as secured bank loans)	<u>\$ -</u>	<u>\$ 276,300</u>

f. Compensation of key management personnel

	<u>For the Year Ended December 31</u>	
	2021	2020
Short-term employee benefits	\$ 198,754	\$ 108,469
Post-employment benefits	3,479	2,976
Compensation costs of employee share options	<u>-</u>	<u>2,956</u>
	<u>\$ 202,233</u>	<u>\$ 114,401</u>

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

g. Other related party transactions

On November 1, 2021, the Group sold 100% shares of METC to the parent company at the price JPY1,462,000 thousand (NT\$357,897 thousand). Since the equity transfer is a reorganization under the jointly controlled entities, the difference between consideration received and the carrying amount of the net assets of METC during actual disposal was adjusted to increase the capital surplus by NT\$190,237 thousand.

33. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	<u>For the Year Ended December 31</u>	
	2021	2020
Land	\$ 1,409,239	\$ -
Buildings	702,062	-
Investment properties	425,606	-
Time deposits (accounted as refundable deposits)	<u>107,168</u>	<u>636,102</u>
	<u>\$ 2,644,075</u>	<u>\$ 636,102</u>

34. 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. The court has filed an order of dismissal, the case was closed.

N Company filed a complaint in the U.S. District Court for the District of Delaware on November 24, 2021. The plaintiff alleged that NTCA (not including NTC) infringes one of its patents. The Company has evaluated that there is no significant impact on its business and finances, and will conduct related litigation matters in accordance with the procedures established by the court.

35. 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.

36. 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:

	December 31					
	2021			2020		
	Foreign Currencies (Thousand)	Exchange Rate (Note)	New Taiwan Dollars (Thousand)	Foreign Currencies (Thousand)	Exchange Rate (Note)	New Taiwan Dollars (Thousand)
<u>Financial assets</u>						
Monetary items						
USD	\$ 99,078	27.68	\$ 2,742,470	\$ 57,028	28.48	\$ 1,624,156
ILS	9,584	8.8912	85,210	20,800	8.8712	184,522
RMB	4,100	4.344	17,810	8,724	4.377	38,186
JPY	435,969	0.2405	104,851	48,824	0.276	13,490
<u>Financial liabilities</u>						
Monetary items						
USD	121,847	27.68	3,372,723	46,275	28.48	1,317,309
ILS	20,700	8.8912	184,048	18,706	8.8712	165,943
RMB	4,212	4.344	18,296	7,098	4.377	31,067
JPY	1,140,035	0.2405	274,179	68,971	0.276	19,057

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

For the years ended December 31, 2021 and 2020, realized and unrealized net foreign exchange losses were NT\$24,204 thousand and NT\$6,417 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the entities in the Group.

37. SEGMENT INFORMATION

a. Basic information about operating segment

1) Classification of operating segments

The Group's reportable segments under IFRS 8 "Operating Segments" 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 Year Ended December		For the Year Ended December	
	31	31	31	31
	2021	2020	2021	2020
General IC products	\$ 35,610,810	\$ 17,955,892	\$ 4,953,725	\$ 1,018,873
Foundry service	<u>2,515,484</u>	<u>2,047,394</u>	<u>1,140,994</u>	<u>696,660</u>
Total of segment revenue	38,126,294	20,003,286	6,094,719	1,715,533
Other revenue	<u>3,329,663</u>	<u>664,770</u>	<u>1,552,407</u>	<u>656,845</u>
Operating revenue	<u>\$ 41,455,957</u>	<u>\$ 20,668,056</u>	7,647,126	2,372,378
Unallocated expenditure				
Administrative and supporting expense			(2,884,137)	(1,358,393)
Sales and other common expenses			<u>(1,435,846)</u>	<u>(691,703)</u>
Total operating profit			3,327,143	322,282
Finance costs			(68,915)	(70,228)
Interest income			30,007	22,330
Dividend income			67,845	67,746
Gain on the bargain purchase			-	218,968
Other gains and losses			67,420	114,345
Gains (losses) on disposal of property, plant and equipment			134,893	40,433
Losses on disposals of intangible assets			(4,803)	-
Foreign exchange gains (losses)			(24,204)	(6,417)
Gains (losses) on financial instruments at fair value through profit or loss			<u>16,110</u>	<u>33,966</u>
Profit before income tax			<u>\$ 3,545,496</u>	<u>\$ 743,425</u>

c. Geographical information

The Group operates in three principal geographical area - Asia, the United States and Europe.

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

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2021	2020	2021	2020
Asia	\$ 40,841,489	\$ 20,259,853	\$ 9,415,636	\$ 11,255,049
United States	388,106	199,776	23,722	60,632
Europe	225,502	203,569	-	-
Others	860	4,858	-	-
	<u>\$ 41,455,957</u>	<u>\$ 20,668,056</u>	<u>\$ 9,439,358</u>	<u>\$ 11,315,681</u>

d. Information about major customer

Single customers contributing 10% or more to the Group's operating revenue for the years ended December 31, 2021 and 2020 were as follows:

	For the Year Ended December 31			
	2021		2020	
	Amount	%	Amount	%
Customer S	\$ 13,524,520	33	\$ 4,793,626	23
Customer V	<u>5,045,639</u>	<u>12</u>	<u>3,853,466</u>	<u>19</u>
	<u>\$ 18,570,159</u>	<u>45</u>	<u>\$ 8,647,092</u>	<u>42</u>

38. ADDITIONAL DISCLOSURE

Transactions between Nuvoton Technology Corporation and subsidiaries are all eliminated when preparing the consolidated financial statements.

a. Following are the additional disclosures for material transactions and investments:

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

b. Information on investment in mainland China

1)	The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits (losses) of investee, ending balance, amount received as dividends from the investee, and the limitation on investee.	Table 7
2)	<p>Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports.</p> <p>a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.</p> <p>b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.</p> <p>c) The amount of property transactions and the amount of the resultant gains or losses.</p> <p>d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.</p> <p>e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds.</p> <p>f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services.</p>	Table 7

c. Information of major shareholders: Refer to Table 9 attached.

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

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

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Period (Note 2)	Outstanding Endorsement/ Guarantee at the End of the Period (Note 2)	Actual Borrowing Amount (In Thousands of Foreign Currencies)	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
1	The Company	NTCJ	Subsidiary	\$ 15,554,690	\$ 2,411,350 (JPY 8,300,000) and (US\$ 15,000)	\$ 1,413,275 (JPY 4,150,000) and (US\$ 15,000)	\$ 159,306 (JPY 662,000) and (US\$ 3)	\$ -	9.09	\$ 15,554,690	Y	N	N
		NTSH	Subsidiary	15,554,690	2,302,320 (RMB 530,000)	-	-	-	-	15,554,690	Y	N	Y

Note 1: The Company's maximum amount endorsed are limited to 20% of the net equity in latest financial statements of the Company or the net value of the endorsee company, whichever is lower. The Company's limitation of maximum endorse amount as described are not limited to subsidiaries that directly or indirectly hold more than 50% of voting shares.

Note 2: The ending balance is approved by the boards of directors of the Company.

Note 3: The Company's maximum amount endorsed are based on the net equity in the latest financial statements of the Company.

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	<u>Shares</u> Yu-Ji Venture Capital Co., Ltd.	The held company as the investee's director	Non-current financial assets at fair value through other comprehensive income	675,000	\$ 10,840	5	\$ 10,840	
	Brightek Optoelectronic Co., Ltd.	None	"	34,680	1,933	-	1,933	
	United Industrial Gases Co., Ltd.	The held company as the investee's director	"	8,800,000	598,400	4	598,400	
	Autotalks Ltd. - Preferred E. Share	None	"	3,932,816	553,600	9	553,600	
	<u>Warrants</u> Autotalks Ltd.	None	Non-current financial assets at fair value through profit or loss	-	69,200	-	69,200	
SYI	<u>Shares</u> Nyquest Technology Co., Ltd.	The held company as the investee's director	Non-current financial assets at fair value through other comprehensive income	1,650,000	255,750	5	255,750	
NTCJ	<u>Shares</u> Symetrix Corporation	None	"	50,268	-	1	-	
	Tower Partners Semiconductor Co., Ltd. ("TPSCo.")	Related party in substance	"	14,700	1,255,651	49	1,255,651	Note

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

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

**MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021**

(In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance		
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount
NTCJ	METC	Investments accounted for using equity method	WEC	The Company's parent	4,000	\$ 313,282	-	\$ 109,206 Investment income or loss (216,893) Cash dividends paid (37,935) Cumulative translation adjustments	4,000	\$ 357,897 (JPY1,462,000)	\$ 167,660	\$ - Disposal income or loss 190,237 Capital surplus adjustments (Note)	-	\$ -

Note: NTCJ sold 100% shares of METC to the parent company (Winbond Electronics Corporation) at the consideration JPY1,462,000,000 on November 1, 2021. Since this equity transaction is deemed as a reorganization, the difference NT\$(190,237) thousand between consideration received and the carrying amount of the net assets of METC during actual disposal was adjusted to the capital surplus.

TABLE 4

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2021

(Transactions between Nuvoton Technology Corporation and subsidiaries are all eliminated when preparing the consolidated financial statements. The following disclosure information is only for reference.)
(In Thousands of New Taiwan Dollars and Foreign Currencies)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Company	NTHK	Subsidiary	Sales	\$ 5,223,300	40	Net 90 days from invoice date	N/A	N/A	\$ 36,138	3	
	WEC	The Company's parent	Purchases	368,505	8	Net 30 days from invoice date	N/A	N/A	(36,060)	2	
	Nyquest	Related party in substance	Sales	264,399	2	Net 45 days from invoice date	N/A	N/A	52,397	4	
	NTCJ	Subsidiary	Purchases	292,813	6	Net 15 days end of the month	N/A	N/A	(71,813)	4	
NTCJ	The Company	Parent company	Sales	US\$ 10,527	1	Net 15 days end of the month	N/A	N/A	JPY 287,475	3	
NTHK	The Company	Parent company	Purchases	US\$ 187,021	100	Net 90 days from invoice date	N/A	N/A	US\$ (1,306)	100	
NTSG	NTCJ	Fellow subsidiary	Sales	US\$ 105,641	34	Net 10 days end of the month	N/A	N/A	US\$ 12,322	43	
NTCJ	NTSG	Fellow subsidiary	Purchases	JPY 11,336,071	25	Net 10 days end of the month	N/A	N/A	JPY (1,418,194)	10	
		Fellow subsidiary	Sales	JPY 21,243,879	23	Net 10 days end of the month	N/A	N/A	JPY 1,856,012	17	
NTSG	NTCJ	Fellow subsidiary	Purchases	US\$ 195,084	67	Net 10 days end of the month	N/A	N/A	US\$ (16,126)	65	
NTCJ	NTSH	Fellow subsidiary	Sales	JPY 4,168,163	5	Net 15 days end of the month	N/A	N/A	-	-	
NTSH	NTCJ	Fellow subsidiary	Purchases	JPY 4,168,163	100	Net 15 days end of the month	N/A	N/A	-	-	
		Fellow subsidiary	Sales	RMB 84,688	20	Net 15 days end of the month	N/A	N/A	-	-	
NTCJ	NTSH	Fellow subsidiary	Purchases	RMB 84,688	3	Net 15 days end of the month	N/A	N/A	-	-	
		Related party in substance	Purchases	JPY 24,707,241	55	Net 10 days end of the month	N/A	N/A	JPY (1,650,615)	22	
		Related party in substance	Sales	JPY 12,925,853	14	Net 10 days end of the month	N/A	N/A	JPY 2,284,284	21	
NTSG	Waltech	Related party in substance	Purchases	US\$ 3,984	1	Net 10 days end of the month	N/A	N/A	US\$ (537)	2	
NTSH	Waltech	Related party in substance	Sales	RMB 33,736	8	Net 15 days end of the month	N/A	N/A	-	-	

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

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

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars and Foreign Currencies)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
NTSG	NTCJ	Fellow subsidiary	US\$ 12,322 (Note 2)	10.84	\$ -	-	US\$ 12,322	\$ -
NTCJ	NTSG	Fellow subsidiary	JPY 1,856,012 (Note 2)	12.39	-	-	JPY 1,856,012	-
AMTC	NTCJ	Parent company	JPY 577,004 (Note 2)	7.02	-	-	JPY 577,004	-
NTIL	The Company	Parent company	ILS 20,700 (Note 2)	(Note 1)	-	-	ILS 20,700	-
NTCJ	Waltech TPSCo.	Related party in substance Related party in substance	JPY 2,284,284 JPY 1,093,377	15.09 (Note 1)	- -	- -	JPY 2,284,284 JPY 1,093,377	- -

Note 1: Other receivables is not applicable to calculation of turnover rate.

Note 2: All receivables balances are eliminated.

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA) FOR THE YEAR ENDED DECEMBER 31, 2021

(TRANSACTIONS BETWEEN NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES ARE ALL ELIMINATED WHEN PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS.

THE FOLLOWING DISCLOSURE INFORMATION IS ONLY FOR REFERENCE.)

(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2021	December 31, 2020	Number of Shares	%	Carrying Amount			
The Company	NTHK	Hong Kong	Sales of semiconductor	\$ 427,092	\$ 427,092	107,400,000	100	\$ 508,077	\$ 44,719	\$ 44,719	(Note 1)
	MML	British Virgin Islands	Investment holding	274,987	273,418	8,897,789	100	298,146	176,494	176,494	
	NIH	British Virgin Islands	Investment holding	590,953	590,953	17,960,000	100	360,342	56,889	56,889	
	SYI	Taiwan	Investment holding	38,500	38,500	3,850,000	100	277,340	5,847	5,847	
	NTIPL	India	Design, sales and service of semiconductor	30,211	30,211	600,000	100	20,532	131	131	
	NTCA	United States of America	Design, sales and service of semiconductor	190,862	190,862	60,500	100	180,225	3,427	3,427	
	NTSG	Singapore	Design, sales and service of semiconductor	1,319,054	1,094,134	45,100,000	100	1,607,079	336,971	336,971	
	NTKL	Korea	Design, sales and service of semiconductor	30,828	30,828	125,000	100	11,201	(15,029)	(15,029)	
	NTHJ	Japan	Investment holding	5,927,849	5,941,896	100	100	6,370,802	323,476	81,815	
	MML	GLLC	United States of America	Investment holding	1,473,559	1,472,903	-	100	297,599	176,817	
NIH	NTIL	Israel	Design and service of semiconductor	46,905	46,905	1,000	100	361,619	56,985	56,985	
NTHJ	NTCJ	Japan	Design, sales and service of semiconductor	111,520	111,520	9,480	100	10,961,545	323,113	323,113	
NTCJ	METC	Japan	Design and service of semiconductor	-	55,760	-	-	-	109,206	109,206	(Note 3)
	AMTC	Japan	Design and service of semiconductor	55,760	55,760	4,000	100	278,266	137,018	137,018	

Note 1: Share of profit (loss) includes downstream and upstream transactions and the amortization cost of the difference between the original investment amount and equity.

Note 2: Refer to Table 7 for information on investment in mainland China.

Note 3: NTCJ sold its 100% shares of METC to the parent company (Winbond Electronics Corporation) on November 1, 2021.

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

**INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars and U.S. Dollars)**

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

Investee Company in mainland China	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021	% Ownership of Direct or Indirect Investment	Net Income of the Investee	Investment Gain (Note 1)	Carrying Amount as of December 31, 2021	Accumulated Repatriation of Investment Income as of December 31, 2021
					Outward	Inward						
NTSH	Provide project of sale in China and repairing, testing and consulting of software and leasing business	\$ 68,036 (US\$ 2,000)	Through investing in MML in the third area in British Virgin Islands, which then invested in the investee in mainland China indirectly	\$ 68,036 (US\$ 2,000)	\$ -	\$ -	\$ 68,036 (US\$ 2,000)	100	\$ 177,178	\$ 177,178	\$ 300,288	\$ -
WENJ	Computer software service (except I.C. design)	16,429 (US\$ 500)	Through investing in MML in the third area in British Virgin Islands, which then invested in the investee in mainland China indirectly	16,429 (US\$ 500)	-	-	16,429 (US\$ 500)	100	-	-	(2,994) (Note 2)	-
NTSZ	Computer software service (except I.C. design), wholesale business for computer, supplement and software	197,670 (US\$ 6,000)	Through investing in NTHK in the third area, which then invested in the investee in mainland China indirectly	197,670 (US\$ 6,000)	-	-	197,670 (US\$ 6,000)	100	8,805	8,805	216,692	-
Song Zhi (Suzhou)	Provide development of semiconductor and technology, consult service and equipment leasing business	8,688 (RMB 2,000)	Through investing in NTSH in the third area, which then invested in the investee in mainland China indirectly	- (Note 3)	-	-	-	100	(582)	(582)	8,104	-

Note 1: Investment profit or loss for the year ended December 31, 2021 was recognized under the basis of the financial statements audited by the Company's auditor.

Note 2: WENJ has a negative net book value as of December 31, 2021, which is reclassified to other non-current liabilities.

Note 3: NTSH directly injected the capital in Song Zhi (Suzhou).

2. Information on any investee company in mainland China, main businesses and products, paid-in capital, method of investment, limit on investment in mainland China:

Company	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 4)
The Company	NT\$282,135 (US\$8,500)	NT\$282,135 (US\$8,500)	NT\$9,332,814

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

3. Refer to Table 8 for significant transactions with the investee in mainland China directly and indirectly through investing in companies in the third area.
4. Refer to Table 1 for handling endorsement, guarantee and collateral to the investee in Mainland China directly and indirectly through investing in companies in the third area.
5. Financing of funds to investee in mainland China directly and indirectly through investing in companies in the third area: None.
6. Other transactions with significant influence on profit or loss for the period or financial performance: None.

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2021**

(In Thousands of New Taiwan Dollars and Foreign Currencies)

No.	Company Name	Related Party	Nature of Relationship	Transaction Details			Percentage of Consolidated Total Gross Sales or Total Assets (%)
				Financial Statement Account	Amount	Terms (Note)	
0	2021 The Company	NTHK NTIL NTIL NTCA	Transactions between parent company and subsidiaries Transactions between parent company and subsidiaries Transactions between parent company and subsidiaries Transactions between parent company and subsidiaries	Operating revenue	\$ 5,223,300	-	13
				Operating expense	989,897	-	2
				Other payables	184,048	-	1
				Operating expense	290,515	-	1
1	NTCJ	NTSG NTSG	Transactions between subsidiaries Transactions between subsidiaries	Operating revenue	JPY 21,243,879	-	12
				Accounts receivable due from related parties	JPY 1,856,012	-	1
2	NTSG	NTCJ NTCJ	Transactions between subsidiaries Transactions between subsidiaries	Operating revenue	US\$ 105,641	-	7
				Accounts receivable due from related parties	US\$ 12,322	-	1
3	NTSH	NTCJ	Transactions between subsidiaries	Operating revenue	RMB 84,688	-	1
4	AMTC	NTCJ NTCJ	Transactions between subsidiaries Transactions between subsidiaries	Other operating revenue	JPY 2,868,191	-	2
				Accounts receivable due from related parties	JPY 577,004	-	-

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

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

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES**INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Winbond Electronics Corporation	214,954,635	51.21

Note 1: Table 9 is based on the information on the last business day of the quarter provided by the Taiwan Depository & Clearing Corporation (TDCC). The TDCC calculate the total number of ordinary shares and preferred shares held by shareholders who retain more than 5% of the Company's share (including treasury shares) that have delivered without physical registration. The number of shares in the Company's consolidated financial report and the actual number of shares delivered without physical registration may differ due to the different calculation basis.

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