

**Nuvoton Technology Corporation and
Subsidiaries**

**Consolidated Financial Statements for the
Nine Months Ended September 30, 2020 and 2019 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Nuvoton Technology Corporation

Introduction

We have reviewed the accompanying consolidated balance sheets of Nuvoton Technology Corporation and its subsidiaries (collectively, the "Group") as of September 30, 2020 and 2019, the related consolidated statements of comprehensive income for the three months ended September 30, 2020 and 2019 and for the nine months ended September 30, 2020 and 2019, the consolidated statements of changes in equity and cash flows for the nine months ended September 30, 2020 and 2019, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

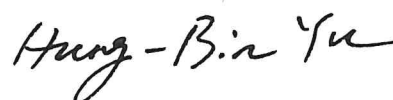
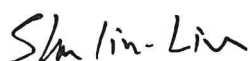
Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2020 and 2019, its consolidated financial performance for the three months ended September 30, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Emphasis of Matter

As disclosed in Note 27 to the financial statements, Nuvoton Technology Corporation acquired the semiconductor business of Panasonic Corporation on September 1, 2020. Our review result is not modified in respect of this matter.

The engagement partners on the reviews resulting in this independent auditors' review report are Shu-Lin Liu and Hung-Bin Yu.



Deloitte & Touche
Taipei, Taiwan
Republic of China

November 12, 2020

Notice to Readers

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

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

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	September 30, 2020 (Reviewed)		December 31, 2019 (Audited)		September 30, 2019 (Reviewed)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 3,814,188	13	\$ 4,859,223	44	\$ 1,124,147	15
Financial assets at fair value through profit or loss - current (Note 7)	11,326	-	6,037	-	1,493	-
Notes and accounts receivable, net (Notes 8 and 29)	4,030,564	13	1,010,722	9	1,095,110	15
Accounts receivable from related parties, net (Notes 8 and 30)	76,158	-	67,394	1	59,699	1
Other receivables (Notes 9 and 30)	2,265,862	7	496,881	4	500,513	7
Inventories (Notes 5 and 10)	6,257,559	21	1,604,658	14	1,603,461	21
Other current assets	<u>332,890</u>	<u>1</u>	<u>142,442</u>	<u>1</u>	<u>140,479</u>	<u>2</u>
Total current assets	<u>16,788,547</u>	<u>55</u>	<u>8,187,357</u>	<u>73</u>	<u>4,524,902</u>	<u>61</u>
NON-CURRENT ASSETS						
Financial assets at fair value through other comprehensive income - non-current (Note 11)	1,994,820	7	1,117,410	10	1,167,587	16
Property, plant and equipment (Note 12)	6,559,956	22	760,321	7	734,521	10
Right-of-use assets (Notes 13 and 30)	1,539,095	5	600,288	5	557,233	8
Investment properties (Note 14)	2,501,693	8	44,207	1	45,789	1
Intangible assets (Note 15)	700,693	2	261,230	2	176,653	2
Deferred tax assets (Notes 4 and 27)	199,432	1	97,919	1	109,444	1
Refundable deposits (Notes 6 and 30)	101,833	-	86,879	1	85,178	1
Other non-current assets	<u>573</u>	<u>-</u>	<u>618</u>	<u>-</u>	<u>681</u>	<u>-</u>
Total non-current assets	<u>13,598,095</u>	<u>45</u>	<u>2,968,872</u>	<u>27</u>	<u>2,877,086</u>	<u>39</u>
TOTAL	<u>\$ 30,386,642</u>	<u>100</u>	<u>\$ 11,156,229</u>	<u>100</u>	<u>\$ 7,401,988</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 17)	\$ 1,291,112	4	\$ -	-	\$ 93,120	1
Accounts payable	2,909,179	10	1,104,840	10	1,066,711	15
Accounts payable to related parties (Note 30)	880,925	3	24,535	-	15,518	-
Other payables (Notes 18 and 30)	4,367,282	14	951,058	8	794,110	11
Current tax liabilities (Note 4)	298,003	1	78,732	1	77,171	1
Provisions - current (Note 19)	927,168	3	-	-	-	-
Lease liabilities - current (Notes 13 and 30)	302,352	1	114,308	1	102,147	1
Other current liabilities	<u>178,156</u>	<u>1</u>	<u>68,411</u>	<u>1</u>	<u>92,510</u>	<u>1</u>
Total current liabilities	<u>11,154,177</u>	<u>37</u>	<u>2,341,884</u>	<u>21</u>	<u>2,241,287</u>	<u>30</u>
NON-CURRENT LIABILITIES						
Bonds payable (Note 16)	1,684,222	6	-	-	-	-
Long-term borrowings (Note 17)	3,300,000	11	500,000	4	500,000	7
Provisions - non-current (Note 19)	3,112,820	10	101,891	1	101,891	1
Lease liabilities - non-current (Notes 13 and 30)	1,535,304	5	452,715	4	421,065	6
Deferred tax liabilities (Notes 4 and 27)	79,275	-	-	-	-	-
Net defined benefit liabilities - non-current (Note 4)	1,754,726	6	287,565	3	246,379	3
Other non-current liabilities (Note 30)	<u>107,169</u>	<u>-</u>	<u>80,143</u>	<u>1</u>	<u>76,992</u>	<u>1</u>
Total non-current liabilities	<u>11,573,516</u>	<u>38</u>	<u>1,422,314</u>	<u>13</u>	<u>1,346,327</u>	<u>18</u>
Total liabilities	<u>22,727,693</u>	<u>75</u>	<u>3,764,198</u>	<u>34</u>	<u>3,587,614</u>	<u>48</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 21)						
Share capital	2,875,544	10	2,875,544	26	2,075,544	28
Certificates of bond-to-stock conversion	84,072	-	-	-	-	-
Capital collected in advance	-	-	-	-	90,283	1
Capital surplus	3,149,626	10	2,906,976	26	113,470	2
Retained earnings						
Legal reserve	596,905	2	541,722	5	541,722	7
Unappropriated earnings	980,209	3	917,229	8	782,426	11
Exchange differences on translating financial statements of foreign operations	(135,709)	-	(18,984)	-	7,772	-
Unrealized gains (losses) on financial assets at fair value through other comprehensive income	<u>108,302</u>	<u>-</u>	<u>169,544</u>	<u>1</u>	<u>203,157</u>	<u>3</u>
Total equity	<u>7,658,949</u>	<u>25</u>	<u>7,392,031</u>	<u>66</u>	<u>3,814,374</u>	<u>52</u>
TOTAL	<u>\$ 30,386,642</u>	<u>100</u>	<u>\$ 11,156,229</u>	<u>100</u>	<u>\$ 7,401,988</u>	<u>100</u>

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

(With Deloitte & Touche review report dated November 12, 2020)

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Notes 22 and 30)	\$ 5,604,569	100	\$ 2,943,699	100	\$ 10,798,866	100	\$ 7,577,818	100
OPERATING COST (Notes 10, 24 and 30)	<u>3,538,267</u>	<u>63</u>	<u>1,765,819</u>	<u>60</u>	<u>6,626,196</u>	<u>61</u>	<u>4,566,366</u>	<u>60</u>
GROSS PROFIT	<u>2,066,302</u>	<u>37</u>	<u>1,177,880</u>	<u>40</u>	<u>4,172,670</u>	<u>39</u>	<u>3,011,452</u>	<u>40</u>
OPERATING EXPENSES (Notes 24 and 30)								
Selling and marketing expenses	171,512	3	66,395	2	279,976	3	184,954	3
General and administrative expenses	641,043	12	117,580	4	902,153	8	318,108	4
Research and development expenses	1,312,348	23	772,945	26	2,699,340	25	2,101,885	28
Expected credit loss (gain)	<u>4,306</u>	<u>-</u>	<u>2,114</u>	<u>-</u>	<u>6,765</u>	<u>-</u>	<u>3,212</u>	<u>-</u>
Total operating expenses	<u>2,129,209</u>	<u>38</u>	<u>959,034</u>	<u>32</u>	<u>3,888,234</u>	<u>36</u>	<u>2,608,159</u>	<u>35</u>
INCOME (LOSS) FROM OPERATIONS	<u>(62,907)</u>	<u>(1)</u>	<u>218,846</u>	<u>8</u>	<u>284,436</u>	<u>3</u>	<u>403,293</u>	<u>5</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4, 27 and 30)								
Finance costs	(22,242)	-	(4,295)	-	(33,567)	-	(9,927)	-
Interest income	4,238	-	3,669	-	18,552	-	10,958	-
Dividend income	52	-	35	-	67,746	1	70,529	1
Gain on the bargain purchase	218,968	4	-	-	218,968	2	-	-
Other gains and losses	35,082	1	2,917	-	43,574	-	9,378	-
Gains (losses) on disposal of property, plant and equipment	10,028	-	(96)	-	10,057	-	(101)	-
Foreign exchange gains (losses)	18,146	-	4,825	-	14,833	-	12,085	-
Gains (losses) on financial instruments at fair value through profit or loss	<u>7,432</u>	<u>-</u>	<u>(5,108)</u>	<u>-</u>	<u>3,921</u>	<u>-</u>	<u>(17,024)</u>	<u>-</u>
Total non-operating income and expenses	<u>271,704</u>	<u>5</u>	<u>1,947</u>	<u>-</u>	<u>344,084</u>	<u>3</u>	<u>75,898</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	208,797	4	220,793	8	628,520	6	479,191	6
INCOME TAX EXPENSE (Notes 4 and 23)	<u>(89,460)</u>	<u>(2)</u>	<u>(45,053)</u>	<u>(2)</u>	<u>(165,292)</u>	<u>(2)</u>	<u>(89,055)</u>	<u>(1)</u>
NET PROFIT	<u>119,337</u>	<u>2</u>	<u>175,740</u>	<u>6</u>	<u>463,228</u>	<u>4</u>	<u>390,136</u>	<u>5</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Note 21)								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	(15,824)	-	41,357	1	(61,242)	-	50,196	1

(Continued)

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating the financial statements of foreign operations	\$ (98,660)	(2)	\$ (6,076)	-	\$ (116,725)	(1)	\$ 18,307	-
Other comprehensive income (loss) for the period, net of income tax	(114,484)	(2)	35,281	1	(177,967)	(1)	68,503	1
TOTAL COMPREHENSIVE INCOME (LOSS)	<u>\$ 4,853</u>	<u>-</u>	<u>\$ 211,021</u>	<u>7</u>	<u>\$ 285,261</u>	<u>3</u>	<u>\$ 458,639</u>	<u>6</u>
EARNINGS PER SHARE (Note 26)								
Basic	<u>\$ 0.41</u>		<u>\$ 0.85</u>		<u>\$ 1.61</u>		<u>\$ 1.88</u>	
Diluted	<u>\$ 0.37</u>		<u>\$ 0.84</u>		<u>\$ 1.52</u>		<u>\$ 1.87</u>	

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

(With Deloitte & Touche review report dated November 12, 2020)

(Concluded)

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company						Other Equity		Total Equity
	Ordinary Share	Certificates of Bond-to-stock Conversion	Capital Collected in Advance	Capital Surplus	Retained Earnings		Exchange Differences on Translation of Foreign Financial Statements of Foreign Operations	Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income	
					Legal Reserve	Unappropriated Earnings			
BALANCE, JANUARY 1, 2019	\$ 2,075,544	\$ -	\$ -	\$ 63,498	\$ 470,659	\$ 955,346	\$ (10,535)	\$ 179,854	\$ 3,734,366
Net profit for the nine months ended September 30, 2019	-	-	-	-	-	390,136	-	-	390,136
Other comprehensive income (loss) for the nine months ended September 30, 2019, net of income tax	-	-	-	-	-	-	18,307	50,196	68,503
Total comprehensive income for the nine months ended September 30, 2019	-	-	-	-	-	390,136	18,307	50,196	458,639
Compensation cost of employee share options (Notes 21 and 25)	-	-	-	49,920	-	-	-	-	49,920
Dividends from claims extinguished by prescriptions	-	-	-	52	-	-	-	-	52
Disposal of investments in equity instruments designated at fair value through other comprehensive income (Notes 11 and 21)	-	-	-	-	-	26,893	-	(26,893)	-
Issuance of ordinary shares for capital increase by cash (Note 21)	-	-	90,283	-	-	-	-	-	90,283
Appropriation of 2018 earnings (Note 21)	-	-	-	-	71,063	(71,063)	-	-	-
Legal reserve	-	-	-	-	71,063	(71,063)	-	-	-
Cash dividends	-	-	-	-	-	(518,886)	-	-	(518,886)
BALANCE, SEPTEMBER 30, 2019	<u>\$ 2,075,544</u>	<u>\$ -</u>	<u>\$ 90,283</u>	<u>\$ 113,470</u>	<u>\$ 541,722</u>	<u>\$ 782,426</u>	<u>\$ 7,772</u>	<u>\$ 203,157</u>	<u>\$ 3,814,374</u>
BALANCE, JANUARY 1, 2020	\$ 2,875,544	\$ -	\$ -	\$ 2,906,976	\$ 541,722	\$ 917,229	\$ (18,984)	\$ 169,544	\$ 7,392,031
Net profit for the nine months ended September 30, 2020	-	-	-	-	-	463,228	-	-	463,228
Other comprehensive income (loss) for the nine months ended September 30, 2020, net of income tax	-	-	-	-	-	-	(116,725)	(61,242)	(177,967)
Total comprehensive income (loss) for the nine months ended September 30, 2020	-	-	-	-	-	463,228	(116,725)	(61,242)	285,261
Convertible bonds converted to ordinary shares (Note 16)	-	84,072	-	242,650	-	-	-	-	326,722
Appropriation of 2019 earnings (Note 21)	-	-	-	-	55,183	(55,183)	-	-	-
Legal reserve	-	-	-	-	55,183	(55,183)	-	-	-
Cash dividends	-	-	-	-	-	(345,065)	-	-	(345,065)
BALANCE, SEPTEMBER 30, 2020	<u>\$ 2,875,544</u>	<u>\$ 84,072</u>	<u>\$ -</u>	<u>\$ 3,149,626</u>	<u>\$ 596,905</u>	<u>\$ 980,209</u>	<u>\$ (135,709)</u>	<u>\$ 108,302</u>	<u>\$ 7,658,949</u>

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

(With Deloitte & Touche review report dated November 12, 2020)

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 628,520	\$ 479,191
Adjustments for:		
Depreciation expense	313,297	211,786
Amortization expense	121,154	66,221
Finance costs	33,567	9,927
Expected credit (gain) loss recognized on accounts receivable	6,765	3,212
Interest income	(18,552)	(10,958)
Dividend income	(67,746)	(70,529)
Compensation cost of employee share options	-	49,920
Net (gains) losses on financial assets and liabilities at fair value through profit or loss	(1,556)	(730)
(Gains) losses on disposal of property, plant and equipment	(10,057)	101
Gain on the bargain purchase	(218,968)	-
Other income	(5)	-
Changes in operating assets and liabilities		
(Increase) decrease in notes and accounts receivable	219,840	(163,583)
(Increase) decrease in accounts receivable from related parties	17,441	2,607
(Increase) decrease in other receivables	(71,782)	(12,244)
(Increase) decrease in inventories	(39,799)	(42,523)
(Increase) decrease in other current assets	24,919	28,874
(Increase) decrease in other non-current assets	707	293
Increase (decrease) in accounts payable	(14,707)	193,711
Increase (decrease) in accounts payable from related parties	(673,873)	(182)
Increase (decrease) in provisions	3,632	-
Increase (decrease) in other payables	397,625	(100,970)
Increase (decrease) in other current liabilities	52,109	29,324
Increase (decrease) in net defined benefit liabilities	(6,297)	(48,048)
Increase (decrease) in other non-current liabilities	<u>27,025</u>	<u>5,186</u>
Cash generated from (used in) operations	723,259	630,586
Income tax paid	(29,110)	(96,420)
Interest received	24,761	9,011
Interest paid	(16,443)	(6,662)
Dividend received	<u>67,746</u>	<u>70,529</u>
Net cash generated from (used in) operating activities	<u>770,213</u>	<u>607,044</u>

(Continued)

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of intangible assets	\$ (336,731)	\$ (112,393)
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	47,577
Acquisition of financial assets at fair value through other comprehensive income	-	(630,000)
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	2,250	4,000
Acquisition of property, plant and equipment	(286,092)	(130,903)
Proceeds from disposal of property, plant and equipment	14,380	59
(Increase) decrease in refundable deposits	(10,977)	(3,743)
Net cash outflow on acquisition of subsidiaries (Note 27)	(6,928,207)	-
(Increase) decrease in other receivables - time deposits	<u>146,046</u>	<u>(304,690)</u>
Net cash generated from (used in) investing activities	<u>(7,399,331)</u>	<u>(1,130,093)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	1,291,112	496,120
Decrease in short-term borrowings	-	(403,075)
Proceeds from long-term borrowings	2,800,000	500,000
Proceeds from issuance of bond payables	1,998,428	-
Repayment of the principal portion of lease liabilities	(104,484)	(73,575)
Dividends paid	(345,065)	(518,886)
Issuance of ordinary shares for cash	-	90,283
Other financing activities	<u>-</u>	<u>52</u>
Net cash generated from (used in) financing activities	<u>5,639,991</u>	<u>90,919</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(55,908)</u>	<u>12,359</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,045,035)	(419,771)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>4,859,223</u>	<u>1,543,918</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 3,814,188</u>	<u>\$ 1,124,147</u>

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

(With Deloitte & Touche review report dated November 12, 2020)

(Concluded)

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

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

For the specialization and division of labor and the reinforcement of core competitive ability, the Company’s parent company, Winbond Electronics Corporation (WEC), spun off its Logic IC business into the Company on July 1, 2008 in accordance with the Business Mergers and Acquisitions Act and the Company commenced business in July 2008. WEC held approximately 60%, 62% and 61% of the ownership interest in the Company as of September 30, 2020, December 31, 2019 and September 30, 2019, 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 November 12, 2020.

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)

Except for the following, the initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies:

Amendments to IAS 1 and IAS 8 “Definition of Material”

The Group adopted the amendments starting from January 1, 2020. The threshold for materiality influencing users has been changed to “could reasonably be expected to influence” and, therefore, the disclosures in the consolidated financial report have been adjusted and immaterial information that may obscure material information has been deleted.

Amendment to IFRS 16 “Covid-19 - Related Rent Concessions”

The Group elected to apply the practical expedient provided in the amendment to IFRS 16 with respect to rent concessions negotiated with the lessor as a direct consequence of the COVID-19. Related accounting policies are stated in Note 4. Before the application of the amendment, the Group was required to determine whether the abovementioned rent concessions are lease modifications and thus have to be accounted for as lease modifications.

The Group applied the amendment from January 1, 2020. Retrospective application of the amendment has no impact on the retained earnings as of January 1, 2020.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

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

Note 2: The amendments to IFRS 9 are 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” are 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” are applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments and defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets, that are measured at fair 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 (%)		
			September 30, 2020	December 31, 2019	September 30, 2019
The Company	Nuvoton Electronics Technology (H.K.) Limited (“NTHK”)	Sales of semiconductor	100	100	100
	Marketplace Management Limited (“MML”)	Investment holding	100	100	100
	Nuvoton Investment Holding Ltd. (“NIH”)	Investment holding	100	100	100
	Song Yong Investment Corporation (“SYI”)	Investment holding	100	100	100
	Nuvoton Technology India Private Limited (“NTIPL”)	Design, sales and after-sales service of semiconductor	100	100	100
	Nuvoton Technology Holding Japan (“NTHJ”) (Note)	Investment holding	100	-	-
	Nuvoton Technology Corporation America (“NTCA”)	Design, sales and after-sales service of semiconductor	100	100	100
	Nuvoton Technology Singapore Pte. Ltd (“NTSPL”)	Design, sales and after-sales service of semiconductor	100	-	-
	Nuvoton Technology Korea Limited (“NTKR”)	Design, sales and after-sales service of semiconductor	100	-	-
NTHK	Nuvoton Electronics Technology (Shenzhen) Limited (“NTSZ”)	Computer software service (except I.C. design), wholesale business for computer, supplement and software	100	100	100
MML	Goldbond LLC (“GLLC”)	Investment holding	100	100	100
GLLC	Nuvoton Electronics Technology (Shanghai) Limited (“NTSH”)	Provides projects for sale in China and repairing, testing and consulting of software	100	100	100
	Winbond Electronics (Nanjing) Ltd. (“WENJ”)	Computer software service (except I.C. design)	100	100	100
NIH	Nuvoton Technology Israel Ltd. (“NTIL”)	Design and service of semiconductor	100	100	100
NTHJ	Nuvoton Technology Corporation Japan (“NTCJ”, former PSCS company) (Note)	Design, sales and after-sales service of semiconductor	100	-	-
NTCJ	Atfields Manufacturing Technology Corporation (“AMTC”, former PIDE company) (Note)	Design and service of semiconductor	100	-	-
NTCJ	Miraxia Edge Technology Corporation (“METC”, former PIDST company) (Note)	Design and service of semiconductor	100	-	-

Note: The Company acquired the semiconductor business of Panasonic Corporation on September 1, 2020 and held NTHJ, NTCJ (former “PSCS”), AMTC (former “PIDE”), and METC (former “PIDST”) with 100% ownership.

Retirement Benefits

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

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

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

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year.

Taxation

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

Financial Instruments

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 rereasured. 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.

Leases

The Group as lessee

The Group negotiates with the lessor for rent concessions as a direct consequence of the COVID-19 to change the lease payments originally due by September 30, 2021, that results in the revised consideration for the lease substantially less than the consideration for the lease immediately preceding the change. There is no substantive change to other terms and conditions. The Group elects to apply the practical expedient to all of these rent concessions, and therefore, does not assess whether the rent concessions are lease modifications. Instead, the Group recognizes the reduction in lease payment in profit or loss in the period in which the events or conditions that trigger the concession occurs, and makes a corresponding adjustment to the lease liability.

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 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.

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, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Group considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

The Group's critical accounting judgments and key sources of estimation uncertainty are described below:

Write-down of Inventories

The net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and the historical experience with product sales 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

	September 30, 2020	December 31, 2019	September 30, 2019
Cash and deposits in banks	\$ 3,797,988	\$ 4,650,223	\$ 890,547
Repurchase agreements collateralized by bonds	<u>16,200</u>	<u>209,000</u>	<u>233,600</u>
	<u>\$ 3,814,188</u>	<u>\$ 4,859,223</u>	<u>\$ 1,124,147</u>

- a. The Group has time deposits pledged to secure land leases and customs tariff obligations which are reclassified as "refundable deposits" as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Time deposits	<u>\$ 86,309</u>	<u>\$ 75,988</u>	<u>\$ 75,988</u>

- 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):

	September 30, 2020	December 31, 2019	September 30, 2019
Time deposits	<u>\$ 301,679</u>	<u>\$ 447,725</u>	<u>\$ 450,344</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Financial assets at FVTPL - current</u>			
Foreign exchange forward and cross-currency swap contracts	\$ 3,794	\$ 6,037	\$ 1,493
Right of redemption of convertible bonds	<u>7,532</u>	<u>-</u>	<u>-</u>
	<u>\$ 11,326</u>	<u>\$ 6,037</u>	<u>\$ 1,493</u>

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

	Currency	Maturity Date	Contract Amount (In Thousands)
<u>September 30, 2020</u>			
Sell	USD/NTD	2020.10.08-2020.11.27	US\$24,000/NT\$703,794
Cross-currency swap contracts	USD/NTD	2020.11.27	US\$16,000/NT\$464,000
<u>December 31, 2019</u>			
Sell	USD/NTD	2020.01.03-2020.03.05	US\$20,000/NT\$604,050
<u>September 30, 2019</u>			
Sell	USD/NTD	2019.10.24-2019.11.01	US\$11,000/NT\$342,360

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 forward exchange and cross-currency swap contracts did not meet the criteria for hedge accounting, therefore, the Group did not apply hedge accounting treatment for these forward exchange contracts.

8. NOTES AND ACCOUNTS RECEIVABLE, NET

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Notes receivable</u>	\$ -	\$ 21	\$ -
<u>Accounts receivable (including related parties)</u>			
At amortized cost			
Gross carrying amount	4,136,652	1,100,661	1,178,558
Less: Allowance for impairment loss	<u>(29,930)</u>	<u>(22,566)</u>	<u>(23,749)</u>
	<u>\$ 4,106,722</u>	<u>\$ 1,078,116</u>	<u>\$ 1,154,809</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 or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by financial department annually.

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

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

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

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

September 30, 2020

	Not Overdue	Overdue under 30 Days	Overdue 31 to 90 Days	Overdue 91 to 180 Days	Over 180 Days	Total
Expected credit loss rate	0.1%-0.2%	2%	10%	20%	50%	
Gross carrying amount	\$ 4,116,054	\$ 9,001	\$ 11,597	\$ -	\$ -	\$ 4,136,652
Loss allowance (Lifetime ECLs)	<u>(28,590)</u>	<u>(180)</u>	<u>(1,160)</u>	<u>-</u>	<u>-</u>	<u>(29,930)</u>
Amortized cost	<u>\$ 4,087,464</u>	<u>\$ 8,821</u>	<u>\$ 10,437</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,106,722</u>

December 31, 2019

	Not Overdue	Overdue under 30 Days	Overdue 31 to 90 Days	Overdue 91 to 180 Days	Over 180 Days	Total
Expected credit loss rate	2%	2%	10%	20%	50%	
Gross carrying amount	\$ 1,093,869	\$ 6,813	\$ -	\$ -	\$ -	\$ 1,100,682
Loss allowance (Lifetime ECLs)	<u>(22,430)</u>	<u>(136)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(22,566)</u>
Amortized cost	<u>\$ 1,071,439</u>	<u>\$ 6,677</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,078,116</u>

September 30, 2019

	Not Overdue	Overdue under 30 Days	Overdue 31 to 90 Days	Overdue 91 to 180 Days	Over 180 Days	Total
Expected credit loss rate	2%	2%	10%	20%	50%	
Gross carrying amount	\$ 1,177,959	\$ 599	\$ -	\$ -	\$ -	\$ 1,178,558
Loss allowance (Lifetime ECLs)	<u>(23,737)</u>	<u>(12)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(23,749)</u>
Amortized cost	<u>\$ 1,154,222</u>	<u>\$ 587</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,154,809</u>

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

	For the Nine Months Ended September 30	
	2020	2019
Balance at January 1	\$ 22,566	\$ 20,499
Add: Acquired through business combinations	806	-
Add: Net remeasurement of loss allowance	6,765	3,212
Foreign currency exchange gains and losses	<u>(207)</u>	<u>38</u>
Balance at September 30	<u>\$ 29,930</u>	<u>\$ 23,749</u>

Compared to January 1, 2020 and 2019, the increase in loss allowance of NT\$3,035,970 thousand and NT\$160,976 thousand at September 30, 2020 and 2019, respectively, resulted from the increase in accounts receivables net of those settled of NT\$7,364 thousand and NT\$3,250 thousand, respectively.

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

9. OTHER RECEIVABLES

	September 30, 2020	December 31, 2019	September 30, 2019
Receivables for acquisition price adjustment	\$ 520,890	\$ -	\$ -
Royalty receivable	334,783	-	-
Business tax refund receivable	315,593	34,611	39,272
Time deposits (Note 6)	301,679	447,725	450,344
Prepayment for pension	286,411	-	-
Technical service receivable	181,891	-	-
Others	<u>324,615</u>	<u>14,545</u>	<u>10,897</u>
	<u>\$ 2,265,862</u>	<u>\$ 496,881</u>	<u>\$ 500,513</u>

10. INVENTORIES

	September 30, 2020	December 31, 2019	September 30, 2019
Raw materials and supplies	\$ 270,885	\$ 105,937	\$ 104,031
Work in process	3,872,794	1,181,653	1,189,505
Finished goods	2,113,880	308,869	304,843
Inventory in transit	<u>-</u>	<u>8,199</u>	<u>5,082</u>
	<u>\$ 6,257,559</u>	<u>\$ 1,604,658</u>	<u>\$ 1,603,461</u>

As of September 30, 2020, December 31, 2019 and September 30, 2019, the allowance for inventory value decline was NT\$444,176 thousand, NT\$362,717 thousand and NT\$359,560 thousand, respectively.

The operating cost for the three months ended September 30, 2020 and 2019, and the nine months ended September 30, 2020 and 2019 were NT\$3,538,267 thousand and NT\$1,765,819 thousand, NT\$6,626,196 thousand and NT\$4,566,366 thousand, respectively. The inventory write-downs and obsolescence and abandonment of inventories for the three months ended September 30, 2020 and 2019, and the nine months ended September 30, 2020 and 2019 were NT\$(21,839) thousand and NT\$10,083 thousand, NT\$(108,691) thousand and NT\$(30,033) thousand, respectively.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in equity instruments at FVTOCI:

	September 30, 2020	December 31, 2019	September 30, 2019
Listed shares and emerging market shares			
Nyquest Technology Co., Ltd.	\$ 56,843	\$ 60,720	\$ 89,218
Brightek Optoelectronic Co., Ltd.	801	485	410
Tower Semiconductor Ltd.	469,902	-	-
Unlisted shares			
United Industrial Gases Co., Ltd.	422,400	440,000	440,000
Yu-Ji Venture Capital Co., Ltd.	11,992	16,605	17,159
Autotalks Ltd. - Preferred E. Share	582,000	599,600	620,800
Tower Partners Semiconductor Co., Ltd. (TPSCo.)	450,882	-	-
Symetrix Corporation - Preferred A. Share	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,994,820</u>	<u>\$ 1,117,410</u>	<u>\$ 1,167,587</u>

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

For the nine months ended September 30, 2019, the Group sold part of its shares in Nyquest Technology Co., Ltd. in order to manage credit concentration risk. The shares sold had a fair value of NT\$47,893 thousand and its related unrealized valuation gain of NT\$26,893 thousand was transferred from other equity to retained earnings. Please refer to Note 21 for related information.

The Group recognized dividend income NT\$52 thousand, NT\$35 thousand, NT\$67,746 thousand and NT\$70,529 thousand for the three months ended and nine months ended September 30, 2020 and 2019, respectively. Those related to investments derecognized during the period of the three months and nine months ended September 30, 2020 and 2019 were NT\$0 thousand, NT\$0 thousand, NT\$0 thousand and NT\$1,434 thousand, respectively. Those related to investments held at September 30, 2020 and 2019 were NT\$52 thousand, NT\$35 thousand, NT\$67,746 thousand and NT\$69,095 thousand, respectively

The Group acquired the Preferred A Share of the Symetrix Corporation through the combination of Panasonic semiconductor business on September 1, 2020.

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).

In August 2019, the Company resolved to invest in the Preferred E Share of the non-related party communication chip maker in Israel, Autotalks Ltd. The entitled rights of the Preferred E Share were as follows:

- a. Each Preferred E 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 E Shares shall be prior to all other equity securities of Autotalks Ltd.
- c. The holders of the Preferred E Shares shall be entitled to receive non-cumulative cash dividends at the rate of eight percent.
- d. The investors shall have the right to appoint one non-voting observer (“Observer”) to attend Autotalks Ltd.’s board meetings.
- e. The holders of the Preferred E Shares shall be entitled to preemptive right with respect to future issuance of new securities of Autotalks Ltd.
- f. The investors have the rights to obtain the annual financial statements, quarterly financial statements and etc.

12. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2020	December 31, 2019	September 30, 2019
Land	\$ 2,198,056	\$ -	\$ -
Buildings	2,450,355	189,755	186,285
Machinery and equipment	1,485,772	465,033	442,776
Other equipment	298,994	104,117	105,460
Construction in progress and prepayments for purchase of equipment	<u>126,779</u>	<u>1,416</u>	<u>-</u>
	<u>\$ 6,559,956</u>	<u>\$ 760,321</u>	<u>\$ 734,521</u>

	Land	Buildings	Machinery and Equipment	Other Equipment	Construction in Progress and Prepayments for Purchase of Equipment	Total
<u>Cost</u>						
Balance at January 1, 2020	\$ -	\$ 3,662,145	\$ 11,557,247	\$ 405,918	\$ 1,416	\$ 15,626,726
Additions	-	37,939	100,681	26,511	94,805	259,936
Acquired through business combinations	2,223,578	19,948,652	52,749,498	3,592,196	111,089	78,624,013
Disposals	-	(7,669)	(287,687)	(34,579)	-	(329,935)
Reclassified	-	3,388	39,775	209	(43,372)	-
Effect of foreign currency exchange difference	<u>(25,522)</u>	<u>(228,999)</u>	<u>(606,392)</u>	<u>(45,618)</u>	<u>(1,682)</u>	<u>(908,213)</u>
Balance at September 30, 2020	<u>\$ 2,198,056</u>	<u>\$ 23,415,456</u>	<u>\$ 63,553,122</u>	<u>\$ 3,944,637</u>	<u>\$ 161,256</u>	<u>\$ 93,272,527</u>

	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	-	(7,669)	(285,847)	(32,096)	-	(325,612)
Depreciation	-	35,955	121,524	33,468	-	190,947
Acquired through business combinations	-	17,667,303	51,732,718	3,384,282	36,176	72,820,479
Reclassified	-	-	1,294	-	(1,294)	-
Effect of foreign currency exchange difference	-	(202,878)	(594,553)	(41,812)	(405)	(839,648)
Balance at September 30, 2020	<u>\$ -</u>	<u>\$ 20,965,101</u>	<u>\$ 62,067,350</u>	<u>\$ 3,645,643</u>	<u>\$ 34,477</u>	<u>\$ 86,712,571</u>
Carrying amounts at September 30, 2020	<u>\$ 2,198,056</u>	<u>\$ 2,450,355</u>	<u>\$ 1,485,772</u>	<u>\$ 298,994</u>	<u>\$ 126,779</u>	<u>\$ 6,559,956</u>
<u>Cost</u>						
Balance at January 1, 2019	\$ -	\$ 3,649,663	\$ 11,403,272	\$ 381,190	\$ -	\$ 15,434,125
Additions	-	6,608	138,376	16,977	-	161,961
Disposals	-	(2,198)	(32,363)	(2,265)	-	(36,826)
Effect of foreign currency exchange difference	-	-	6,013	7,988	-	14,001
Balance at September 30, 2019	<u>\$ -</u>	<u>\$ 3,654,073</u>	<u>\$ 11,515,298</u>	<u>\$ 403,890</u>	<u>\$ -</u>	<u>\$ 15,573,261</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2019	\$ -	\$ 3,450,850	\$ 11,009,989	\$ 275,369	\$ -	\$ 14,736,208
Disposals	-	(2,198)	(32,312)	(2,156)	-	(36,666)
Depreciation	-	19,136	90,400	21,358	-	130,894
Effect of foreign currency exchange difference	-	-	4,445	3,859	-	8,304
Balance at September 30, 2019	<u>\$ -</u>	<u>\$ 3,467,788</u>	<u>\$ 11,072,522</u>	<u>\$ 298,430</u>	<u>\$ -</u>	<u>\$ 14,838,740</u>
Carrying amounts at September 30, 2019	<u>\$ -</u>	<u>\$ 186,285</u>	<u>\$ 442,776</u>	<u>\$ 105,460</u>	<u>\$ -</u>	<u>\$ 734,521</u>

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Carrying amounts</u>			
Land	\$ 207,635	\$ 226,581	\$ 232,897
Buildings	336,987	333,255	306,907
Machinery and equipment	956,753	-	-
Other equipment	<u>37,720</u>	<u>40,452</u>	<u>17,429</u>
	<u>\$ 1,539,095</u>	<u>\$ 600,288</u>	<u>\$ 557,233</u>

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Additions to right-of-use assets Acquired through business combinations	\$ <u>53,972</u>	\$ <u>32,774</u>	\$ <u>66,364</u>	\$ <u>38,094</u>
	\$ <u>997,787</u>	\$ <u>-</u>	\$ <u>997,787</u>	\$ <u>-</u>
Depreciation for right-of-use assets				
Land	\$ 6,315	\$ 6,364	\$ 18,946	\$ 19,093
Buildings	22,515	18,750	65,833	52,620
Machinery and equipment	6,231	-	6,231	-
Other equipment	<u>5,123</u>	<u>2,208</u>	<u>14,239</u>	<u>5,688</u>
	\$ <u>40,184</u>	\$ <u>27,322</u>	\$ <u>105,249</u>	\$ <u>77,401</u>
Income from the subleasing of right-of-use assets (presented in other income)	\$ <u>(1,427)</u>	\$ <u>(1,951)</u>	\$ <u>(5,281)</u>	\$ <u>(5,739)</u>

b. Lease liabilities

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Carrying amounts</u>			
Current	\$ <u>302,352</u>	\$ <u>114,308</u>	\$ <u>102,147</u>
Non-current	\$ <u>1,535,304</u>	\$ <u>452,715</u>	\$ <u>421,065</u>

Range of discount rate for lease liabilities was as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Land	1.76%-2.06%	1.76%-2.06%	1.76%-2.06%
Buildings	0.33%-3.75%	1.09%-3.75%	1.44%-3.75%
Machinery and equipment	0.24%-0.80%	-	-
Other equipment	0.33%-3.61%	0.73%-3.61%	1.38%-3.61%

For the three months ended September 30, 2020 and 2019 and the nine months ended September 30, 2020 and 2019, the interest expense under lease liabilities amounted to NT\$3,535 thousand, NT\$2,836 thousand, NT\$9,067 thousand and NT\$8,468 thousand, respectively.

c. Material lease-in activities and terms

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

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

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

The Group leased some of the offices in the United States, China, Israel, India, Korea and Taiwan, and the lease terms will expire between 2020 and 2026 which can be extended after the expiration of the lease periods.

d. Subleases

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

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

	September 30, 2020	December 31, 2019	September 30, 2019
Year 1	\$ 6,848	\$ 6,244	\$ 6,591
Year 2	6,398	5,795	5,708
Year 3	1,632	5,881	5,793
Year 4	-	1,985	2,872
Year 5	-	-	474
Year 6 onwards	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 14,878</u>	<u>\$ 19,905</u>	<u>\$ 21,438</u>

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

e. Other lease information

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Expenses relating to short-term leases	<u>\$ 37,046</u>	<u>\$ 3,056</u>	<u>\$ 39,841</u>	<u>\$ 12,116</u>
Total cash outflow for leases	<u>\$ (85,241)</u>	<u>\$ (32,288)</u>	<u>\$ (152,497)</u>	<u>\$ (92,336)</u>

The Group has elected to apply the recognition exemption for short-term leases 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.

14. INVESTMENT PROPERTIES

	September 30, 2020	December 31, 2019	September 30, 2019
Investment properties, net	<u>\$ 2,501,693</u>	<u>\$ 44,207</u>	<u>\$ 45,789</u>

The Group acquired investment properties through business combination 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 difference significantly, compared to the fair value of the investment properties as of September 30, 2020.

The investment properties are located in Shenzhen, China. As of December 31, 2019 and 2018, the fair value of such investment properties was both approximately NT\$200,000 thousand, which used as reference the neighboring area transactions. The Group's management team evaluated the fair value of investment properties and determined that the fair value of the investment properties had not changed significantly, compared to the fair value of the investment properties as of September 30, 2020 and 2019.

	September 30	
	2020	2019
<u>Cost</u>		
Balance at January 1	\$ 98,511	\$ 102,333
Acquired through business combinations	9,072,159	-
Effect of foreign currency exchange difference	<u>(104,952)</u>	<u>(2,792)</u>
Balance at September 30	<u>\$ 9,065,718</u>	<u>\$ 99,541</u>
<u>Accumulated depreciation and impairment</u>		
Balance at January 1	\$ 54,304	\$ 51,806
Acquired through business combinations	6,568,568	-
Depreciation	17,101	3,491
Effect of foreign currency exchange difference	<u>(75,948)</u>	<u>(1,545)</u>
Balance at September 30	<u>\$ 6,564,025</u>	<u>\$ 53,752</u>
Carrying amount at September 30	<u>\$ 2,501,693</u>	<u>\$ 45,789</u>

The investment properties were leased out for 3 to 5 years. The lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

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

	September 30, 2020	December 31, 2019	September 30, 2019
Year 1	\$ 266,560	\$ 7,832	\$ 9,237
Year 2	226,271	4,120	4,163
Year 3	179,181	2,270	3,335
Year 4	179,181	-	-
Year 5	179,181	-	-
Year 6 onwards	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,030,374</u>	<u>\$ 14,222</u>	<u>\$ 16,735</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.

15. INTANGIBLE ASSETS

	September 30, 2020	December 31, 2019	September 30, 2019
Deferred technical assets	\$ 561,884	\$ 260,837	\$ 176,183
Other intangible assets	<u>138,809</u>	<u>393</u>	<u>470</u>
	<u>\$ 700,693</u>	<u>\$ 261,230</u>	<u>\$ 176,653</u>
	Deferred Technical Assets	Other Intangible Assets	Total
<u>Cost</u>			
Balance at January 1, 2020	\$ 1,202,455	\$ 3,426	\$ 1,205,881
Additions	415,625	64,905	480,530
Acquired through business combinations	-	1,200,865	1,200,865
Disposals	-	(2,972)	(2,972)
Effect of foreign currency exchange difference	<u>(4,243)</u>	<u>(14,094)</u>	<u>(18,337)</u>
Balance at September 30, 2020	<u>\$ 1,613,837</u>	<u>\$ 1,252,130</u>	<u>\$ 2,865,967</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2020	\$ 941,618	\$ 3,033	\$ 944,651
Amortization	112,865	8,289	121,154
Acquired through business combinations	-	1,117,819	1,117,819
Disposals	-	(2,972)	(2,972)
Effect of foreign currency exchange difference	<u>(2,530)</u>	<u>(12,848)</u>	<u>(15,378)</u>
Balance at September 30, 2020	<u>\$ 1,051,953</u>	<u>\$ 1,113,321</u>	<u>\$ 2,165,274</u>
Carrying amounts at September 30, 2020	<u>\$ 561,884</u>	<u>\$ 138,809</u>	<u>\$ 700,693</u>
<u>Cost</u>			
Balance at January 1, 2019	\$ 1,043,189	\$ 3,558	\$ 1,046,747
Additions	96,643	-	96,643
Disposals	(53,844)	-	(53,844)
Effect of foreign currency exchange difference	<u>10,973</u>	<u>(97)</u>	<u>10,876</u>
Balance at September 30, 2019	<u>\$ 1,096,961</u>	<u>\$ 3,461</u>	<u>\$ 1,100,422</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2019	\$ 899,145	\$ 2,848	\$ 901,993
Disposals	(53,844)	-	(53,844)
Amortization	65,991	230	66,221
Effect of foreign currency exchange difference	<u>9,486</u>	<u>(87)</u>	<u>9,399</u>
Balance at September 30, 2019	<u>\$ 920,778</u>	<u>\$ 2,991</u>	<u>\$ 923,769</u>
Carrying amounts at September 30, 2019	<u>\$ 176,183</u>	<u>\$ 470</u>	<u>\$ 176,653</u>

16. BONDS PAYABLE

	September 30, 2020	December 31, 2019	September 30, 2019
Unsecured domestic convertible bonds	\$ <u>1,684,222</u>	\$ _____ -	\$ _____ -

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

- a. The conversion price was set at \$39.9 per share at the time of issuance. When meeting certain criteria, adjustments on the conversion price are made in accordance with the terms and conditions. Since the Company expects to issue ordinary shares in December 2020, the conversion price should be adjusted according to issuance and conversion measures, so the conversion price will be adjusted to \$38.2 since December 10, 2020.
- b. After the first three months of the issuance and forty days before the maturity date, if the closing price of the Company's common shares listed on the Taiwan Stock Exchange exceeds or equals 30% of the conversion price or the outstanding balance of the bonds is less than 10% in principal amount of the bonds originally outstanding for thirty consecutive business days, the Company may redeem the bonds in cash at the principal amount.
- c. After the bonds has been issued for over five years, the bondholders may request the Company to redeem the bonds at 106.41% of the principal amount (annual rate of return 1.25%). The right of the redemption was recognized as financial instruments at fair value through profit or loss - current. The fair value was \$7,532 thousand on September 30, 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	(328,189)
Interest charged at an effective interest rate of 1.22%	<u>8,783</u>
Liability component at September 30, 2020	<u>\$ 1,684,222</u>

17. BORROWINGS

- a. Short-term borrowings

	<u>September 30, 2020</u>		<u>December 31, 2019</u>		<u>September 30, 2019</u>	
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
Credit borrowings	4.35%	<u>\$1,291,112</u>	-	<u>\$ _____ -</u>	2.97%	<u>\$ 93,120</u>

b. Long-term borrowings

	Period	Interest Rate	September 30, 2020	December 31, 2019	September 30, 2019
Unsecured borrowings					
The Export-Import Bank of ROC	2019.09.20- 2026.09.21	0.92%	\$ 500,000	\$ 500,000	\$ 500,000
The Export-Import Bank of ROC	2020.08.25- 2027.08.25	0.92%	1,000,000	-	-
Chinatrust Commercial Bank Co., Ltd.	2020.08.24- 2022.08.24	1.58%	800,000	-	-
Bank of Taiwan	2020.08.24- 2023.08.24	1.42%	<u>1,000,000</u>	<u>-</u>	<u>-</u>
			<u>\$ 3,300,000</u>	<u>\$ 500,000</u>	<u>\$ 500,000</u>

According to the contract, the long-term borrowings of CTBC Bank Co., Ltd. shall maintain a specific financial ratio (current ratio, debt ratio) and net tangible value shall not be less than a specific amount during the every half year. The calculation of the foregoing financial standards is based on the consolidated financial report verified by public accountants.

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

18. OTHER PAYABLES

	September 30, 2020	December 31, 2019	September 30, 2019
Payable for salaries or employee benefits	\$ 1,278,296	\$ 367,537	\$ 255,752
Payable for royalties	391,379	129,494	77,604
Payable for software fee	290,138	58,540	16,366
Payable for investment	242,960	-	-
Payable for professional	242,699	2,117	3,054
Payable for purchase of equipment	241,859	93,619	101,191
Payable for maintenance	191,678	35,135	36,046
Payable for utilities	176,485	-	-
Payable for service	96,208	41,106	56,833
Others	<u>1,215,580</u>	<u>223,510</u>	<u>247,264</u>
	<u>\$ 4,367,282</u>	<u>\$ 951,058</u>	<u>\$ 794,110</u>

19. PROVISIONS

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Current</u>			
Decommissioning costs	\$ 610,730	\$ -	\$ -
Employee benefits	<u>316,438</u>	<u>-</u>	<u>-</u>
	<u>\$ 927,168</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Non-current</u>			
Employee benefits	\$ 1,761,359	\$ -	\$ -
Decommissioning costs	749,081	-	-
Warranties	<u>602,380</u>	<u>101,891</u>	<u>101,891</u>
	<u>\$ 3,112,820</u>	<u>\$ 101,891</u>	<u>\$ 101,891</u>

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

20. RETIREMENT BENEFIT PLANS

Employee benefit expense in respect of the Company's defined benefit retirement plans was calculated using the actuarially determined pension cost discount rate as of December 31, 2019 and 2018, and recognized \$10,201 thousand, \$10,257 thousand, \$29,712 thousand and \$30,114 thousand for the three months ended and nine months ended September 30, 2020 and 2019, respectively.

21. EQUITY

a. Share capital

	September 30, 2020	December 31, 2019	September 30, 2019
Shares authorized (in thousands of shares)	<u>500,000</u>	<u>500,000</u>	<u>300,000</u>
Shares authorized	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>	<u>\$ 3,000,000</u>
Shares issued and fully paid (in thousands of shares)	<u>287,554</u>	<u>287,554</u>	<u>207,554</u>
Shares issued and fully paid	<u>\$ 2,875,544</u>	<u>\$ 2,875,544</u>	<u>\$ 2,075,544</u>
Par value (in New Taiwan dollars)	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 10</u>

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

From July 1 to September 30, 2020, the Company's issued 8,407 thousand shares of ordinary shares due to the conversion of unsecured convertible bonds, the registration of the ordinary shares issuance has not been completed as of September 30.

On July 25, 2019, the Company's board of directors resolved to issue 80,000 thousand ordinary shares with a par value of NT\$10 to enhance working capital. On August 26, 2019, the resolution was approved by the FSC. The consideration of NT\$45 per share was determined by the chairman which was authorized by the board of directors of the Company, the subscription base date was October 23, 2019. The capital collected in advance was NT\$90,283 thousand and the registration of the ordinary shares issuance has not completed as of September 30, 2019.

On December 6, 2019, the extraordinary general shareholders' meeting of the Company resolved to increase its capital by issuing ordinary shares between 60,000 thousand shares and 90,000 thousand shares through the offering of the Global Depository Shares (GDSs) to raise fund for the acquisition of the related business of Panasonic Semiconductor. The offering price for the GDSs was NT\$45 per share. According to the laws, the actual offering price should not be lower than the closing share price of the Company, one of the simple arithmetic averages of the Company's ordinary share closing price for one, three or five business days prior to the pricing data adjusted for any distribution of stock dividends, cash dividends or capital reduction, and 90% of the average price ex-dividends. The total proposed fund amounted to US\$132,787 thousand (at the exchange rate of US\$1:NT\$30.5); the total amount of the actual offering was based on the outstanding unit and price of the GDSs. The chairman was authorized by the board of the Company to set the pricing date and subscription base date after the approval by the FSC. On July 14, 2020, the FSC approved the termination of the offering of the GDSs.

As of September 30, 2020, December 31, 2019 and September 30, 2019, the balance of the Company's capital account amounted to NT\$2,875,544 thousand, NT\$2,875,544 thousand and NT\$2,075,544 thousand, divided into 287,554 thousand ordinary shares, 287,554 thousand ordinary shares and 207,554 thousand ordinary shares with a par value of NT\$10.

b. Capital surplus

	September 30, 2020	December 31, 2019	September 30, 2019
May be used to offset a deficit, distributed as cash dividends, or <u>transferred to share capital*</u>			
Additional paid-in capital	\$ 2,856,991	\$ 2,856,991	\$ 63,485
Conversion of bonds	242,650	-	-
<u>May only be used to offset a deficit</u>			
Cash capital increase reserved for employee share options	49,920	49,920	49,920
Overdue dividends unclaimed	52	52	52
<u>May not be used for any purpose</u>			
Employee share options	<u>13</u>	<u>13</u>	<u>13</u>
	<u>\$ 3,149,626</u>	<u>\$ 2,906,976</u>	<u>\$ 113,470</u>

* Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

c. Retained earnings and dividends policy

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

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

The appropriations of earnings for 2019 and 2018 were approved in the shareholders' meetings on May 29, 2020 and June 24, 2019, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2019	2018	2019	2018
Legal reserve	\$ 55,183	\$ 71,063		
Cash dividends	<u>345,065</u>	<u>518,886</u>	\$1.20	\$2.50
	<u>\$ 400,248</u>	<u>\$ 589,949</u>		

d. Other equity items

- 1) The exchange differences arising on translation of foreign operations' net assets from its functional currency to the Group's presentation currency (New Taiwan dollar) are recognized directly in other comprehensive income. For the three months ended September 30, 2020 and 2019 and the nine months ended September 30, 2020 and 2019, other comprehensive (loss) gain was NT\$(98,660) thousand, NT\$(6,076) thousand, NT\$(116,725) thousand and NT\$18,307 thousand, respectively.
- 2) Unrealized valuation gains (losses) on financial assets at FVTOCI

	For the Nine Months Ended September 30	
	2020	2019
Balance at January 1	\$ 169,544	\$ 179,854
Recognized for the period	(61,242)	50,196
Cumulative unrealized gains (losses) of equity instruments transferred to retained earnings due to disposal	<u>-</u>	<u>(26,893)</u>
Balance at September 30	<u>\$ 108,302</u>	<u>\$ 203,157</u>

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

22. REVENUE

Refer to Note 35 for the Group's revenue.

23. INCOME TAXES RELATING TO CONTINUING OPERATIONS

Income Tax Recognized in Profit or Loss

Major components of income tax expense are as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Current tax				
In respect of the current year	\$ 78,617	\$ 36,056	\$ 176,148	\$ 89,591
Adjustment for prior years' tax	(172)	(3)	(11,417)	464
Deferred tax				
In respect of the current year	<u>11,015</u>	<u>9,000</u>	<u>561</u>	<u>(1,000)</u>
Income tax expense recognized in profit or loss	<u>\$ 89,460</u>	<u>\$ 45,053</u>	<u>\$ 165,292</u>	<u>\$ 89,055</u>

In July 2019, the President of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. When calculating the tax on unappropriated earnings, the Group only deducts the amount of the unappropriated earnings that has been reinvested in capital expenditure.

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

24. EMPLOYEE BENEFITS EXPENSE, DEPRECIATION AND AMORTIZATION

	For the Three Months Ended September 30							
	2020		2019		2020		2019	
	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 benefits	\$ 228,751	\$ 802,418	\$ -	\$1,031,169	\$ 186,384	\$ 520,660	\$ -	\$ 707,044
Post-employment benefits	11,464	73,530	-	84,994	7,781	39,530	-	47,311
Compensation cost of employee share options	-	-	-	-	16,667	33,253	-	49,920
Depreciation	74,513	59,770	14,907	149,190	31,296	42,811	1,143	75,250
Amortization	8,562	42,547	-	51,109	8,383	13,465	-	21,848

For the Nine Months Ended September 30								
2020				2019				
	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 benefits	\$ 604,096	\$1,826,079	\$ -	\$2,430,175	\$ 536,121	\$1,495,232	\$ -	\$2,031,353
Post-employment benefits	26,515	145,117	-	171,632	23,117	115,220	-	138,337
Compensation cost of employee share options	-	-	-	-	16,667	33,253	-	49,920
Depreciation	139,079	157,117	17,101	313,297	90,502	117,793	3,491	211,786
Amortization	25,243	95,911	-	121,154	25,123	41,098	-	66,221

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. For the three months ended September 30, 2020 and 2019 and the nine months ended September 30, 2020 and 2019, the employees' compensation and remuneration of directors were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Employees' compensation	\$ 12,341	\$ 13,918	\$ 38,254	\$ 29,686
Remuneration of directors	2,056	2,320	6,375	4,948

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

The appropriations of employees' compensation and remuneration to the directors of 2019 and 2018 were resolved by the board of directors on February 6, 2020 and February 1, 2019, respectively, were as below:

	2019		2018	
	Amount	%	Amount	%
Employees' compensation	\$ 40,868	6	\$ 50,428	6
Remuneration of directors	6,811	1	8,405	1

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2019 and 2018.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

25. SHARE-BASED PAYMENT ARRANGEMENTS

The Company's board of directors resolved to reserve 10% of the shares from the issuance of 80,000 thousand shares approved by the FSC on August 26, 2019 to be subscribed for by its employees. The number of shares subscribed for by the employees was affirmed on September 3, 2019. 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\$49,920 thousand which was recorded as compensation costs with a corresponding increase in capital surplus.

a. As of December 31, 2019, the Company's Share-based payments agreements are as follows:

Agreement	Grant Date	Number of Shares Grant	Vesting Conditions
Cash capital increase reserved for employee share options	2019.9.3	8,000 thousand shares	Vested immediately

b. The fair value of share options acquired by employees on grant day, September 3, 2019, was measured by using Black-Scholes Option Pricing Model. Relevant information is as follows:

Stock Price (NT\$)	Exercise Price (NT\$)	Expected Price Volatility	Expected Vesting Period	Expected Dividend Yield Rate	Risk-free Interest Rate	Fair Value Per Share (NT\$)
\$50.8	\$45	32.61%	46 days	0.00%	0.43%	\$6.24

26. EARNINGS PER SHARE

	For the Three Months Ended September 30					
	2020			2019		
	Amounts (Numerator) After Income Tax (Attributable to Owners of the Company)	Shares (Denominator) (In Thousands)	Earnings Per Share (NT\$) After Income Tax (Attributable to Owners of the Company)	Amounts (Numerator) After Income Tax (Attributable to Owners of the Company)	Shares (Denominator) (In Thousands)	Earnings Per Share (NT\$) After Income Tax (Attributable to Owners of the Company)
Basic earnings per share						
Net profit attributed to owners of the Company	\$ 119,337	287,990	<u>\$ 0.41</u>	\$ 175,740	207,554	<u>\$ 0.85</u>
Effect of potentially dilutive ordinary shares						
Employees' compensation	-	915		-	611	
Convertible bonds	<u>4.857</u>	<u>43,139</u>		<u>-</u>	<u>-</u>	
Diluted earnings per share						
Net profit attributed to owners of the Company	<u>\$ 124,194</u>	<u>332,044</u>	<u>\$ 0.37</u>	<u>\$ 175,740</u>	<u>208,165</u>	<u>\$ 0.84</u>
	For the Nine Months Ended September 30					
	2020			2019		
	Amounts (Numerator) After Income Tax (Attributable to Owners of the Company)	Shares (Denominator) (In Thousands)	Earnings Per Share (NT\$) After Income Tax (Attributable to Owners of the Company)	Amounts (Numerator) After Income Tax (Attributable to Owners of the Company)	Shares (Denominator) (In Thousands)	Earnings Per Share (NT\$) After Income Tax (Attributable to Owners of the Company)
Basic earnings per share						
Net profit attributed to owners of the Company	\$ 463,228	287,701	<u>\$ 1.61</u>	\$ 390,136	207,554	<u>\$ 1.88</u>
Effect of potentially dilutive ordinary shares						
Employees' compensation	-	1,048		-	735	
Convertible bonds	<u>7,207</u>	<u>21,097</u>		<u>-</u>	<u>-</u>	
Diluted earnings per share						
Net profit attributed to owners of the Company	<u>\$ 470,435</u>	<u>309,846</u>	<u>\$ 1.52</u>	<u>\$ 390,136</u>	<u>208,289</u>	<u>\$ 1.87</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 earnings per share, as the effect is dilutive. The number of shares used in the computation of diluted earnings per share 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 earnings per share until the number of shares to be distributed to employees is resolved in the following year.

27. BUSINESS COMBINATIONS

a. Subsidiaries acquired

Subsidiaries	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Panasonic semiconductor business	Semiconductor business	September 1, 2020	100	<u>\$ 7,936,496</u>

The Group's 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	\$ 7,862,056
Contingent consideration arrangement*	<u>74,440</u>
	<u>\$ 7,936,496</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 returned to Panasonic based on the shareholding ratio (49%), and the estimated amount based on the price allocation report was JPY267,000 thousand (approximately NT\$74,440 thousand). Therefore, the contingent price of the consideration transferred is \$74,440 thousand.

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

	Panasonic Semiconductor Business
Current assets	
Cash and cash equivalents	\$ 1,102,882
Accounts receivable and other receivables	4,469,464
Inventories	4,613,102
Prepayments	216,082
Non-current assets	
Financial asset at measured at fair value through other comprehensive income	960,800
Property, plant and equipment	5,803,534
Investment property	2,503,591
Right-of-use assets	997,787
Intangible assets	83,046
Deferred tax assets	103,259
Other assets	<u>4,639</u>
Total assets	<u>\$ 20,858,186</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>\$ 8,155,464</u>

d. Gain on the bargain purchase

	Panasonic Semiconductor Business
Fair value of identifiable net assets obtained	\$ 8,155,464
Less: Consideration transferred	<u>(7,936,496)</u>
Gain on the bargain purchase	<u>\$ 218,968</u>

e. Net cash outflow on the acquisition of subsidiaries

	Panasonic Semiconductor Business
Consideration paid in cash	\$ 7,936,496
Less: Cash and cash equivalent balances acquired	<u>(1,102,882)</u>
	6,833,614
Acquisition price adjustment	
Investment receivable	277,930
Business tax refund receivable	133,101
Other payable for contract	<u>(316,438)</u>
	<u>\$ 6,928,207</u>

f. Impact of acquisitions on the results of the Group

The financial results of the acquirees since the acquisition dates, which are included in the consolidated statements of comprehensive income, are as follows:

	Panasonic Semiconductor Business
Revenue	<u>\$ 2,214,760</u>
Net loss	<u>\$ (254,140)</u>

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

28. CAPITAL MANAGEMENT

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

29. FINANCIAL INSTRUMENT

a. Categories of financial instruments

	September 30, 2020		December 31, 2019		September 30, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial assets</u>						
Financial assets at amortized cost (Note 1)	\$ 10,288,605	\$ 10,288,605	\$ 6,521,099	\$ 6,521,099	\$ 2,864,647	\$ 2,864,647
Financial assets at FVTPL						
Derivative financial assets	11,326	11,326	6,037	6,037	1,493	1,493
Financial assets at FVTOCI						
Investment in equity instruments	1,994,820	1,994,820	1,117,410	1,117,410	1,167,587	1,167,587
<u>Financial liabilities</u>						
Financial liabilities at amortized cost (Note 2)	14,416,059	14,596,450	2,618,441	2,618,441	2,503,362	2,503,362

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

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

b. Fair value information

- 1) Fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value is observable and the significance in its entirety, which are described as follows:
 - a) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
 - b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
 - c) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).
- 2) Fair value measurements recognized in the consolidated balance sheets
 - a) The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed shares and emerging market shares).
 - b) The fair value of the financial instruments at fair value through profit or loss is based on Level 2 inputs, either directly or indirectly. The fair value of foreign-currency derivative financial instrument could be determined by reference to the price and discount rate of currency swap quoted by financial institutions. Foreign exchange forward contracts are measured using individual maturity rate to calculate the fair value of each contract.

c) Domestic unlisted equity instruments at FVTOCI were all measured based on Level 3 fair value. Fair values of such equity instruments were determined using discounted cash flow of income approach and comparable listed company approach, by referring to strike price of similar business in active market, implied value multiple of the price and relevant information. Significant unobservable inputs included P/E ratio, value multiple and market liquidity discount. As the discounted cash flow method was used, the discount rate used for lack of marketability was 29%; a 1% increase in such discount rate will decrease the fair value of investments by \$8,831 thousand assuming all the other variables are held constant.

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

The Group recognized in the financial statements financial assets and financial liabilities that are not measured at fair value. Management believes the carrying amounts of such financial assets and liabilities approximate their fair values.

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

Fair value hierarchy

	September 30, 2020			Total
	Level 1	Level 2	Level 3	
<u>Financial assets at FVTPL</u>				
Derivative financial assets	\$ _____ -	\$ 11,326	\$ _____ -	\$ 11,326
<u>Financial assets at FVTOCI</u>				
Domestic and overseas listed shares and emerging market shares	\$ 527,546	\$ _____ -	\$ _____ -	\$ 527,546
Domestic and overseas unlisted shares	\$ _____ -	\$ _____ -	\$ 1,467,274	\$ 1,467,274
<u>Financial liabilities at amortized cost</u>				
Bonds payable (unsecured)	\$ 1,864,613	\$ _____ -	\$ _____ -	\$ 1,864,613
	December 31, 2019			
	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Derivative financial assets	\$ _____ -	\$ 6,037	\$ _____ -	\$ 6,037
<u>Financial assets at FVTOCI</u>				
Domestic listed shares and emerging market shares	\$ 61,205	\$ _____ -	\$ _____ -	\$ 61,205
Domestic and overseas unlisted shares	\$ _____ -	\$ _____ -	\$ 1,056,205	\$ 1,056,205

	September 30, 2019			
	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Derivative financial assets	\$ -	\$ 1,493	\$ -	\$ 1,493
<u>Financial assets at FVTOCI</u>				
Domestic listed shares and emerging market shares	\$ 89,628	\$ -	\$ -	\$ 89,628
Domestic and overseas unlisted shares	\$ -	\$ -	\$ 1,077,959	\$ 1,077,959

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 nine months ended September 30, 2020 and 2019 were as follows:

	For the Nine Months Ended September 30	
	2020	2019
Balance at January 1	\$ 1,056,205	\$ 418,733
Purchase	-	630,000
Acquisitions through business combinations	450,882	-
Refund of capital reduction	(2,250)	(4,000)
Recognized in other comprehensive income	<u>(37,563)</u>	<u>33,226</u>
	<u>\$ 1,467,274</u>	<u>\$ 1,077,959</u>

c. Financial risk management objectives and policies

The Group seeks to minimize the effects of financial risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on foreign currency risk, and the use of financial derivatives. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group entered into foreign exchange forward contracts to hedge the foreign currency risk arising on the export business.

a) Foreign currency risk

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

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

The sensitivity analysis included only outstanding foreign currency denominated monetary items at the end of the reporting period and an increase in net income and equity if New Taiwan dollars strengthen by 1% against foreign currencies. For a 1% weakening of New Taiwan dollars against the relevant currency, there would be impact on net income in the amounts of NT\$3,580 thousand increase and NT\$766 thousand increase for the nine months ended September 30, 2020 and 2019, 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:

	September 30, 2020	December 31, 2019	September 30, 2019
Cash flow interest rate risk			
Financial assets	\$ 108,313	\$ 284,413	\$ 108,313
Financial liabilities	4,591,112	500,000	500,000

The sensitivity analysis determined based on the Group's exposure to interest rates for fair value of variable-rate non-derivatives instruments at the end of the reporting period. If interest rates had been higher by one percentage point, the Group's cash inflows for the nine months ended September 30, 2020 and 2019 would have decreased by NT\$31,917 thousand and increased by NT\$3,917 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. In this regard, the management of the Group consider that the Group's credit risk was significantly reduced.

3) Liquidity risk

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

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

	September 30, 2020			
	Within 1 Year	1-2 Years	Over 2 Years	Total
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 7,746,892	\$ -	\$ -	\$ 7,746,892
Lease liabilities	312,028	271,508	1,281,352	1,864,888
Variable interest rate liabilities	-	800,000	2,500,000	3,300,000
Fixed interest rate liabilities	<u>1,291,112</u>	<u>-</u>	<u>1,825,948</u>	<u>3,117,060</u>
	<u>\$ 9,350,032</u>	<u>\$ 1,071,508</u>	<u>\$ 5,607,300</u>	<u>\$ 16,028,840</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>\$ 583,536</u>	<u>\$ 524,465</u>	<u>\$ 756,887</u>	<u>\$ 1,864,888</u>

	December 31, 2019			
	Within 1 Year	1-2 Years	Over 2 Years	Total
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 2,076,872	\$ -	\$ -	\$ 2,076,872
Lease liabilities	126,438	115,424	360,654	602,516
Variable interest rate liabilities	-	-	500,000	500,000
	<u>\$ 2,203,310</u>	<u>\$ 115,424</u>	<u>\$ 860,654</u>	<u>\$ 3,179,388</u>

	September 30, 2019			
	Within 1 Year	1-2 Years	Over 2 Years	Total
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 1,873,191	\$ -	\$ -	\$ 1,873,191
Lease liabilities	111,206	99,658	349,342	560,206
Variable interest rate liabilities	-	-	500,000	500,000
Fixed interest rate liabilities	<u>93,120</u>	<u>-</u>	<u>-</u>	<u>93,120</u>
	<u>\$ 2,077,517</u>	<u>\$ 99,658</u>	<u>\$ 849,342</u>	<u>\$ 3,026,517</u>

d. Transfers of financial assets

Factored accounts receivable that are not yet overdue at the end of the period were as follows:

Counterparty	Receivables Factoring Proceeds	Advances Received - Unused	Advances Received - Used	Annual Interest Rates on Advances Received (Used) (%)
Sumitomo Mitsui Banking Corporation	<u>\$ 251,611</u>	<u>\$ -</u>	<u>\$ 251,611</u>	<u>0.9</u>

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

30. TRANSACTIONS WITH RELATED PARTIES

a. Related party name and categories

Related Party Name	Related Party Categories
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
Techdesign Corporation	Associate
Callisto Holding Limited	Associate
Tower Partners Semiconductor Co., Ltd. ("TPSCo.")	Related party in substance
Nyquest Technology Co., Ltd. ("Nyquest")	Related party in substance
Walton Advanced Engineering Inc.	Related party in substance
Chin Cherng Construction Co., Ltd.	Related party in substance
United Industrial Gases Co., Ltd.	Related party in substance

b. Operating activities

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
1) Operating revenue				
Related party in substance	\$ 77,530	\$ 62,984	\$ 163,020	\$ 189,225
Associate	<u>22,339</u>	<u>27,212</u>	<u>68,541</u>	<u>57,371</u>
	<u>\$ 99,869</u>	<u>\$ 90,196</u>	<u>\$ 231,561</u>	<u>\$ 246,596</u>
2) Purchases of goods				
Related party in substance				
TPSCo.	\$ 771,855	\$ -	\$ 771,855	\$ -
Parent company	<u>56,632</u>	<u>25,723</u>	<u>141,197</u>	<u>105,210</u>
	<u>\$ 828,487</u>	<u>\$ 25,723</u>	<u>\$ 913,052</u>	<u>\$ 105,210</u>

(Continued)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
3) Manufacturing expenses				
Parent company	\$ <u>59</u>	\$ <u>-</u>	\$ <u>279</u>	\$ <u>-</u>
4) Operating expenses				
Related party in substance	\$ 47,738	\$ 2,695	\$ 53,128	\$ 8,085
Parent company	7,341	2,734	14,645	5,863
Associate	<u>1,891</u>	<u>2,001</u>	<u>5,750</u>	<u>5,976</u>
	\$ <u>56,970</u>	\$ <u>7,430</u>	\$ <u>73,523</u>	\$ <u>19,924</u>
5) Dividend income				
Related party in substance				
United Industrial Gases Co., Ltd.	\$ -	\$ -	\$ 64,394	\$ 62,858
Nyquest Technology Co., Ltd.	<u>-</u>	<u>-</u>	<u>3,300</u>	<u>7,636</u>
	\$ <u>-</u>	\$ <u>-</u>	\$ <u>67,694</u>	\$ <u>70,494</u>
6) Other income				
Parent company	\$ <u>(18)</u>	\$ <u>-</u>	\$ <u>2</u>	\$ <u>-</u> (Concluded)
		September 30, 2020	December 31, 2019	September 30, 2019
7) Accounts receivable from related parties				
Related party in substance	\$ 64,333	\$ 45,903	\$ 46,211	\$ 46,211
Associate	<u>11,825</u>	<u>21,491</u>	<u>13,488</u>	<u>13,488</u>
	\$ <u>76,158</u>	\$ <u>67,394</u>	\$ <u>59,699</u>	\$ <u>59,699</u>
8) Other receivables				
Related party in substance				
TPSCo.	\$ 288,662	\$ -	\$ -	\$ -
Associate	<u>179</u>	<u>94</u>	<u>80</u>	<u>80</u>
	\$ <u>288,841</u>	\$ <u>94</u>	\$ <u>80</u>	\$ <u>80</u>

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

	September 30, 2020	December 31, 2019	September 30, 2019
9) Refundable deposits			
Parent company	\$ 1,780	\$ 1,780	\$ -
Related party in substance	<u>1,722</u>	<u>1,722</u>	<u>1,722</u>
	<u>\$ 3,502</u>	<u>\$ 3,502</u>	<u>\$ 1,722</u>
10) Accounts payable to related parties			
Related party in substance			
TPSCo.	\$ 842,316	\$ -	\$ -
Parent company	<u>38,609</u>	<u>24,535</u>	<u>15,518</u>
	<u>\$ 880,925</u>	<u>\$ 24,535</u>	<u>\$ 15,518</u>
11) Other payables			
Related party in substance	\$ 59,078	\$ -	\$ -
Parent company	<u>32,469</u>	<u>2,740</u>	<u>1,252</u>
	<u>\$ 91,547</u>	<u>\$ 2,740</u>	<u>\$ 1,252</u>
12) Guarantee deposits			
Parent company	<u>\$ 545</u>	<u>\$ 545</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.

c. Lease arrangements - Group is lessee

	September 30, 2020	December 31, 2019	September 30, 2019
1) Lease liabilities			
Parent company	\$ 51,011	\$ 59,750	\$ -
Related party in substance	25,070	32,869	35,447
Associate	<u>9,621</u>	<u>15,652</u>	<u>18,151</u>
	<u>\$ 85,702</u>	<u>\$ 108,271</u>	<u>\$ 53,598</u>

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
2) Interest expense				
Parent company	\$ 138	\$ -	439	\$ -
Associate	92	167	330	550
Related party in substance	<u>104</u>	<u>146</u>	<u>344</u>	<u>469</u>
	<u>\$ 334</u>	<u>\$ 313</u>	<u>\$ 1,113</u>	<u>\$ 1,019</u>

d. Lease arrangements - Group is lessor/Sublease arrangements

Sublease arrangements under operating leases

For the nine months ended September 30, 2020 and 2019 and from September 1, 2020 to September 30, 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 3 years, and the rental is based on similar asset's market rental rates and fixed lease payments are received monthly.

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

	September 30, 2020	December 31, 2019	September 30, 2019
Parent company	\$ 511	\$ 434	\$ 489
Associate	<u>250</u>	<u>269</u>	<u>277</u>
	<u>\$ 761</u>	<u>\$ 703</u>	<u>\$ 766</u>

2) Future lease payment receivables are as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Parent company	\$ 7,620	\$ 11,430	\$ 12,404
Associate	2,363	535	969
Related party in substance	<u>1,013,831</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,023,814</u>	<u>\$ 11,965</u>	<u>\$ 13,373</u>

3) Lease income was as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Parent company	\$ 984	\$ 1,021	\$ 2,903	\$ 3,030
Associate	377	418	1,155	1,247
Related party in substance	<u>21,483</u>	<u>-</u>	<u>21,483</u>	<u>-</u>
	<u>\$ 22,844</u>	<u>\$ 1,439</u>	<u>\$ 25,541</u>	<u>\$ 4,277</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.

Endorsements and guarantees given by related parties

Related Party Category/Name	September 30, 2020	December 31, 2019	September 30, 2019
Parent company			
Amount endorsed	<u>\$ 4,464,524</u>	<u>\$ -</u>	<u>\$ -</u>
Amount utilized (reported as secured bank loans)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

f. Compensation of key management personnel

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Short-term employee benefits	\$ 24,110	\$ 17,666	\$ 72,405	\$ 61,213
Post-employment benefits	722	893	1,999	2,336
Compensation cost of employee share options	<u>-</u>	<u>2,315</u>	<u>-</u>	<u>2,315</u>
	<u>\$ 24,832</u>	<u>\$ 20,874</u>	<u>\$ 74,404</u>	<u>\$ 65,864</u>

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

31. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

Please refer to Note 6.

32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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. The court stipulated that the defendant must submit a defense within 30 days. The Company continues to evaluate the possible impact on business operation and financial position, and will conduct related litigation matters in accordance with the procedures established by the court.

33. OTHER ITEMS

In the first three quarters of 2020, 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 doubts about the ability of the Group to going concern, assets impairment and financing risks.

34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The 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:

	September 30, 2020		
	Foreign Currencies (Thousand)	Exchange Rate (Note)	New Taiwan Dollars (Thousand)
<u>Financial assets</u>			
Monetary items			
USD	\$ 57,390	29.10	\$ 1,670,061
ILS	16,628	8.4314	140,198
RMB	9,512	4.269	40,605
<u>Financial liabilities</u>			
Monetary items			
USD	44,595	29.10	1,297,727
ILS	17,462	8.4314	147,230
JPY	75,895	0.2756	20,917
RMB	7,360	4.269	31,419
	December 31, 2019		
	Foreign Currencies (Thousand)	Exchange Rate (Note)	New Taiwan Dollars (Thousand)
<u>Financial assets</u>			
Monetary items			
USD	\$ 40,291	29.98	\$ 1,207,919
ILS	14,128	8.6652	122,421
RMB	952	4.305	4,101
<u>Financial liabilities</u>			
Monetary items			
USD	26,123	29.98	783,180
ILS	17,812	8.6652	154,348
JPY	62,389	0.276	17,219
RMB	1,053	4.305	4,532

	September 30, 2019		
	Foreign Currencies (Thousand)	Exchange Rate (Note)	New Taiwan Dollars (Thousand)
<u>Financial assets</u>			
Monetary items			
USD	\$ 39,247	31.04	\$ 1,218,222
ILS	18,948	8.9183	168,985
RMB	2,204	4.35	9,589
<u>Financial liabilities</u>			
Monetary items			
USD	41,573	31.04	1,290,422
ILS	19,332	8.9183	172,320
JPY	60,652	0.2878	17,456
RMB	1,288	4.35	5,605

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

For the three months ended September 30, 2020 and 2019 and the nine months ended September 30, 2020 and 2019, realized and unrealized net foreign exchange gains (losses) were NT\$18,146 thousand, NT\$4,825 thousand, NT\$14,833 thousand and NT\$12,085 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.

35. SEGMENT INFORMATION

a. Basic information about operating segment

1) Classification of operating segments

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

a) General IC product segment

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

b) Foundry service segment

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

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

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

b. Segment revenues and operating results

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

	Segment Revenue		Segment Profit and Loss	
	For the Nine Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
General IC products	\$ 9,101,194	\$ 6,161,323	\$ 1,037,953	\$ 675,353
Foundry service	1,514,473	1,404,276	519,045	405,536
Total of segment revenue	10,615,667	7,565,599	1,556,998	1,080,889
Other revenue	183,199	12,219	177,693	6,669
Operating revenue	\$ 10,798,866	\$ 7,577,818	1,734,691	1,087,558
Unallocated expenditure				
Administrative and supporting expense			(902,153)	(318,108)
Sales and other common expenses			(548,102)	(366,157)
Income from operations			284,436	403,293
Finance costs			(33,567)	(9,927)
Interest income			18,552	10,958
Dividend income			67,746	70,529
Gain on the bargain purchase			218,968	-
Other gains and losses			43,574	9,378
Gains (losses) on disposal of property, plant and equipment			10,057	(101)
Foreign exchange gains (losses)			14,833	12,085
Gains (losses) on financial instruments at fair value through profit or loss			3,921	(17,024)
Profit before income tax			\$ 628,520	\$ 479,191