

**Winbond Electronics Corporation and
Subsidiaries**

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

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Winbond Electronics Corporation

Introduction

We have reviewed the accompanying consolidated financial statements of Winbond Electronics Corporation and its subsidiaries (the Group) as of June 30, 2020 and 2019, and the consolidated statements of comprehensive income for the three-month periods ended June 30, 2020 and 2019 and for the six-month periods ended June 30, 2020 and 2019, as well as the consolidated statements of changes in equity and cash flows for the six-month periods ended June 30, 2020 and 2019, and the notes to the consolidated financial statements, including a summary of significant accounting policies. 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". Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2020 and 2019, its consolidated financial performance for the three-month periods ended June 30, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the six-month periods then ended June 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.

The engagement partners on the reviews resulting in this independent auditors' review report are Wen-Yea Shyu and Hung-Bin Yu.

Wen-Yea Shyu

Hung-Bin Yu

Deloitte & Touche
Taipei, Taiwan
Republic of China

July 30, 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.

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2020 (Reviewed)		December 31, 2019 (Audited)		June 30, 2019 (Reviewed)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 12,558,789	12	\$ 11,467,907	11	\$ 14,074,081	13
Current financial assets at fair value through profit or loss (Note 7)	43,917	-	75,462	-	16,765	-
Current financial assets at fair value through other comprehensive income (Note 8)	6,367,268	6	7,225,588	7	5,948,141	6
Notes and accounts receivable, net (Note 9)	6,675,106	6	6,085,003	6	6,397,778	6
Accounts receivable due from related parties, net (Note 26)	35,901	-	45,903	-	55,810	-
Other receivables (Note 6)	825,813	1	750,720	1	756,149	1
Inventories (Note 10)	10,582,810	10	10,332,143	10	11,068,487	11
Other current assets	<u>1,521,278</u>	<u>2</u>	<u>1,574,560</u>	<u>1</u>	<u>870,745</u>	<u>1</u>
Total current assets	<u>38,610,882</u>	<u>37</u>	<u>37,557,286</u>	<u>36</u>	<u>39,187,956</u>	<u>38</u>
NON-CURRENT ASSETS						
Non-current financial assets at fair value through other comprehensive income (Note 8)	1,495,652	1	1,501,756	2	873,072	1
Investments accounted for using equity method (Note 11)	3,564,835	3	4,548,939	4	3,624,675	4
Property, plant and equipment (Note 12)	55,340,204	54	56,977,114	54	55,729,631	54
Right-of-use assets (Note 13)	2,274,545	2	2,298,393	2	2,325,373	2
Investment properties (Note 14)	40,879	-	44,207	-	48,753	-
Intangible assets (Note 15)	798,466	1	407,722	-	298,265	-
Deferred income tax assets (Note 4)	901,792	1	923,902	1	875,931	1
Other non-current assets (Note 6)	<u>513,440</u>	<u>1</u>	<u>545,581</u>	<u>1</u>	<u>316,104</u>	<u>-</u>
Total non-current assets	<u>64,929,813</u>	<u>63</u>	<u>67,247,614</u>	<u>64</u>	<u>64,091,804</u>	<u>62</u>
TOTAL	<u>\$ 103,540,695</u>	<u>100</u>	<u>\$ 104,804,900</u>	<u>100</u>	<u>\$ 103,279,760</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 16)	\$ 400,000	-	\$ 1,000,000	1	\$ -	-
Notes and accounts payable	4,605,698	5	4,786,251	5	4,243,636	4
Accounts payable to related parties (Note 26)	850,714	1	911,529	1	1,155,343	1
Payables on machinery and equipment	2,566,998	3	3,013,266	3	3,646,319	4
Dividends payables (Note 19)	398,000	-	-	-	3,980,000	4
Other payables	3,449,502	3	3,125,368	3	3,627,125	4
Current tax liabilities (Note 4)	176,493	-	198,242	-	178,685	-
Lease liabilities - current (Note 13)	200,622	-	186,556	-	181,855	-
Long-term borrowings - current portion (Note 16)	4,000,000	4	4,123,520	4	5,223,520	5
Other current liabilities	<u>187,017</u>	<u>-</u>	<u>170,736</u>	<u>-</u>	<u>136,944</u>	<u>-</u>
Total current liabilities	<u>16,835,044</u>	<u>16</u>	<u>17,515,468</u>	<u>17</u>	<u>22,373,427</u>	<u>22</u>
NON-CURRENT LIABILITIES						
Bonds payable (Notes 4 and 17)	11,944,102	12	9,931,746	10	9,925,729	10
Long-term borrowings (Note 16)	8,924,313	9	9,730,473	9	7,029,523	7
Lease liabilities - non-current (Note 13)	2,068,335	2	2,096,115	2	2,118,056	2
Net defined benefit liabilities - non-current (Note 4)	1,228,390	1	1,251,869	1	1,141,846	1
Other non-current liabilities	<u>447,333</u>	<u>-</u>	<u>422,042</u>	<u>-</u>	<u>424,487</u>	<u>-</u>
Total non-current liabilities	<u>24,612,473</u>	<u>24</u>	<u>23,432,245</u>	<u>22</u>	<u>20,639,641</u>	<u>20</u>
Total liabilities	<u>41,447,517</u>	<u>40</u>	<u>40,947,713</u>	<u>39</u>	<u>43,013,068</u>	<u>42</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 19)						
Share capital	39,800,002	38	39,800,002	38	39,800,002	39
Capital surplus	7,536,396	7	7,536,396	7	7,540,472	7
Retained earnings						
Legal reserve	1,913,317	2	1,798,091	2	1,798,091	2
Unappropriated earnings	7,342,731	7	6,995,451	6	6,728,212	6
Exchange differences on translation of foreign financial statements	(169,836)	-	(119,246)	-	4,369	-
Unrealized gains on financial assets measured at fair value through other comprehensive income	<u>2,856,833</u>	<u>3</u>	<u>5,009,928</u>	<u>5</u>	<u>3,052,551</u>	<u>3</u>
Total equity attributable to owners of the parent	59,279,443	57	61,020,622	58	58,923,697	57
NON-CONTROLLING INTERESTS	<u>2,813,735</u>	<u>3</u>	<u>2,836,565</u>	<u>3</u>	<u>1,342,995</u>	<u>1</u>
Total equity	<u>62,093,178</u>	<u>60</u>	<u>63,857,187</u>	<u>61</u>	<u>60,266,692</u>	<u>58</u>
TOTAL	<u>\$ 103,540,695</u>	<u>100</u>	<u>\$ 104,804,900</u>	<u>100</u>	<u>\$ 103,279,760</u>	<u>100</u>

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

(With Deloitte & Touche review report dated July 30, 2020)

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

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

	Three Months Ended June 30				Six Months Ended June 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE	\$ 12,752,595	100	\$ 12,011,669	100	\$ 24,301,598	100	\$ 22,898,437	100
OPERATING COST (Note 10)	<u>9,014,425</u>	<u>71</u>	<u>8,856,296</u>	<u>74</u>	<u>17,776,974</u>	<u>73</u>	<u>16,294,615</u>	<u>71</u>
GROSS PROFIT	<u>3,738,170</u>	<u>29</u>	<u>3,155,373</u>	<u>26</u>	<u>6,524,624</u>	<u>27</u>	<u>6,603,822</u>	<u>29</u>
OPERATING EXPENSES								
Selling expenses	310,193	2	357,559	3	622,584	3	709,892	3
General and administrative expenses	562,297	4	486,998	4	1,094,089	4	953,550	4
Research and development expenses	1,977,837	16	2,056,400	17	3,889,172	16	4,042,877	18
Expected credit loss (Note 9)	<u>12,043</u>	<u>-</u>	<u>9,540</u>	<u>-</u>	<u>11,170</u>	<u>-</u>	<u>590</u>	<u>-</u>
Total operating expenses	<u>2,862,370</u>	<u>22</u>	<u>2,910,497</u>	<u>24</u>	<u>5,617,015</u>	<u>23</u>	<u>5,706,909</u>	<u>25</u>
INCOME FROM OPERATIONS	<u>875,800</u>	<u>7</u>	<u>244,876</u>	<u>2</u>	<u>907,609</u>	<u>4</u>	<u>896,913</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES								
Interest income	12,704	-	26,419	-	29,232	-	51,711	-
Dividend income	67,694	1	322,494	3	67,694	-	322,494	1
Other income	17,296	-	24,794	-	29,072	-	33,224	-
Gains (losses) on disposal of property, plant and equipment	(10,372)	-	12	-	(10,004)	-	(975)	-
Gains (losses) on financial instruments at fair value through profit or loss	72,230	1	(63,040)	(1)	20,461	-	(103,295)	-
Foreign exchange gains (losses)	(100,968)	(1)	55,632	-	(49,000)	-	79,912	-
Share of profit (loss) of associates accounted for using equity method	52,144	-	106,949	1	37,316	-	104,733	-
Interest expense	(67,947)	(1)	(50,801)	-	(135,894)	(1)	(93,555)	-
Other expenses	<u>(40,398)</u>	<u>-</u>	<u>(29,940)</u>	<u>-</u>	<u>(79,400)</u>	<u>-</u>	<u>(59,457)</u>	<u>-</u>
Total non-operating income and expenses	<u>2,383</u>	<u>-</u>	<u>392,519</u>	<u>3</u>	<u>(90,523)</u>	<u>(1)</u>	<u>334,792</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	878,183	7	637,395	5	817,086	3	1,231,705	5
INCOME TAX EXPENSE (Notes 4 and 22)	<u>39,930</u>	<u>1</u>	<u>102,589</u>	<u>1</u>	<u>60,359</u>	<u>-</u>	<u>268,675</u>	<u>1</u>
NET PROFIT	<u>838,253</u>	<u>6</u>	<u>534,806</u>	<u>4</u>	<u>756,727</u>	<u>3</u>	<u>963,030</u>	<u>4</u>

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WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

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

	Three Months Ended June 30				Six Months Ended June 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)								
Components of other comprehensive income (loss) that will not be reclassified to profit or loss:								
Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	\$ 1,243,031	10	\$ (1,150,694)	(9)	\$ (1,002,536)	(4)	\$ (457,478)	(2)
Share of other comprehensive income (loss) of associates accounted for using the equity method	678,302	5	(251,899)	(2)	(930,000)	(4)	(10,534)	-
Components of other comprehensive income (loss) that will be reclassified to profit or loss:								
Exchange differences on translation of foreign financial statements	(59,626)	-	31,480	-	(57,535)	-	64,657	-
Other comprehensive income (loss)	1,861,707	15	(1,371,113)	(11)	(1,990,071)	(8)	(403,355)	(2)
TOTAL COMPREHENSIVE INCOME (LOSS)	\$ 2,699,960	21	\$ (836,307)	(7)	\$ (1,233,344)	(5)	\$ 559,675	2
NET PROFIT								
ATTRIBUTABLE TO:								
Owners of the parent	\$ 709,337	6	\$ 462,171	4	\$ 622,485	3	\$ 877,400	4
Non-controlling interests	128,916	1	72,635	-	134,242	-	85,630	-
	<u>\$ 838,253</u>	<u>7</u>	<u>\$ 534,806</u>	<u>4</u>	<u>\$ 756,727</u>	<u>3</u>	<u>\$ 963,030</u>	<u>4</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:								
Owners of the parent	\$ 2,567,692	20	\$ (888,501)	(7)	\$ (1,343,179)	(5)	\$ 461,090	2
Non-controlling interests	132,268	1	52,194	-	109,835	-	98,585	-
	<u>\$ 2,699,960</u>	<u>21</u>	<u>\$ (836,307)</u>	<u>(7)</u>	<u>\$ (1,233,344)</u>	<u>(5)</u>	<u>\$ 559,675</u>	<u>2</u>
EARNINGS PER SHARE								
(Note 23)								
Basic	<u>\$ 0.18</u>		<u>\$ 0.12</u>		<u>\$ 0.16</u>		<u>\$ 0.22</u>	
Diluted	<u>\$ 0.18</u>		<u>\$ 0.12</u>		<u>\$ 0.16</u>		<u>\$ 0.22</u>	

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

(With Deloitte & Touche review report dated July 30, 2020)

(Concluded)

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Equity Attributable to Owners of the Parent					Other Equity		Non-controlling Interests	Total Equity
	Share Capital	Capital Surplus	Retained Earnings		Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Financial Assets Measured at Fair Value Through Other Comprehensive Income	Total		
			Legal Reserve	Unappropriated Earnings					
BALANCE, JANUARY 1, 2019	\$ 39,800,002	\$ 7,540,440	\$ 1,053,441	\$ 10,567,845	\$ (50,780)	\$ 3,533,423	\$ 62,444,371	\$ 1,446,726	\$ 63,891,097
Appropriation of 2018 earnings									
Legal reserve	-	-	744,650	(744,650)	-	-	-	-	-
Cash dividends	-	-	-	(3,980,000)	-	-	(3,980,000)	-	(3,980,000)
Total appropriations	-	-	744,650	(4,724,650)	-	-	(3,980,000)	-	(3,980,000)
Net profit for the six months ended June 30, 2019	-	-	-	877,400	-	-	877,400	85,630	963,030
Other comprehensive income (loss) for the six months ended June 30, 2019	-	-	-	-	55,149	(471,459)	(416,310)	12,955	(403,355)
Total comprehensive income (loss) for the six months ended June 30, 2019	-	-	-	877,400	55,149	(471,459)	461,090	98,585	559,675
Other changes in capital surplus	-	32	-	-	-	-	32	20	52
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	7,617	-	(9,413)	(1,796)	-	(1,796)
Decrease in non-controlling interests	-	-	-	-	-	-	-	(202,336)	(202,336)
BALANCE, JUNE 30, 2019	<u>\$ 39,800,002</u>	<u>\$ 7,540,472</u>	<u>\$ 1,798,091</u>	<u>\$ 6,728,212</u>	<u>\$ 4,369</u>	<u>\$ 3,052,551</u>	<u>\$ 58,923,697</u>	<u>\$ 1,342,995</u>	<u>\$ 60,266,692</u>
BALANCE, JANUARY 1, 2020	\$ 39,800,002	\$ 7,536,396	\$ 1,798,091	\$ 6,995,451	\$ (119,246)	\$ 5,009,928	\$ 61,020,622	\$ 2,836,565	\$ 63,857,187
Appropriation of 2019 earnings									
Legal reserve	-	-	115,226	(115,226)	-	-	-	-	-
Cash dividends	-	-	-	(398,000)	-	-	(398,000)	-	(398,000)
Total appropriations	-	-	115,226	(513,226)	-	-	(398,000)	-	(398,000)
Net profit for the six months ended June 30, 2020	-	-	-	622,485	-	-	622,485	134,242	756,727
Other comprehensive income (loss) for the six months ended June 30, 2020	-	-	-	-	(50,590)	(1,915,074)	(1,965,664)	(24,407)	(1,990,071)
Total comprehensive income (loss) for the six months ended June 30, 2020	-	-	-	622,485	(50,590)	(1,915,074)	(1,343,179)	109,835	(1,233,344)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	238,021	-	(238,021)	-	-	-
Decrease in non-controlling interests	-	-	-	-	-	-	-	(132,665)	(132,665)
BALANCE, JUNE 30, 2020	<u>\$ 39,800,002</u>	<u>\$ 7,536,396</u>	<u>\$ 1,913,317</u>	<u>\$ 7,342,731</u>	<u>\$ (169,836)</u>	<u>\$ 2,856,833</u>	<u>\$ 59,279,443</u>	<u>\$ 2,813,735</u>	<u>\$ 62,093,178</u>

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

(With Deloitte & Touche review report dated July 30, 2020)

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Six Months Ended June 30	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 817,086	\$ 1,231,705
Adjustments for:		
Depreciation expense	4,484,882	4,235,395
Amortization expense	90,774	52,300
Expected credit loss recognized on accounts receivable	11,170	590
Provision for (reversal of) declines in market value, obsolescence and scraps of inventories	177,292	558,037
Net (gains) losses on financial assets and liabilities at fair value through profit or loss	31,545	(8,475)
Interest expense	135,894	93,555
Interest income	(29,232)	(51,711)
Dividend income	(67,694)	(322,494)
Share of (profit) loss of associates accounted for using equity method	(37,316)	(104,733)
(Gains) losses on disposal of property, plant and equipment	10,004	975
Other adjustment to reconcile (profit) loss	(4)	(669)
Changes in operating assets and liabilities		
(Increase) decrease in accounts receivable	(600,593)	70,398
(Increase) decrease in accounts receivable due from related parties	10,002	(11,513)
(Increase) decrease in other receivables	22,172	(40,517)
(Increase) decrease in inventories	(427,959)	(718,418)
(Increase) decrease in other current assets	46,311	6,741
(Increase) decrease in other non-current assets	31,185	(1,827)
Increase (decrease) in notes and accounts payable	(180,552)	(74,230)
Increase (decrease) in accounts payable to related parties	(60,815)	525,662
Increase (decrease) in other payables	(44,125)	(404,125)
Increase (decrease) in other current liabilities	16,281	(5,600)
Increase (decrease) in other non-current liabilities	<u>1,812</u>	<u>(16,238)</u>
Cash generated from (used in) operations	4,438,120	5,014,808
Interest received	29,943	52,696
Dividends received	64,394	62,858
Interest paid	(154,032)	(101,624)
Income taxes paid	<u>(65,223)</u>	<u>(182,498)</u>
Net cash flows from (used in) operating activities	<u>4,313,202</u>	<u>4,846,240</u>

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WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Six Months Ended June 30	
	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of financial assets at fair value through other comprehensive income	\$ (501,647)	\$ (213,717)
Proceeds from disposal of financial assets at fair value through other comprehensive income	360,076	46,068
Acquisitions of property, plant and equipment	(3,107,890)	(6,511,633)
Proceeds from disposal of property, plant and equipment	688	324
Acquisitions of intangible assets	<u>(278,787)</u>	<u>(110,786)</u>
Net cash flows from (used in) investing activities	<u>(3,527,560)</u>	<u>(6,789,744)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	(600,000)	-
Proceeds from long-term borrowings	1,300,000	5,600,000
Repayments of long-term borrowings	(2,247,040)	(1,961,760)
Increase in bonds payable	2,003,628	-
Change in non-controlling interests	-	20
Repayments of lease liabilities	(103,621)	(97,098)
Other financing activities	<u>-</u>	<u>(134,968)</u>
Net cash flows from (used in) financing activities	<u>352,967</u>	<u>3,406,194</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(47,727)</u>	<u>51,760</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,090,882	1,514,450
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>11,467,907</u>	<u>12,559,631</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 12,558,789</u>	<u>\$ 14,074,081</u>

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

(With Deloitte & Touche review report dated July 30, 2020)

(Concluded)

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

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

1. GENERAL INFORMATION

Winbond Electronics Corporation (the “Company”) was incorporated in the Republic of China (ROC) on September 29, 1987 and is engaged in the design, development, manufacture and marketing of Very Large Scale Integration (VLSI) integrated circuits (ICs) used in a variety of microelectronic applications.

The Company’s shares have been listed on the Taiwan Stock Exchange Corporation since October 18, 1995. Walsin Lihwa Corporation is a major shareholder of the Company and held approximately 22% ownership interest in the Company as of June 30, 2020 and 2019.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on July 30, 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), IFRIC Interpretations (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 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, 2022
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 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.

Except for the above impact, 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 International Accounting Standard 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in the interim consolidated financial statements do not present all the disclosures required for a complete set of annual financial statements.

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments and defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets 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

a. Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company. 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.

Attribution of total comprehensive income to non-controlling interests

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

Changes in the Group's ownership interests in existing subsidiaries

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

b. Subsidiaries included in consolidated financial statements

Investor	Investee	Main Business	% of Ownership		
			June 30, 2020	December 31, 2019	June 30, 2019
The Company	Winbond Int'l Corporation ("WIC")	Investment holding	100.00	100.00	100.00
WIC	Winbond Electronics Corp. America ("WECA")	Design, sales and after-sales service of semiconductor	100.00	100.00	100.00
The Company	Landmark Group Holdings Ltd. ("Landmark")	Investment holding	100.00	100.00	100.00
Landmark	Winbond Electronics Corp. Japan ("WECAJ")	Research, development, sales and after-sales service of semiconductor	100.00	100.00	100.00
Landmark	Peaceful River Corp. ("PRC")	Investment holding	100.00	100.00	100.00
The Company	Winbond Electronics (HK) Limited ("WEHK")	Sale of semiconductor and investment holding	100.00	100.00	100.00
WEHK	Winbond Electronics (Suzhou) Limited ("WECN")	Design, development and marketing of VLSI integrated ICs	100.00	100.00	100.00
The Company	Pine Capital Investment Limited ("PCI")	Investment holding	100.00	100.00	100.00
The Company	Mobile Magic Design Corporation ("MMDC") (Note 1)	Design, development and marketing of Pseudo SRAM	-	-	100.00
The Company	Winbond Technology LTD ("WTL")	Design and service of semiconductor	100.00	100.00	100.00
The Company	Callisto Holdings Limited ("Callisto")	Electronic commerce and investment holding	100.00	100.00	100.00
Callisto	Callisto Technology Limited ("CTL")	Electronic commerce and investment holding	100.00	100.00	100.00
The Company	Winbond Electronics Germany GmbH ("WEG") (Note 2)	Sales and service of semiconductor	100.00	100.00	-
The Company	Great Target Development Ltd. ("GTD") (Note 3)	Investment holding	100.00	100.00	-
GTD	GLMTD Technology Private Limited ("GLMTD") (Note 3)	Sales and service of semiconductor	99.99	99.99	-
The Company	Nuvoton Technology Corporation ("NTC")	Research, development, design, manufacture and marketing of Logic IC, 6 inch wafer product, test, and OEM	62.00	62.00	61.00
NTC	Marketplace Management Ltd. ("MML")	Investment holding	100.00	100.00	100.00

(Continued)

Investor	Investee	Main Business	% of Ownership		
			June 30, 2020	December 31, 2019	June 30, 2019
MML	Goldbond LLC (“GLLC”)	Investment holding	100.00	100.00	100.00
GLLC	Nuvoton Electronics Technology (Shanghai) Limited (“NTSH”)	Provide project of sale in China and repair, test and consult of software	100.00	100.00	100.00
GLLC	Winbond Electronics (Nanjing) Ltd. (“WENJ”)	Computer software service (except I.C. design)	100.00	100.00	100.00
NTC	Nuvoton Technology Corp. America (“NTCA”)	Design, sales and after-sales service of semiconductor	100.00	100.00	100.00
NTC	Nuvoton Investment Holding Ltd. (“NIH”)	Investment holding	100.00	100.00	100.00
NIH	Nuvoton Technology Israel Ltd. (“NTIL”)	Design and service of semiconductor	100.00	100.00	100.00
NTC	Nuvoton Electronics Technology (H.K.) Limited (“NTHK”)	Sales of semiconductor	100.00	100.00	100.00
NTHK	Nuvoton Electronics Technology (Shenzhen) Limited (“NTSZ”)	Computer software service (except I.C. design), wholesale business for computer, supplement and software	100.00	100.00	100.00
NTC	Song Yong Investment Corporation (“SYI”)	Investment holding	100.00	100.00	100.00
NTC	Nuvoton Technology India Private Limited (“NTIPL”)	Design, sales and service of semiconductor	100.00	100.00	100.00
NTC	Nuvoton Technology Singapore Pte. Ltd. (“NTSPL”) (Note 4)	Design, sales and service of semiconductor	100.00	-	-
NTC	Nuvoton Technology Korea Limited (“NTKR”) (Note 5)	Design, sales and service of semiconductor	100.00	-	-

(Concluded)

Note 1: MMDC conducted a short-form merger with the Company on the effective date of October 1, 2019. The Company is the surviving company after the short-form merger.

Note 2: A capital was injected in WEG, which was incorporated in November 2019.

Note 3: The Company purchased GTD in July 2019 and indirectly hold GLMTD with 99.99% ownership.

Note 4: NTSPL was incorporated in March 2020 and NTC had injected a capital.

Note 5: NTKR was incorporated in June 2020 and NTC had injected a capital.

Other Significant Accounting Policies

Except for the following, please refer to the consolidated financial statements for the year ended December 31, 2019.

a. Retirement benefits

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

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

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

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

b. Taxation

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

c. 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 remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised; in which case, the balance recognized in equity will be transferred to capital surplus - share premiums. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premiums.

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

d. 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 June 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.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Group considers the 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 estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The Group’s critical accounting judgments and key sources of estimation uncertainty is below:

a. Valuation of inventory

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

b. Impairment of financial assets

The provision for impairment of accounts receivable is based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group’s past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 9. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	June 30, 2020	December 31, 2019	June 30, 2019
Cash and deposits in banks	\$ 11,178,989	\$ 9,758,907	\$ 12,998,557
Repurchase agreements collateralized by bonds	<u>1,379,800</u>	<u>1,709,000</u>	<u>1,075,524</u>
	<u>\$ 12,558,789</u>	<u>\$ 11,467,907</u>	<u>\$ 14,074,081</u>

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

	June 30, 2020	December 31, 2019	June 30, 2019
Time deposits	<u>\$ 207,936</u>	<u>\$ 207,903</u>	<u>\$ 207,395</u>

- b. The Group has partial time deposits which were not held for the purpose of meeting short-term cash commitments and are reclassified to “other receivables”. These partial time deposits at the end of the reporting period were as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Time deposits	<u>\$ 328,354</u>	<u>\$ 447,725</u>	<u>\$ 151,134</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2020	December 31, 2019	June 30, 2019
<u>Financial assets at FVTPL - current</u>			
Derivative financial assets (not under hedge accounting)			
Forward exchange contracts	\$ 38,117	\$ 64,001	\$ 16,765
Foreign exchange swap contracts	-	11,461	-
Right of redemption of convertible bonds	<u>5,800</u>	<u>-</u>	<u>-</u>
	<u>\$ 43,917</u>	<u>\$ 75,462</u>	<u>\$ 16,765</u>

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

	Currencies	Maturity Date	Contract Amount (In Thousands)
<u>June 30, 2020</u>			
Sell forward exchange contracts	USD to NTD	2020.07.03-2020.09.04	USD132,000/NTD3,919,219
Sell forward exchange contracts	RMB to NTD	2020.07.17-2020.09.30	RMB201,000/NTD837,780
Buy forward exchange contracts	NTD to USD	2020.07.10-2020.09.04	NTD1,762,795/USD60,000
<u>December 31, 2019</u>			
Sell forward exchange contracts	USD to NTD	2020.01.03-2020.03.05	USD162,000/NTD4,906,489
Sell forward exchange contracts	RMB to NTD	2020.01.10-2020.02.21	RMB75,000/NTD322,743
Foreign exchange swap contracts	USD to NTD	2020.01.09	USD23,280/NTD708,638
Foreign exchange swap contracts	RMB to NTD	2020.02.21	RMB5,100/NTD21,879
<u>June 30, 2019</u>			
Sell forward exchange contracts	USD to NTD	2019.07.05-2019.09.06	USD168,400/NTD5,240,091
Buy forward exchange contracts	NTD to USD	2019.07.05-2019.07.26	NTD605,119/USD19,400

- b. The redemption right of convertible bonds was the result of the issuance of unsecured bonds by NTC in the second quarter of 2020, see Note 16.

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

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Equity instruments at FVTOCI:

	June 30, 2020	December 31, 2019	June 30, 2019
Domestic listed and emerging stocks			
Walsin Lihwa Corporation	\$ 3,230,100	\$ 3,357,200	\$ 3,087,000
Walsin Technology Corporation	1,539,421	2,342,228	1,607,219
Hannstar Display Corporation	972,001	890,443	726,443
Walton Advanced Engineering Inc.	492,116	583,230	460,076
FocalTech Systems Co., Ltd.	64,400	-	-
Nyquest Technology Co., Ltd.	51,315	60,720	103,690
Brightek Optoelectronic Co., Ltd.	545	485	374
Domestic unlisted stocks			
United Industrial Gases Co., Ltd.	413,600	440,000	396,000
Yu-Ji Venture Capital Co., Ltd.	13,932	16,605	20,825
Harbinger III Venture Capital Corp.	240	236	1,415
Others	17,220	17,240	17,150
Overseas listed stocks			
Everspin Technologies, Inc.	69,230	52,487	67,403
Overseas unlisted stocks			
Autotalks Ltd. - Preferred E. Share	592,600	599,600	-
LTIP Trust Fund	221,084	223,667	229,511
JVP VIII, L.P.	173,340	130,584	104,107
TEGNA Electronics Private Limited	11,776	12,619	-
	<u>\$ 7,862,920</u>	<u>\$ 8,727,344</u>	<u>\$ 6,821,213</u>
Current	\$ 6,367,268	\$ 7,225,588	\$ 5,948,141
Non-current	<u>1,495,652</u>	<u>1,501,756</u>	<u>873,072</u>
	<u>\$ 7,862,920</u>	<u>\$ 8,727,344</u>	<u>\$ 6,821,213</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 six months ended June 30, 2020, the Group disposed the shares for \$360,076 thousand at the fair value for the adjustment of the investment position. The unrealized gains on financial assets at fair value through other comprehensive income of \$237,936 thousand were transferred to retained earnings.

Dividend income for the three months ended June 30, 2020 and 2019, and the six months ended June 30, 2020 and 2019 were of \$67,694 thousand and \$322,494 thousand, \$67,694 thousand and \$322,494 thousand, respectively. The dividend income related to investments derecognized were \$0 thousand and \$7 thousand, \$0 thousand and \$7 thousand, and those related to investments held at June 30, 2020 and 2019 were \$67,694 thousand and \$322,487 thousand, \$67,694 thousand and \$322,487 thousand.

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

- a. Each Preferred E Share grants its holder a number of votes equal to the number of votes per Ordinary Share.

- b. The Preferred E Share shall be prior to all other equity securities of Autotalks Ltd. in the event of liquidation.
- c. The holders of the Preferred E Share 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 Share 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.

9. NOTES AND ACCOUNTS RECEIVABLE

	June 30, 2020	December 31, 2019	June 30, 2019
<u>Notes receivable</u>	\$ -	\$ 21	\$ -
<u>Accounts receivable</u>			
At amortized cost			
Gross carrying amount	6,815,105	6,233,335	6,554,173
Less: Allowance for impairment loss	<u>(139,999)</u>	<u>(148,353)</u>	<u>(156,395)</u>
	<u>\$ 6,675,106</u>	<u>\$ 6,085,003</u>	<u>\$ 6,397,778</u>

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

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

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

The Group writes off notes and accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For notes and 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 notes and accounts receivable based on the Group's provision matrix.

June 30, 2020

	Not Overdue	Overdue under 30 Days	Overdue 31-90 Days	Overdue 91-180 Days	Over 181 Days	Total
Expected credit loss rate	2%	2%	10%	20%	100%	
Gross carrying amount	\$ 6,626,126	\$ 169,546	\$ 19,220	\$ 213	\$ -	\$ 6,815,105
Loss allowance (Lifetime ECL)	<u>(134,643)</u>	<u>(3,391)</u>	<u>(1,922)</u>	<u>(43)</u>	<u>-</u>	<u>(139,999)</u>
Amortized cost	<u>\$ 6,491,483</u>	<u>\$ 166,155</u>	<u>\$ 17,298</u>	<u>\$ 170</u>	<u>\$ -</u>	<u>\$ 6,675,106</u>

December 31, 2019

	Not Overdue	Overdue under 30 Days	Overdue 31-90 Days	Overdue 91-180 Days	Over 181 Days	Total
Expected credit loss rate	2%	2%	10%	20%	100%	
Gross carrying amount	\$ 5,753,824	\$ 448,004	\$ 12,540	\$ 144	\$ 18,844	\$ 6,233,356
Loss allowance (Lifetime ECL)	<u>(119,266)</u>	<u>(8,960)</u>	<u>(1,254)</u>	<u>(29)</u>	<u>(18,844)</u>	<u>(148,353)</u>
Amortized cost	<u>\$ 5,634,558</u>	<u>\$ 439,044</u>	<u>\$ 11,286</u>	<u>\$ 115</u>	<u>\$ -</u>	<u>\$ 6,085,003</u>

June 30, 2019

	Not Overdue	Overdue under 30 Days	Overdue 31-90 Days	Overdue 91-180 Days	Over 181 Days	Total
Expected credit loss rate	2%	2%	10%	20%	100%	
Gross carrying amount	\$ 6,429,943	\$ 97,800	\$ 7,586	\$ -	\$ 18,844	\$ 6,554,173
Loss allowance (Lifetime ECL)	<u>(134,836)</u>	<u>(1,956)</u>	<u>(759)</u>	<u>-</u>	<u>(18,844)</u>	<u>(156,395)</u>
Amortized cost	<u>\$ 6,295,107</u>	<u>\$ 95,844</u>	<u>\$ 6,827</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,397,778</u>

The movements in the loss allowance for doubtful accounts recognized on accounts receivable were as follows:

	Six Months Ended June 30	
	2020	2019
Balance at January 1	\$ 148,353	\$ 155,158
Add: Net remeasurement of loss allowance	11,170	590
Less: Write-off allowance	(18,844)	-
Effect of exchange rate changes	<u>(680)</u>	<u>647</u>
Balance at June 30	<u>\$ 139,999</u>	<u>\$ 156,395</u>

10. INVENTORIES

	June 30, 2020	December 31, 2019	June 30, 2019
Finished goods	\$ 2,260,568	\$ 2,239,612	\$ 2,069,186
Work-in-process	7,573,414	7,381,909	8,177,660
Raw materials and supplies	748,828	702,423	816,039
Inventories in transit	<u>-</u>	<u>8,199</u>	<u>5,602</u>
	<u>\$ 10,582,810</u>	<u>\$ 10,332,143</u>	<u>\$ 11,068,487</u>

- a. Operating costs for the three months ended June 30, 2020 and 2019 included inventory write-downs for the decline in market value, obsolescence and scrap of inventories of \$17,122 thousand and \$354,361 thousand, respectively. Operating costs for the six months ended June 30, 2020 and 2019 included inventory write-downs for the decline in market value, obsolescence and scrap of inventories of \$177,292 thousand and \$558,037 thousand, respectively.
- b. Unallocated fixed manufacturing costs recognized as cost of sales in the three months ended June 30, 2020 and 2019, and the six months ended June 30, 2020 and 2019 were \$186,045 thousand and \$541,449 thousand, \$345,322 thousand and \$741,654 thousand, respectively.

11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in Associates

	June 30, 2020	December 31, 2019	June 30, 2019
Associates that are not individually material			
Chin Xin Investment Co., Ltd.	\$ 3,564,125	\$ 4,548,224	\$ 3,623,956
Hwa Bao Botanic Conservation Corp.	<u>710</u>	<u>715</u>	<u>719</u>
	<u>\$ 3,564,835</u>	<u>\$ 4,548,939</u>	<u>\$ 3,624,675</u>

As of June 30, 2020, the Company subscribed the ordinary shares of Hwa Bao Botanic Conservation Corp. ("Hwa Bao") in 75 thousand shares and owned 15% of directly ownership interest; because the main shareholders of Hwa Bao is Chin Xin Investment Co., Ltd., and its ownership interest were 70%. The Company accounted for the equity investment in Hwa Bao using equity method for its consolidated ownership interest of Hwa Bao was 41%.

As of June 30, 2020, the Company held 182,841 thousand shares of Chin Xin Investment Co., Ltd. with a 38% ownership interest.

The investments accounted for using equity method and the shares of profit or loss and other comprehensive income of those investments for the six months ended June 30, 2020 and 2019 were based on the associates' financial statements reviewed by independent auditors.

12. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2020	December 31, 2019	June 30, 2019
Land	\$ 1,121,571	\$ 1,122,431	\$ 1,620,724
Buildings	11,502,241	11,605,854	10,004,631
Machinery and equipment	34,107,078	35,939,094	37,775,078
Other equipment	751,741	736,237	597,470
Construction in progress and prepayments for purchase of equipment	<u>7,857,573</u>	<u>7,573,498</u>	<u>5,731,728</u>
	<u>\$ 55,340,204</u>	<u>\$ 56,977,114</u>	<u>\$ 55,729,631</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	\$ 1,122,431	\$ 29,554,461	\$ 126,895,051	\$ 4,101,447	\$ 7,573,498	\$ 169,246,888
Additions	-	313,647	1,629,016	118,982	1,840,658	3,902,303
Disposals	-	(1,400)	(355,517)	(982)	-	(357,899)
Reclassified	-	234,869	152,007	5,462	(1,556,583)	(1,164,245)
Effect of exchange rate changes	<u>(860)</u>	<u>(3,129)</u>	<u>(2,165)</u>	<u>(4,816)</u>	<u>-</u>	<u>(10,970)</u>
Balance at June 30, 2020	<u>\$ 1,121,571</u>	<u>\$ 30,098,448</u>	<u>\$ 128,318,392</u>	<u>\$ 4,220,093</u>	<u>\$ 7,857,573</u>	<u>\$ 171,616,077</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2020	\$ -	\$ 17,948,607	\$ 90,955,957	\$ 3,365,210	\$ -	\$ 112,269,774
Depreciation expense	-	651,290	3,601,824	107,502	-	4,360,616
Disposals	-	(1,400)	(344,827)	(980)	-	(347,207)
Effect of exchange rate changes	<u>-</u>	<u>(2,290)</u>	<u>(1,640)</u>	<u>(3,380)</u>	<u>-</u>	<u>(7,310)</u>
Balance at June 30, 2020	<u>\$ -</u>	<u>\$ 18,596,207</u>	<u>\$ 94,211,314</u>	<u>\$ 3,468,352</u>	<u>\$ -</u>	<u>\$ 116,275,873</u>
<u>Cost</u>						
Balance at January 1, 2019	\$ 1,619,877	\$ 26,794,687	\$ 121,948,989	\$ 3,882,485	\$ 2,503,038	\$ 156,749,076
Additions	-	229,996	3,228,146	305,407	3,602,838	7,366,387
Disposals	-	(2,198)	(232,393)	(989)	-	(235,580)
Liquidation of subsidiary	-	-	-	(2,123)	-	(2,123)
Reclassified	-	305,270	376,001	(307,123)	(374,148)	-
Effect of exchange rate changes	<u>847</u>	<u>3,053</u>	<u>6,671</u>	<u>11,044</u>	<u>-</u>	<u>21,615</u>
Balance at June 30, 2019	<u>\$ 1,620,724</u>	<u>\$ 27,330,808</u>	<u>\$ 125,327,414</u>	<u>\$ 3,888,701</u>	<u>\$ 5,731,728</u>	<u>\$ 163,899,375</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2019	\$ -	\$ 16,689,096	\$ 84,379,252	\$ 3,196,545	\$ -	\$ 104,264,893
Depreciation expense	-	637,166	3,399,451	89,819	-	4,126,436
Disposals	-	(2,198)	(231,155)	(928)	-	(234,281)
Liquidation of subsidiary	-	-	-	(991)	-	(991)
Effect of exchange rate changes	<u>-</u>	<u>2,113</u>	<u>4,788</u>	<u>6,786</u>	<u>-</u>	<u>13,687</u>
Balance at June 30, 2019	<u>\$ -</u>	<u>\$ 17,326,177</u>	<u>\$ 87,552,336</u>	<u>\$ 3,291,231</u>	<u>\$ -</u>	<u>\$ 108,169,744</u>

- a. As of June 30, 2020, December 31, 2019 and June 30, 2019, the carrying amounts of \$24,003,658 thousand, \$21,230,163 thousand and \$22,742,075 thousand of land, buildings and manufacturing facilities and non-current assets classified as held for sale were pledged to secure long-term borrowings and corporate bonds.
- b. Information about capitalized interest

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Capitalized interest amounts	\$ 39,065	\$ 31,067	\$ 76,435	\$ 69,304
Capitalized interest rates	1.79%	1.79%	1.79%	1.79%

13. LEASE ARRANGEMENTS

- a. Right-of-use assets

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
<u>Carrying amounts</u>			
Land	\$ 1,861,773	\$ 1,914,889	\$ 1,968,188
Buildings	354,568	334,224	327,346
Other equipment	<u>58,204</u>	<u>49,280</u>	<u>29,839</u>
	<u>\$ 2,274,545</u>	<u>\$ 2,298,393</u>	<u>\$ 2,325,373</u>

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Additions to right-of-use assets	<u>\$ 67,503</u>	<u>\$ 11,893</u>	<u>\$ 103,814</u>	<u>\$ 18,384</u>
Depreciation charge for right-of-use assets				
Land	\$ 26,559	\$ 26,729	\$ 53,117	\$ 53,704
Buildings	25,655	23,558	51,781	46,050
Other equipment	<u>8,205</u>	<u>3,600</u>	<u>16,219</u>	<u>6,857</u>
	<u>\$ 60,419</u>	<u>\$ 53,887</u>	<u>\$ 121,117</u>	<u>\$ 106,611</u>
Income from the subleasing of right-of-use assets (recorded as "other income")	<u>\$ (540)</u>	<u>\$ (467)</u>	<u>\$ (1,157)</u>	<u>\$ (949)</u>

b. Lease liabilities

	June 30, 2020	December 31, 2019	June 30, 2019
<u>Carrying amounts</u>			
Current	\$ <u>200,622</u>	\$ <u>186,556</u>	\$ <u>181,855</u>
Non-current	\$ <u>2,068,335</u>	\$ <u>2,096,115</u>	\$ <u>2,118,056</u>

Range of discount rate for lease liabilities is as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Land	1.76%-2.47%	1.76%-2.47%	1.76%-2.47%
Buildings	1.01%-3.75%	1.09%-3.75%	1.34%-3.69%
Other equipment	0.73%-3.61%	0.73%-3.61%	1.34%-2.19%

For the three and six months ended June 30, 2020 and 2019, the interest expense under lease liabilities amounted to \$13,217 thousand \$13,601 thousand, \$26,601 thousand and \$27,490 thousand, respectively.

c. Material lease-in activities and terms

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

NTC leased a land from Taiwan Sugar Corporation. Under a twenty-year term from October 2014 to September 2034, which is allowed to extend after the expiration of lease. The former chairman of NTC, is a joint guarantor of such lease, refer to Note 26.

The Group leased some of the offices in the United States, China, Hong Kong, Japan, Israel, India, and part in 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 to 5 years.

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

	June 30, 2020	December 31, 2019	June 30, 2019
Year 1	\$ 2,315	\$ 1,985	\$ 1,898
Year 2	2,315	1,985	1,898
Year 3	2,315	1,985	1,897
Year 4	1,157	1,985	1,897
Year 5	<u>-</u>	<u>-</u>	<u>949</u>
	<u>\$ 8,102</u>	<u>\$ 7,940</u>	<u>\$ 8,539</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

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	2020	2019	2020	2019
Expenses relating to short-term leases	\$ <u>1,017</u>	\$ <u>8,937</u>	\$ <u>5,907</u>	\$ <u>17,989</u>
Expenses relating to low-value asset leases	\$ <u>174</u>	\$ <u>82</u>	\$ <u>386</u>	\$ <u>645</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$ <u>4,992</u>	\$ <u>3,793</u>	\$ <u>12,470</u>	\$ <u>6,721</u>
Total cash outflow for leases	\$ <u>(72,870)</u>	\$ <u>(72,993)</u>	\$ <u>(148,793)</u>	\$ <u>(144,575)</u>

The Group has elected to apply the recognition exemption for short-term leases and low-value assets leases, thus, not to 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

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Investment properties, net	\$ <u>40,879</u>	\$ <u>44,207</u>	\$ <u>48,753</u>

The investment properties is in Shen-Zhen, China. As of December 31, 2019 and 2018, the fair value of such investment properties were both approximately \$200,000 thousand, which was referred by the neighborhood 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 during the six months ended June 30, 2020 and 2019.

	Investment Properties
<u>Cost</u>	
Balance at January 1, 2020	\$ 98,511
Effect of exchange rate changes	<u>(2,608)</u>
Balance at June 30, 2020	\$ <u>95,903</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2020	\$ 54,304
Depreciation expense	2,194
Effect of exchange rate changes	<u>(1,474)</u>
Balance at June 30, 2020	\$ <u>55,024</u>

(Continued)

	Investment Properties
<u>Cost</u>	
Balance at January 1, 2019	\$ 102,333
Effect of exchange rate changes	<u>1,121</u>
Balance at June 30, 2019	<u>\$ 103,454</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2019	\$ 51,806
Depreciation expense	2,348
Effect of exchange rate changes	<u>547</u>
Balance at June 30, 2019	<u>\$ 54,701</u>
	(Concluded)

The investment properties were leased out for 3 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 is as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Year 1	\$ 5,073	\$ 7,832	\$ 9,873
Year 2	4,011	4,120	5,473
Year 3	205	2,270	4,327
Year 4	<u>-</u>	<u>-</u>	<u>582</u>
	<u>\$ 9,289</u>	<u>\$ 14,222</u>	<u>\$ 20,255</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

	June 30, 2020	December 31, 2019	June 30, 2019
Deferred technical assets, net	\$ 706,641	\$ 371,074	\$ 292,688
Other intangible assets, net	<u>91,825</u>	<u>36,648</u>	<u>5,577</u>
	<u>\$ 798,466</u>	<u>\$ 407,722</u>	<u>\$ 298,265</u>

	Deferred Technical Assets	Other Intangible Assets	Total
<u>Cost</u>			
Balance at January 1, 2020	\$ 19,088,675	\$ 58,896	\$ 19,147,571
Additions	403,062	61,942	465,004
Effect of exchange rate changes	<u>(2,621)</u>	<u>(176)</u>	<u>(2,797)</u>
Balance at June 30, 2020	<u>\$ 19,489,116</u>	<u>\$ 120,662</u>	<u>\$ 19,609,778</u>

Accumulated amortization and impairment

Balance at January 1, 2020	\$ 18,717,601	\$ 22,248	\$ 18,739,849
Amortization expenses	66,671	6,743	73,414
Effect of exchange rate changes	<u>(1,797)</u>	<u>(154)</u>	<u>(1,951)</u>
Balance at June 30, 2020	<u>\$ 18,782,475</u>	<u>\$ 28,837</u>	<u>\$ 18,811,312</u>

Cost

Balance at January 1, 2019	\$ 18,901,179	\$ 25,240	\$ 18,926,419
Additions	110,915	2,612	113,527
Disposals	(53,844)	(237)	(54,081)
Effect of exchange rate changes	<u>9,431</u>	<u>839</u>	<u>10,270</u>
Balance at June 30, 2019	<u>\$ 18,967,681</u>	<u>\$ 28,454</u>	<u>\$ 18,996,135</u>

Accumulated amortization and impairment

Balance at January 1, 2019	\$ 18,675,462	\$ 21,762	\$ 18,697,224
Amortization expenses	44,675	615	45,290
Disposals	(53,844)	(237)	(54,081)
Effect of exchange rate changes	<u>8,700</u>	<u>737</u>	<u>9,437</u>
Balance at June 30, 2019	<u>\$ 18,674,993</u>	<u>\$ 22,877</u>	<u>\$ 18,697,870</u>

The amounts of deferred technical assets were the technical transfer fees in connection with certain technical transfer agreements. The above technical assets pertained to different products or process technology. The assets were depreciated on a straight-line basis from the commencement of production, and over the estimated useful life of the assets. The estimated useful lives of technical assets were based on the economic benefits generated from the assets or the terms of the technical asset contracts. The estimated useful lives of other intangible assets were 3 to 5 years.

16. BORROWINGS

a. Short-term borrowings

	<u>June 30, 2020</u>		<u>December 31, 2019</u>		<u>June 30, 2019</u>	
	Interest Rate %	Amount	Interest Rate %	Amount	Interest Rate %	Amount
Bank lines of credit	0.93	<u>\$ 400,000</u>	1.00	<u>\$ 1,000,000</u>	-	<u>\$ -</u>

b. Long-term borrowings

	Period	Interest Rate	June 30, 2020	December 31, 2019	June 30, 2019
<u>Secured borrowings</u>					
CTBC Bank Co., Ltd. syndicated loan (IV)	2014.07.07-2019.11.27	1.87%-2.23%	\$ -	\$ -	\$ 1,300,000
Bank of Taiwan secured medium-term loan	2014.12.29-2021.12.29	1.11%-1.70%	-	247,040	308,800
Bank of Taiwan syndicated loan (IV)	2016.08.15-2021.12.29	1.79%-1.81%	7,000,000	9,000,000	10,800,000
Bank of Taiwan syndicated loan (V)	2019.01.14-2026.09.19	1.89%	5,550,000	4,250,000	-
<u>Unsecured borrowings</u>					
The Export-Import Bank of ROC	2019.09.20-2026.09.21	1.16%	<u>500,000</u>	<u>500,000</u>	<u>-</u>
			13,050,000	13,997,040	12,408,800
Less: Current portion			(4,000,000)	(4,123,520)	(5,223,520)
Less: Syndication agreement management fee			<u>(125,687)</u>	<u>(143,047)</u>	<u>(155,757)</u>
			<u>\$ 8,924,313</u>	<u>\$ 9,730,473</u>	<u>\$ 7,029,523</u>

1) CTBC Bank Co., Ltd. Syndicated Loan (IV)

- a) On July 7, 2014, the Company entered into a syndicated loan, with a group of financial institutions to procure equipment for 12-inch fab and repay bank loans, credit line was divided into part A and B, which amounted to \$6.5 billion and \$2.5 billion, respectively; the total line of credit \$9 billion.
- b) Part A will be repaid every six months from November 27, 2017 until maturity, part B will be repaid every six months from November 27, 2016 until maturity.
- c) Refer to Note 12 for collateral on bank borrowings.
- d) On August 26, 2019, the loan be repaid in advance.

2) The collateral on the Bank of Taiwan secured medium-term loan is the land and building of the Company in Zhubei. Refer to Note 12. The principal will be repaid every six months from June 29, 2017 until maturity. On June 11, 2020, the loan be repaid in advance.

3) Bank of Taiwan Syndicated Loan (IV)

- a) On August 15, 2016, the Company entered into a syndicated loan, with a group of financial institutions, to procure equipment for 12-inch fab, repay bank loans and augment medium-term working capital. The credit line was divided into part A and B, which amounted to \$10 billion and \$2 billion, respectively; and the total line of credit amounted to \$12 billion.
- b) Part A will be repaid every six months from December 29, 2019 until maturity, and part B will be repaid every six months from December 29, 2018 until maturity.
- c) Refer to Note 12 for collateral on bank borrowings.

4) Bank of Taiwan Syndicated Loan (V)

a) On January 14, 2019, the Company entered into a syndicated loan, with a group of financial institutions, to procure equipment for fab. The credit line amounted to \$42 billion. The principal will be repaid every six months from September 19, 2022 until maturity.

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

5) The Company is required to maintain certain financial covenants, including current ratio, debt ratio and tangible net equity, on June 30 and December 31 during the tenors of the loans. Additionally, the principal and interest coverage should be also maintained on June 30 and December 31 during the tenors of the loans except for the Bank of Taiwan secured medium - term loan. The computations of financial ratios mentioned above are done based on the audited consolidated financial statements.

6) The proceeds of the NTC's unsecured loan from the Export-Import Bank of ROC was invested in Autotalks Ltd. The principal will be repaid every six months from September 20, 2023 until maturity and the interest rate will be reviewed and may be adjusted every six months.

17. BONDS PAYABLE

	June 30, 2020	December 31, 2019	June 30, 2019
Domestic secured bonds	\$ 9,937,763	\$ 9,931,746	\$ 9,925,729
Less: Current portion	<u> -</u>	<u> -</u>	<u> -</u>
	<u>\$ 9,937,763</u>	<u>\$ 9,931,746</u>	<u>\$ 9,925,729</u>
Domestic unsecured bonds	\$ 2,006,339	\$ -	\$ -
Less: Current portion	<u> -</u>	<u> -</u>	<u> -</u>
	<u>\$ 2,006,339</u>	<u>\$ -</u>	<u>\$ -</u>

a. On July 10, 2018, the Company was approved by the SFB to offer and issue the first secured corporate bonds of 2018, with an aggregate principal amount of \$10,000,000 thousand. The terms of issuance, amounts and interest rate as follows:

Issuance Date	Period	Amount	Coupon Rate	Repayment and Interest Payment
2018.07.17	7 years	\$10,000,000	1%	The principal will be repaid upon maturity. The interest is payable once a year at the coupon rate accrued annually on a simple basis starting from the issue date.

Refer to Note 12 for collateral of 12-inch Fab Manufacturing facilities on corporate bonds.

- b. In May 2020, NTC 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:

Issuance Date	Period	Amount	Coupon Rate	Repayment and Interest Payment
2020.05.20	7 years	\$2,000,000	0%	The principal will be repaid in cash upon maturity at a rate of 109.09% (annual rate of return 1.25% upon maturity).

- 1) The conversion price was set at \$39.9 per share at the time of issuance. When meeting certain criteria, adjustments on the conversion price are made in accordance with the terms and conditions. Since NTC's surplus distribution of cash dividends, the conversion price should be adjusted according to the issuance and conversion measures, so the conversion price has been adjusted to \$38.8 since August 17, 2020.
- 2) After the first three months of the issuance and forty days before the maturity date, if the closing price of NTC's common shares listed on the Taiwan Stock Exchange exceeds or equals 30% of the conversion price or the outstanding balance of the bonds is less than 10% in principal amount of the bonds originally outstanding for thirty consecutive business days, NTC may redeem the bonds in cash at the principal amount.
- 3) After the bonds has been issued for over five years, the bondholders may request NTC to redeem the bonds at 106.41% of the principal amount (annual rate of return 1.25%). The right of the redemption was recognized as financial instruments at fair value through profit or loss - current. The fair value was \$5,800 thousand on June 30, 2020.
- 4) Except for the bonds that have been redeemed, sold back, converted, or bought back by NTC in the market, the principal will be repaid in cash upon maturity at a rate of 109.09% (annual rate of return 1.25% upon maturity).

18. RETIREMENT BENEFIT PLANS

The employee benefit expense in respect of the Group's defined benefit retirement plans was calculated using the actuarially determined pension cost discount rate as of December 31, 2019 and 2018, and recognized \$21,715 thousand and \$25,388 thousand, \$43,655 thousand and \$48,047 thousand for the three months ended June 30, 2020 and 2019, and the six months ended June 30, 2020 and 2019, respectively.

19. EQUITY

- a. Share capital

	June 30, 2020	December 31, 2019	June 30, 2019
Number of shares authorized (in thousands)	<u>6,700,000</u>	<u>6,700,000</u>	<u>6,700,000</u>
Share authorized	<u>\$ 67,000,000</u>	<u>\$ 67,000,000</u>	<u>\$ 67,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>3,980,000</u>	<u>3,980,000</u>	<u>3,980,000</u>
Share issued	<u>\$ 39,800,002</u>	<u>\$ 39,800,002</u>	<u>\$ 39,800,002</u>

As of June 30, 2020, December 31, 2019 and June 30, 2019, the balance of the Company's capital account amounted to \$39,800,002 thousand, divided into 3,980,000 thousand shares with a par value of \$10.

b. Capital surplus

	June 30, 2020	December 31, 2019	June 30, 2019
May be used to offset a deficit, distributed as cash dividends, or transferred to <u>share capital</u>			
Arising from issuance of share capital	\$ 4,787,673	\$ 4,787,673	\$ 4,787,673
Arising from treasury share transactions	2,342,036	2,342,036	2,342,036
Arising from conversion of bonds	136,352	136,352	136,352
<u>May be used to offset a deficit only</u>			
Arising from changes in percentage of ownership interest in subsidiaries	1,998	1,998	6,074
Arising from share of changes in capital surplus of associates	29,137	29,137	29,137
Cash capital increase reserved for employee preemption	208,451	208,451	208,451
Others	<u>30,749</u>	<u>30,749</u>	<u>30,749</u>
	<u>\$ 7,536,396</u>	<u>\$ 7,536,396</u>	<u>\$ 7,540,472</u>

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

c. Retained earnings and dividend policy

The shareholders held their regular meeting on June 14, 2019 and resolved the amendments to the Company's Articles of Incorporation. The amendments of the Company's dividend distribution policy as follow:

From the pre-tax net profit of the current year, before deducting remuneration of employees and remuneration of directors, no more than 1% shall be allocated as remuneration of directors and no less than 1% as remuneration of employees. The remuneration of employees may be distributed in stock or cash upon resolution of the board of directors and may be distribution to the employees of subsidiaries of the Company meeting certain criteria.

However, if the Company has accumulated losses, the Company shall first set aside an amount for making up losses, and then allocate remuneration of employees and remuneration of directors according to the percentage set forth in the preceding paragraph.

The Company purchases its stock for transferring such treasury shares, issues employee options, provides pre-emptive right for employees' subscription upon issuing new shares, issues new restricted employee shares, and distributes employee remuneration, to employees of the Company's controlling or subordinated companies who meet certain criteria, which shall be determined and resolved by the board of directors.

If the Company has pre-tax profits at the end of the current fiscal year, after paying all taxes and covering all accumulated losses, the Company shall set aside 10% of said earnings as legal reserve. However, legal reserve need not be made when the accumulated legal reserve equals the paid-in capital of the Company. After setting aside or reversing special reserve pursuant to applicable laws and regulations and orders of competent authorities or based on the business needs of the Company, if there is any balance, the board of directors may submit a proposal for allocation of the remaining balance and the accumulated undistributed earnings to the shareholders meeting for resolution of distributing bonus and dividends to shareholders.

The board of directors shall be authorized to distribute the profit, the legal reserve and the capital reserve mentioned in the preceding paragraph in cash upon resolution by a majority vote at a board meeting attended by two-thirds or more of the directors, and shall report the same to the shareholders' meeting.

The Company's dividend distribution policy is made in accordance with the Company Act and the Articles of Incorporation in consideration of factors including capital and financial structure, operating status, retained earnings, industry characteristics and economic cycle. The dividends shall be distributed in a steady manner. With respect to distribution of dividends, in consideration of future operation scale and cash flow needs, no less than 30% of the remaining amount of the net profit after tax of the current year, after covering the accumulative losses and setting aside the legal reserve and the special reserve, shall be distributed to shareholders as dividends, which may be distributed in stock dividend or cash dividend, and the distribution of cash dividend shall not be less than 50% of total dividends, so as to maintain continuous growth.

The Company may distribute its profit or make up its losses at the end of each half of a fiscal year. The business report, the financial statements, and the proposal for distribution of earnings or making up loss shall be prepared by and then resolved by the board of directors. The Company, in distributing its profit according to the preceding paragraph, shall estimate and reserve employee and director remuneration and any taxes payable as well as cover any losses and set aside the legal reserve in accordance with the law; however, provided that the legal reserve amounts to the total paid-in capital, the legal reserve need not be set aside. Where the Company distributes the profit in cash, such distribution shall be resolved by the board of directors, but where the profit is distributed in the form of newly issued share, such distribution shall be resolved by the shareholders' meeting.

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

Pursuant to existing regulations, the Company is required to set aside additional special capital reserve equivalent to the net debit balance of the other components of shareholders' equity, such as the accumulated balance of foreign currency translation reserve, unrealized valuation gain (loss) from available-for-sale financial assets, net amount of fair value below the cost of the Company's ordinary shares held by subsidiaries, etc. For the subsequent decrease in the deduction amount to shareholders' equity, any special reserve appropriated may be reversed to the extent that the net debit balance reverses.

The dividends per share for 2019 and 2018 were approved in the board of directors meeting on March 12, 2020 and in the shareholders' meeting on June 14, 2019, respectively. The appropriations of earnings for 2019 and 2018 were approved in the shareholders' meeting on June 12, 2020 and June 14, 2019, respectively, as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>For Year 2019</u>	<u>For Year 2018</u>	<u>For Year 2019</u>	<u>For Year 2018</u>
Legal reserve appropriated	\$ 115,226	\$ 744,650		
Cash dividends	<u>398,000</u>	<u>3,980,000</u>	\$ 0.1	\$ 1.0
	<u>\$ 513,226</u>	<u>\$ 4,724,650</u>		

For information about the accrual basis of the employees' compensation and remuneration of directors and the actual appropriations, refer to Note 21 to the consolidated financial statements on employee benefits expenses.

d. Other equity items

1) Exchange differences on translation of foreign financial statements

	<u>Six Months Ended June 30</u>	
	<u>2020</u>	<u>2019</u>
Balance at January 1	\$ (119,246)	\$ (50,780)
Exchange differences arising on translating the financial statements of foreign operations	<u>(50,590)</u>	<u>55,149</u>
Balance at June 30	<u>\$ (169,836)</u>	<u>\$ 4,369</u>

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

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

	<u>Six Months Ended June 30</u>	
	<u>2020</u>	<u>2019</u>
Balance at January 1	\$ 5,009,928	\$ 3,533,423
Unrealized gains (losses) on revaluation of financial assets at FVTOCI	(985,074)	(460,925)
Share of unrealized gains (losses) on revaluation of financial assets at FVTOCI of associates accounted for using equity method	(930,000)	(10,534)
Disposals of investments in equity instruments designated at FVTOCI	<u>(238,021)</u>	<u>(9,413)</u>
Balance at June 30	<u>\$ 2,856,833</u>	<u>\$ 3,052,551</u>

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

e. Non-controlling interests

	Six Months Ended June 30	
	2020	2019
Balance at January 1	\$ 2,836,565	\$ 1,446,726
Share attributable to non-controlling interests		
Profit for the year	134,242	85,630
Exchange difference on translation of foreign financial statements	(6,945)	9,508
Unrealized gains (losses) on revaluation of financial assets at FVTOCI	(17,462)	3,447
Decrease in non-controlling interests	(132,665)	(202,336)
Other capital surplus	<u>-</u>	<u>20</u>
Balance at June 30	<u>\$ 2,813,735</u>	<u>\$ 1,342,995</u>

20. REVENUE

Refer to Note 33 for the Group's revenue.

21. EMPLOYEE BENEFITS EXPENSE, DEPRECIATION, AND AMORTIZATION

	Three Months Ended June 30, 2020			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	Total
Short-term employee benefits	<u>\$ 710,388</u>	<u>\$ 1,466,224</u>	<u>\$ -</u>	<u>\$ 2,176,612</u>
Post-employment benefits	<u>\$ 33,457</u>	<u>\$ 76,681</u>	<u>\$ -</u>	<u>\$ 110,138</u>
Depreciation	<u>\$ 1,970,783</u>	<u>\$ 252,708</u>	<u>\$ 2,502</u>	<u>\$ 2,225,993</u>
Amortization	<u>\$ 8,341</u>	<u>\$ 36,348</u>	<u>\$ 8,680</u>	<u>\$ 53,369</u>
	Three Months Ended June 30, 2019			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	Total
Short-term employee benefits	<u>\$ 685,593</u>	<u>\$ 1,408,667</u>	<u>\$ -</u>	<u>\$ 2,094,260</u>
Post-employment benefits	<u>\$ 33,036</u>	<u>\$ 80,026</u>	<u>\$ -</u>	<u>\$ 113,062</u>
Depreciation	<u>\$ 1,977,376</u>	<u>\$ 197,643</u>	<u>\$ 1,857</u>	<u>\$ 2,176,876</u>
Amortization	<u>\$ 8,370</u>	<u>\$ 14,103</u>	<u>\$ 3,505</u>	<u>\$ 25,978</u>

Six Months Ended June 30, 2020				
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	Total
Short-term employee benefits	<u>\$ 1,361,207</u>	<u>\$ 2,763,284</u>	<u>\$ -</u>	<u>\$ 4,124,491</u>
Post-employment benefits	<u>\$ 66,687</u>	<u>\$ 158,092</u>	<u>\$ -</u>	<u>\$ 224,779</u>
Depreciation	<u>\$ 3,974,483</u>	<u>\$ 505,361</u>	<u>\$ 5,038</u>	<u>\$ 4,484,882</u>
Amortization	<u>\$ 16,681</u>	<u>\$ 56,733</u>	<u>\$ 17,360</u>	<u>\$ 90,774</u>

Six Months Ended June 30, 2019				
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	Total
Short-term employee benefits	<u>\$ 1,364,834</u>	<u>\$ 2,734,532</u>	<u>\$ -</u>	<u>\$ 4,099,366</u>
Post-employment benefits	<u>\$ 65,824</u>	<u>\$ 163,149</u>	<u>\$ -</u>	<u>\$ 228,973</u>
Depreciation	<u>\$ 3,866,170</u>	<u>\$ 365,514</u>	<u>\$ 3,711</u>	<u>\$ 4,235,395</u>
Amortization	<u>\$ 16,740</u>	<u>\$ 28,550</u>	<u>\$ 7,010</u>	<u>\$ 52,300</u>

In accordance with the Company Act and the Articles of Incorporation, it stipulates distribution of the compensation of employees and remuneration of directors at the rates no more than 1% and no less than 1%, respectively, of net profit before income tax, remuneration to directors and compensation of employees. The calculation for the rate mentioned above also include the Company's remuneration of supervisors before establishment of the Audit Committee. For the three months ended June 30, 2020 and 2019 and the six months ended June 30, 2020 and 2019, the employees' compensation and remuneration of directors were as follows:

	Three Months Ended June 30				Six Months Ended June 30			
	2020		2019		2020		2019	
	Amounts	Accrual Rate	Amounts	Accrual Rate	Amounts	Accrual Rate	Amounts	Accrual Rate
Employees' compensation	<u>\$ 11,676</u>	2%	<u>\$ 10,847</u>	2%	<u>\$ 11,676</u>	2%	<u>\$ 22,398</u>	2%
Remuneration of directors	<u>\$ 5,838</u>	1%	<u>\$ 5,423</u>	1%	<u>\$ 5,838</u>	1%	<u>\$ 11,199</u>	1%

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

The compensation to employees and remuneration to the directors of 2019 and 2018 were approved by the Company's board of directors on April 30, 2020 and March 25, 2019, respectively, were as below:

	For the Year Ended December 31	
	2019	2018
Employees' compensation	<u>\$ 28,038</u>	<u>\$ 163,650</u>
Remuneration of directors	<u>\$ 14,019</u>	<u>\$ 81,825</u>

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

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

22. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Current income tax				
In respect of the current year	\$ 88,044	\$ 136,283	\$ 137,687	\$ 166,933
Adjustment for prior years' tax	(99,562)	23,579	(99,438)	23,947
Deferred income tax				
In respect of the current year	<u>51,448</u>	<u>(57,273)</u>	<u>22,110</u>	<u>77,795</u>
Income tax expense recognized in profit or loss	<u>\$ 39,930</u>	<u>\$ 102,589</u>	<u>\$ 60,359</u>	<u>\$ 268,675</u>

Based on the Income Tax Act in the ROC, the corporate income tax rate is 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

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

23. EARNINGS PER SHARE

	<u>Three Months Ended June 30</u>					
	<u>2020</u>			<u>2019</u>		
	<u>Amounts (Numerator)</u>	<u>Shares (Denominator) (In Thousands)</u>	<u>Earnings Per Share (NT\$) After Income Tax (Attributable to Owners of the Parent)</u>	<u>Amounts (Numerator)</u>	<u>Shares (Denominator) (In Thousands)</u>	<u>Earnings Per Share (NT\$) After Income Tax (Attributable to Owners of the Parent)</u>
Basic earnings per share						
Net income attributed to common shareholders	\$ 709,337	3,980,000	<u>\$ 0.18</u>	\$ 462,171	3,980,000	<u>\$ 0.12</u>
Effect of dilutive potential common share						
Employees' compensation	-	875		-	714	
Diluted earnings per share						
Net income attributed to common shareholders	<u>\$ 709,337</u>	<u>3,980,875</u>	<u>\$ 0.18</u>	<u>\$ 462,171</u>	<u>3,980,714</u>	<u>\$ 0.12</u>

	Six Months Ended June 30					
	2020			2019		
	Amounts (Numerator)		Earnings Per Share (NT\$)	Amounts (Numerator)		Earnings Per Share (NT\$)
	After Income Tax	Shares	After Income Tax	After Income Tax	Shares	After Income Tax
	(Attributable to Owners of the Parent)	(Denominator) (In Thousands)	(Attributable to Owners of the Parent)	(Attributable to Owners of the Parent)	(Denominator) (In Thousands)	(Attributable to Owners of the Parent)
Basic earnings per share						
Net income attributed to common shareholders	\$ 622,485	3,980,000	<u>\$ 0.16</u>	\$ 877,400	3,980,000	<u>\$ 0.22</u>
Effect of dilutive potential common share						
Employees' compensation	-	875		-	1,474	
Diluted earnings per share						
Net income attributed to common shareholders	<u>\$ 622,485</u>	<u>3,980,875</u>	<u>\$ 0.16</u>	<u>\$ 877,400</u>	<u>3,981,474</u>	<u>\$ 0.22</u>

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

24. CAPITAL MANAGEMENT

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

25. FINANCIAL INSTRUMENT

a. Fair value of financial instruments

1) Valuation techniques and assumptions used in fair value measurement

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes publicly traded stock and mutual funds).
- Forward exchange contracts and foreign exchange swap contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.
- Domestic and overseas unlisted equity instrument at FVTOCI were all measured based on Level 3. Fair values of the above equity instruments were determined using comparable listed company approach, refer to strike price of similar business at active market, implied value multiple of the price and relevant information. Significant unobservable inputs included PE ratio, value multiple and market liquidity discount.

2) Fair value measurements recognized in the consolidated balance sheets

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

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

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

Fair value hierarchy as at June 30, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial liabilities</u>				
Financial liabilities measured at amortized cost				
Bonds payable (secured)	\$ _____ -	\$ <u>9,937,763</u>	\$ _____ -	\$ <u>9,937,763</u>

Fair value hierarchy as at December 31, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial liabilities</u>				
Financial liabilities measured at amortized cost				
Bonds payable (secured)	\$ _____ -	\$ <u>9,931,746</u>	\$ _____ -	\$ <u>9,931,746</u>

Fair value hierarchy as at June 30, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial liabilities</u>				
Financial liabilities measured at amortized cost				
Bonds payable (secured)	\$ _____ -	\$ <u>9,925,729</u>	\$ _____ -	\$ <u>9,925,729</u>

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

Fair value hierarchy as at June 30, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Derivative financial assets (not under hedge accounting)	\$ -	\$ 43,917	\$ -	\$ 43,917
<u>Financial assets at FVTOCI</u>				
Equity securities				
Domestic listed and emerging securities	\$ 6,349,898	\$ -	\$ -	\$ 6,349,898
Overseas listed securities	69,230	-	-	69,230
Domestic and overseas unlisted securities	-	17,220	1,426,572	1,443,792
	<u>\$ 6,419,128</u>	<u>\$ 17,220</u>	<u>\$ 1,426,572</u>	<u>\$ 7,862,920</u>
<u>Financial liabilities</u>				
Financial liabilities measured at amortized cost				
Bonds payable (unsecured)	\$ 2,088,000	\$ -	\$ -	\$ 2,088,000

Fair value hierarchy as at December 31, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Derivative financial assets (not under hedge accounting)	\$ -	\$ 75,462	\$ -	\$ 75,462
<u>Financial assets at FVTOCI</u>				
Equity securities				
Domestic listed and emerging securities	\$ 7,234,306	\$ -	\$ -	\$ 7,234,306
Overseas listed securities	52,487	-	-	52,487
Domestic and overseas unlisted securities	-	17,240	1,423,311	1,440,551
	<u>\$ 7,286,793</u>	<u>\$ 17,240</u>	<u>\$ 1,423,311</u>	<u>\$ 8,727,344</u>

Fair value hierarchy as at June 30, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Derivative financial assets (not under hedge accounting)	\$ -	\$ 16,765	\$ -	\$ 16,765
<u>Financial assets at FVTOCI</u>				
Equity securities				
Domestic listed and emerging securities	\$ 5,984,802	\$ -	\$ -	\$ 5,984,802
Overseas listed securities	67,403	-	-	67,403
Domestic and overseas unlisted securities	-	17,150	751,858	769,008
	<u>\$ 6,052,205</u>	<u>\$ 17,150</u>	<u>\$ 751,858</u>	<u>\$ 6,821,213</u>

b. Categories of financial instruments

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

	<u>June 30, 2020</u>		<u>December 31, 2019</u>		<u>June 30, 2019</u>	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial assets</u>						
Measured at amortized cost						
Cash and cash equivalents	\$ 12,558,789	\$ 12,558,789	\$ 11,467,907	\$ 11,467,907	\$ 14,074,081	\$ 14,074,081
Notes and accounts receivable (included related parties)	6,711,007	6,711,007	6,130,906	6,130,906	6,453,588	6,453,588
Other receivables	825,813	825,813	750,720	750,720	756,149	756,149
Refundable deposits (recorded in other non-current assets)	370,972	370,972	396,681	396,681	270,522	270,522
Financial assets at fair value through profit or loss	43,917	43,917	75,462	75,462	16,765	16,765
Financial assets at fair value through other comprehensive income (current and non-current)	7,862,920	7,862,920	8,727,344	8,727,344	6,821,213	6,821,213
<u>Financial liabilities</u>						
Measured at amortized cost						
Short-term borrowings	400,000	400,000	1,000,000	1,000,000	-	-
Notes and accounts payable (included related parties)	5,456,412	5,456,412	5,697,780	5,697,780	5,398,979	5,398,979
Dividend payable	398,000	398,000	-	-	3,980,000	3,980,000
Payable on equipment and other payables	6,016,500	6,016,500	6,138,634	6,138,634	7,273,444	7,273,444
Bonds payable	11,944,102	12,025,763	9,931,746	9,931,746	9,925,729	9,925,729
Long-term borrowings (included current portion)	13,050,000	13,050,000	13,997,040	13,997,040	12,408,800	12,408,800
Guarantee deposits (recorded in other non-current liabilities)	79,022	79,022	64,347	64,347	60,670	60,670

c. Financial risk management objectives and policies

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

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

1) Market risk

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

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

a) Foreign currency risk

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

The sensitivity analysis included only outstanding foreign currency denominated monetary items at the end of the reporting period and an increase in net income and equity if New Taiwan dollars strengthen by 1% against foreign currencies. For a 1% weakening of New Taiwan dollars against U.S. dollars, there would be impact on net income in the amounts of \$5,077 thousand decrease for the three months ended June 30, 2019, \$14,076 thousand, \$43,242 thousand and \$37,296 thousand increase for the three months ended June 30, 2020, and the six months ended June 30, 2020 and 2019, respectively.

b) Interest rate risk

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

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

	June 30, 2020	December 31, 2019	June 30, 2019
Cash flow interest rate risk			
Financial assets	\$ 108,313	\$ 284,413	\$ 23,100
Financial liabilities	13,050,000	13,997,040	12,408,800

The sensitivity analyses below were determined based on the Group's exposure to interest rates for fair value of variable-rate derivatives instruments at the end of the reporting period. If interest rates had been higher by one percentage point, the Group's cash flows for the three months ended June 30, 2020 and 2019, and the six months ended June 30, 2020 and 2019 would have decreased by \$5,851 thousand, increased by \$36,489 thousand, increased by \$129,417 thousand and increased by \$123,857 thousand, respectively.

2) Credit risk

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

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

3) Liquidity risk

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

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

	June 30, 2020			
	Within 1 Year	1-2 Years	Over 2 Years	Total
Non-interest bearing	\$ 11,870,912	\$ 79,022	\$ -	\$ 11,949,934
Lease liabilities	251,101	238,388	2,270,672	2,760,161
Variable interest rate liabilities	4,000,000	3,000,000	6,050,000	13,050,000
Fixed interest rate liabilities	<u>400,000</u>	<u>-</u>	<u>12,181,800</u>	<u>12,581,800</u>
	<u>\$ 16,522,013</u>	<u>\$ 3,317,410</u>	<u>\$ 20,502,472</u>	<u>\$ 40,341,895</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 2 Years	2-5 Years	5-10 Years	10-15 Years	Over 15 Years
Lease liabilities	<u>\$ 489,490</u>	<u>\$ 552,693</u>	<u>\$ 621,643</u>	<u>\$ 526,818</u>	<u>\$ 569,518</u>

	December 31, 2019			
	Within 1 Year	1-2 Years	Over 2 Years	Total
Non-interest bearing	\$ 11,836,414	\$ 64,347	\$ -	\$ 11,900,761
Lease liabilities	239,834	220,802	2,337,896	2,798,532
Variable interest rate liabilities	4,123,520	5,123,520	4,750,000	13,997,040
Fixed interest rate liabilities	<u>1,000,000</u>	<u>-</u>	<u>10,000,000</u>	<u>11,000,000</u>
	<u>\$ 17,199,768</u>	<u>\$ 5,408,669</u>	<u>\$ 17,087,896</u>	<u>\$ 39,696,333</u>

	June 30, 2019			
	Within 1 Year	1-2 Years	Over 2 Years	Total
Non-interest bearing	\$ 16,652,513	\$ 60,670	\$ -	\$ 16,713,183
Lease liabilities	234,461	200,451	2,403,605	2,838,517
Variable interest rate liabilities	5,223,520	4,123,520	3,061,760	12,408,800
Fixed interest rate liabilities	<u>-</u>	<u>-</u>	<u>10,000,000</u>	<u>10,000,000</u>
	<u>\$ 22,110,494</u>	<u>\$ 4,384,641</u>	<u>\$ 15,465,365</u>	<u>\$ 41,960,500</u>

26. RELATED PARTY TRANSACTIONS

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

Related Party	Relationship with the Group
Walsin Lihwa Corporation	Investor that exercises significant influence over the Group
Hwa Bao Botanic Conservation Corp.	Associate
Chin Xin Investment Co., Ltd.	Associate
Nyquest Technology Co., Ltd.	Related party in substance
Walton Advanced Engineering Inc.	Related party in substance
Walton Advanced Engineering Ltd. (Suzhou)	Related party in substance
Chin Cherng Construction Co., Ltd.	Related party in substance
Walsin Technology Corporation	Related party in substance
United Industrial Gases Co., Ltd.	Related party in substance
Hannstar Display Corporation	Related party in substance
TDC	Subsidiary (June 10, 2019 as the date of liquidation)

- b. Operating activities

	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	2020	2019
1) Operating revenue				
Related party in substance	\$ 48,390	\$ 74,771	\$ 85,492	\$ 126,246
2) Manufacturing expenses				
Related party in substance				
Walton Advanced Engineering Inc.	\$ 776,789	\$ 737,646	\$ 1,549,932	\$ 1,343,260
Others	134,529	139,304	265,186	276,536
	<u>\$ 911,318</u>	<u>\$ 876,950</u>	<u>\$ 1,815,118</u>	<u>\$ 1,619,796</u>
3) General and administrative expenses				
Investor that exercises significant influence over the Group	\$ 2,630	\$ 2,915	\$ 5,427	\$ 5,153
Related party in substance	2,695	2,733	5,390	5,428
	<u>\$ 5,325</u>	<u>\$ 5,648</u>	<u>\$ 10,817</u>	<u>\$ 10,581</u>

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	2020	2019	2020	2019
4) Dividend income				
Investor that exercises significant influence over the Group				
Walsin Lihwa Corporation	\$ -	\$ 252,000	\$ -	\$ 252,000
Related party in substance				
United Industrial Gases Co., Ltd.	64,394	62,858	64,394	62,858
Others	<u>3,300</u>	<u>7,636</u>	<u>3,300</u>	<u>7,636</u>
	<u>\$ 67,694</u>	<u>\$ 322,494</u>	<u>\$ 67,694</u>	<u>\$ 322,494</u>
5) Other income				
Related party in substance				
Walsin Technology Corporation	\$ 2,209	\$ 14,669	\$ 2,345	\$ 14,669
Associate	<u>-</u>	<u>-</u>	<u>30</u>	<u>-</u>
	<u>\$ 2,209</u>	<u>\$ 14,669</u>	<u>\$ 2,375</u>	<u>\$ 14,669</u>
		June 30, 2020	December 31, 2019	June 30, 2019
6) Accounts receivable due from related parties				
Related party in substance		<u>\$ 35,901</u>	<u>\$ 45,903</u>	<u>\$ 55,810</u>
7) Accounts payable to related parties				
Related party in substance				
Walton Advanced Engineering Inc.	\$ 716,425	\$ 773,107	\$ 1,013,981	\$ 1,013,981
Others	<u>134,289</u>	<u>138,422</u>	<u>141,362</u>	<u>141,362</u>
	<u>\$ 850,714</u>	<u>\$ 911,529</u>	<u>\$ 1,155,343</u>	<u>\$ 1,155,343</u>
8) Other receivables and other current assets				
Investor that exercises significant influence over the Group				
Walsin Lihwa Corporation	\$ 227	\$ -	\$ 253,292	\$ 253,292
Associate	91,420	-	-	54,852
Subsidiary	16,552	16,157	-	16,552
Related party in substance	<u>3,300</u>	<u>-</u>	<u>-</u>	<u>7,636</u>
	<u>\$ 111,499</u>	<u>\$ 16,157</u>	<u>\$ 253,292</u>	<u>\$ 332,332</u>

	June 30, 2020	December 31, 2019	June 30, 2019
9) Other payables and other current liabilities			
Related party in substance Investor that exercises significant influence over the Group	\$ 53,439	\$ 34,923	\$ 46,189
	<u>1,266</u>	<u>1,117</u>	<u>1,854</u>
	<u>\$ 54,705</u>	<u>\$ 36,040</u>	<u>\$ 48,043</u>
10) Refundable deposits (recorded as “other non-current assets”)			
Related party in substance Investor that exercises significant influence over the Group	\$ 1,722	\$ 1,722	\$ 1,722
	<u>203</u>	<u>203</u>	<u>203</u>
	<u>\$ 1,925</u>	<u>\$ 1,925</u>	<u>\$ 1,925</u>

The Group’s transactions with the related party were conducted under normal terms.

c. Lease arrangements

	June 30, 2020	December 31, 2019	June 30, 2019
1) Lease liabilities			
Related party in substance Investor that exercises significant influence over the Group	\$ 27,680	\$ 32,869	\$ 38,015
	<u>3,907</u>	<u>5,160</u>	<u>6,405</u>
	<u>\$ 31,587</u>	<u>\$ 38,029</u>	<u>\$ 44,420</u>
	<u>Three Months Ended June 30</u>	<u>Six Months Ended June 30</u>	
	2020	2019	2020
	2019	2020	2019
2) Interest expense			
Related party in substance Investor that exercises significant influence over the Group	\$ 115	\$ 156	\$ 240
	<u>16</u>	<u>27</u>	<u>35</u>
	<u>\$ 131</u>	<u>\$ 183</u>	<u>\$ 275</u>
	<u>\$ 378</u>	<u>\$ 378</u>	<u>\$ 378</u>

d. Guarantee

As of June 30, 2020, the prior chairman of NTC is a joint guarantor of the land-leasing from Taiwan Sugar Corporation. Refer to Note 13.

e. Compensation of key management personnel

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	2020	2019	2020	2019
Short-term employment benefits	\$ 58,552	\$ 93,195	\$ 127,067	\$ 164,664
Post-employment benefits	<u>8,117</u>	<u>2,275</u>	<u>24,779</u>	<u>4,521</u>
	<u>\$ 66,669</u>	<u>\$ 95,470</u>	<u>\$ 151,846</u>	<u>\$ 169,185</u>

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

27. PLEDGED AND COLLATERALIZED ASSETS

Refer to Note 6 and Note 12 to the consolidated financial statements.

28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Amounts available under unused letters of credit as of June 30, 2020 and 2019 were approximately US\$38,346 thousand and US\$10,766 thousand, JPY 1,778,248 thousand and JPY1,498,830 thousand and EUR 0 thousand and EUR45 thousand, respectively.

b. Signed construction contract

	Total Contract Price	Payment as of June 30, 2020
TASA Construction Corporation	<u>\$ 8,375,762</u>	<u>\$ 6,981,312</u>

c. NTC 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 H Corporation exploded during use and caused damage to it. At the same time, NTC, NTCA and other related companies shall bear the relevant compensation liabilities. The court stipulated that the defendant must submit a defense within 30 days. NTC continues to evaluate the possible impact of this case on its business and finances, and will also conduct related litigation matters in accordance with the procedures established by the court.

29. SIGNIFICANT CONTRACTS

On November 28, 2019, NTC's board of directors resolved to acquire the semiconductor business of Panasonic Corporation. Consequently, NTC and Panasonic Corporation reached an agreement and signed a contract for NTC's acquisition of the semiconductor business of Panasonic Corporation. Both parties will obtain approval from their government authorities and estimate to complete the contract settlement in September 2020. The total contract amount is US\$250,000 thousand (approximately NT\$7,627,500 thousand), which will be adjusted on or after the settlement in accordance with the regulated price formula in the contract.

According to the aforementioned contract signed on November 28, 2019, NTC has the right to decide whether to purchase the PSCS land when received the environmental assessment report within three months. NTC's board of directors resolved to purchase the land for business within US\$50,000 thousand on May 19, 2020.

30. OTHER ITEMS

In the first half of 2020, the novel viral pneumonia (Covid-19 pandemic) spread all over the world, causing subsidiaries, customers and suppliers in some regions to implement quarantine and travel restrictions. The 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.

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

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

	June 30, 2020			December 31, 2019			June 30, 2019		
	Foreign Currencies (In Thousands)	Exchange Rate (Note 1)	New Taiwan Dollars (In Thousands)	Foreign Currencies (In Thousands)	Exchange Rate (Note 1)	New Taiwan Dollars (In Thousands)	Foreign Currencies (In Thousands)	Exchange Rate (Note 1)	New Taiwan Dollars (In Thousands)
<u>Financial assets</u>									
Monetary items									
USD	\$ 270,623	29.63	\$ 8,018,557	\$ 209,636	29.98	\$ 6,284,877	\$ 225,471	31.06	\$ 7,003,133
USD	19,509	107.71	578,061	23,628	108.62	708,381	20,375	107.62	632,856
		(Note 2)			(Note 2)			(Note 2)	
EUR	2,346	33.27	78,055	591	33.59	19,847	1,271	35.38	44,951
JPY	1,671,559	0.2751	459,846	1,615,538	0.2760	445,888	2,835,440	0.2886	818,308
RMB	204,927	4.191	858,851	75,469	4.305	324,895	35,868	4.521	162,160
RMB	220,444	0.1414	923,880	68,803	0.1436	296,199	45	0.1456	202
		(Note 3)			(Note 3)			(Note 3)	
ILS	17,611	8.5609	150,765	14,128	8.6652	122,421	12,170	8.7076	105,967
Non-monetary items									
USD	7,461	29.63	221,084	7,461	29.98	223,667	7,389	31.06	229,511
<u>Financial liabilities</u>									
Monetary items									
USD	124,886	29.63	3,700,381	132,119	29.98	3,960,917	104,738	31.06	3,253,155
USD	7,970	107.71	236,160	14,739	108.62	441,864	11,064	107.62	343,661
		(Note 2)			(Note 2)			(Note 2)	
EUR	2,670	33.27	89,828	2,683	33.59	90,135	1,440	35.38	50,964
JPY	1,219,974	0.2751	335,615	1,636,729	0.2760	451,737	3,196,849	0.2886	922,611
RMB	5,134	0.1414	21,518	47,882	0.1436	206,132	125	0.1456	566
		(Note 3)			(Note 3)			(Note 3)	
ILS	20,669	8.5609	176,944	24,104	8.6652	208,865	17,123	8.7076	149,103

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

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

Note 3: The exchange rate represents the number of U.S. dollar for which one RMB could be exchanged.

For the three months ended June 30, 2020 and 2019, and the six months ended June 30, 2020 and 2019, realized and unrealized net foreign exchange gains (losses) were losses of \$100,968 thousand, gains of \$55,632 thousand, losses of \$49,000 thousand and gains of \$79,912 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 group entities.

32. ADDITIONAL DISCLOSURE

- a. Following are the additional disclosures for material transactions and; b. investments required by the Securities and Futures Bureau for the Company:

1)	Financings provided	None
2)	Endorsements/guarantees provided	Table 1
3)	Marketable securities held (excluding investments in subsidiaries and associates)	Table 2
4)	Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital	None
5)	Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital	Table 3
6)	Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital	None
7)	Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital	Table 4
8)	Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital	Table 5
9)	Information about the derivative financial instruments transaction	Note 7
10)	Names, locations, and related information of investees over which the Company exercises significant influence (excluding information on investment in Mainland China)	Table 6
11)	Major shareholders	Table 9

- c. Information on investment in mainland China

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

- d. Information on intercompany relationships and significant intercompany transactions: Refer to Table 8 attached.

33. SEGMENT INFORMATION

a. Basic information about operating segment

1) Classification of operating segments

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

a) Segment of DRAM IC product

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

b) Segment of Flash Memory product

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

c) Segment of Logic IC product

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

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

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

b. Segment revenues and operating results

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

	Segment Revenue		Segment Profit and Loss	
	For the Six Months Ended		For the Six Months Ended	
	June 30		June 30	
	2020	2019	2020	2019
DRAM IC product	\$ 8,382,582	\$ 9,462,240	\$ (374,716)	\$ 605,473
Flash Memory product	10,798,934	8,870,428	2,511,242	2,028,382
Logic IC product	5,120,009	4,565,179	798,797	601,916
Total of segment revenue	24,301,525	22,897,847	2,935,323	3,235,771
Other revenue	73	590	73	591
Operating revenue	<u>\$ 24,301,598</u>	<u>\$ 22,898,437</u>		

(Continued)

	<u>Segment Revenue</u>		<u>Segment Profit and Loss</u>	
	<u>For the Six Months Ended</u>		<u>For the Six Months Ended</u>	
	<u>June 30</u>		<u>June 30</u>	
	2020	2019	2020	2019
Unallocated expenditure				
Administrative and supporting expenses			\$ (1,094,089)	\$ (953,550)
Sales and other common expenses			<u>(933,698)</u>	<u>(1,385,899)</u>
Income from operations			<u>907,609</u>	<u>896,913</u>
Non-operating income and expenses				
Interest income			29,232	51,711
Dividend income			67,694	322,494
Other income			29,072	33,224
Gains (losses) on disposal of property, plant and equipment			(10,004)	(975)
Gains (losses) on financial instruments at fair value through profit or loss			20,461	(103,295)
Foreign exchange gains (losses)			(49,000)	79,912
Share of profit (loss) of associates accounted for using equity method			37,316	104,733
Interest expense			(135,894)	(93,555)
Other expenses			<u>(79,400)</u>	<u>(59,475)</u>
Profit before income tax			<u>\$ 817,086</u>	<u>\$ 1,231,705</u>

(Concluded)

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE SIX MONTHS ENDED JUNE 30, 2020
(In Thousands of New Taiwan Dollars)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period (Note 2)	Actual Borrowing Amount (Note 2)	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
1	Nuvoton Technology Corporation ("NTC")	Nuvoton Electronics Technology (Shanghai) Limited ("NTSH")	Subsidiary	\$ 7,327,374	\$ 1,554,740 (RMB 370,000)	\$ 1,554,740 (RMB 370,000)	\$ -	\$ -	21.22	\$ 7,327,374	Y	-	Y	

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

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

Note 3: Maximum amount endorsed are based on the net equity in latest financial statements of NTC.

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

JUNE 30, 2020

(In Thousands of New Taiwan Dollars and Foreign Currencies)

Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	June 30, 2020				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Winbond Electronics Corp. (WEC)	<u>Shares</u> Walsin Lihwa Corporation	The investee's chairman are relatives within the second degree of relationship of WEC's chairman. As WEC's corporate director, the investee held 22% ownership interest in WEC	Current financial assets at fair value through other comprehensive income	222,000,000	\$ 3,230,100	7	\$ 3,230,100	
	Hannstar Display Corporation	The investee's chairman are relatives within the second degree of relationship of WEC's chairman.	"	150,000,210	972,001	5	972,001	
	Walton Advanced Engineering Inc.	The investee chairman are relatives within the second degree of relationship of WEC's chairman. WEC as the investee's director.	"	50,062,641	492,116	10	492,116	
	Walsin Technology Corporation	The investee's chairmans are relatives within the second degree of relationship of WEC's chairman. WEC as the investee's supervisor.	"	8,600,117	1,539,421	2	1,539,421	
	FocalTech Systems Co., Ltd.	None	"	2,000,000	64,400	1	64,400	
	<u>Shares</u> His Chu Golf Country Club	None	Non-current financial assets at fair value through other comprehensive income	3	9,120	-	9,120	
	Linkou Golf Course	"	"	1	8,100	-	8,100	
	Smart Catch International Co., Ltd. Harbinger III Venture Capital Corp.	" WEC as the investee's supervisor	" "	4,000,000 5,440	- 240	16 5	- 240	
WECA	<u>Shares</u> Everspin Technologies, Inc.	None	Current financial assets at fair value through other comprehensive income	332,834	USD 2,336	2	USD 2,336	
	<u>Funds</u> JVP VIII, L.P.	None	Non-current financial assets at fair value through other comprehensive income	-	USD 5,850	7	USD 5,850	
WECJ	<u>Shares</u> Nihon Computer Co., Ltd.	None	Non-current financial assets at fair value through other comprehensive income	10	JPY -	1	JPY -	
GLMTD	<u>Shares</u> TEGNA Electronics Private Limited	The held company as the investee's director	Non-current financial assets at fair value through other comprehensive income	3,001,000	INR 30,010	10	INR 30,010	

(Continued)

Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	June 30, 2020				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
NTC	<u>Shares</u> Yu-Ji Venture Capital Co., Ltd.	The held company as the investee's director	Non-current financial assets at fair value through other comprehensive income	1,350,000	\$ 13,932	5	\$ 13,932	
	United Industrial Gases Co., Ltd.	The held company as the investee's director	"	8,800,000	413,600	4	413,600	
	Brightek Optoelectronic Co., Ltd.	None	"	34,680	545	-	545	
	Autotalks Ltd. - Preferred E. Share	None	"	3,932,816	592,600	8	592,600	
SYI	<u>Shares</u> Nyquest Technology Co., Ltd.	The held company as the investee's director	Non-current financial assets at fair value through other comprehensive income	1,650,000	51,315	5	51,315	

Note: Refer to Tables 6 and 7 for information of investment in subsidiaries, investments in associates and investment in Mainland China.

(Concluded)

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

**ACQUISITION OF INDIVIDUAL REAL ESTATE PROPERTIES AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2020
(In Thousands of New Taiwan Dollars)**

Company Name	Property	Event Date	Transaction Amount	Payment Term	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
WEC	Buildings	2020.02.05-2020.06.19	\$ 923,125	Monthly settlement by the construction progress and acceptance	TASA Construction Corporation	None	N/A	N/A	N/A	N/A	Price comparison and price negotiation	Business purpose	None

TABLE 4**WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES****TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL****FOR THE SIX MONTHS ENDED JUNE 30, 2020****(In Thousands of New Taiwan Dollars and Foreign Currencies)**

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
WEC	WEHK	Direct subsidiary with 100% ownership	Sales	\$ 4,838,424	26	Net 90 days from invoice date	N/A	N/A	\$ 975,451	21	
	WECJ	Indirect subsidiary with 100% ownership	Sales	2,057,139	11	Net 90 days from invoice date	N/A	N/A	221,230	5	
	WECN	Indirect subsidiary with 100% ownership	Sales	792,624	4	Net 90 days from invoice date	N/A	N/A	106,505	2	
	WECA	Indirect subsidiary with 100% ownership	Sales	335,693	2	Net 90 days from invoice date	N/A	N/A	-	-	
WEHK	WEC	Parent company	Purchases	USD 161,592	100	Net 90 days from invoice date	N/A	N/A	USD (32,921)	(100)	
WECJ	WEC	Parent company	Purchases	JPY 7,445,572	98	Net 90 days from invoice date	N/A	N/A	JPY (804,425)	(90)	
WECN	WEC	Parent company	Purchases	RMB 187,253	100	Net 90 days from invoice date	N/A	N/A	RMB (25,413)	(100)	
WECA	WEC	Parent company	Purchases	USD 11,232	100	Net 90 days from invoice date	N/A	N/A	USD -	-	
NTC	NTHK	Subsidiary	Sales	1,749,796	35	Net 90 days from invoice date	N/A	N/A	208,299	18	
NTHK	NTC	Parent company	Purchases	USD 58,532	100	Net 90 days from invoice date	N/A	N/A	USD (7,029)	(100)	

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

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

JUNE 30, 2020

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
WEC	WEHK	Direct subsidiary with 100% ownership	\$ 975,451	9.88	\$ -	-	\$ 235,260	\$ -
	WECJ	Indirect subsidiary with 100% ownership	221,230	12.72	-	-	-	-
	WECN	Indirect subsidiary with 100% ownership	106,505	21.27	-	-	73,656	-
NTC	NTHK	NTC's direct subsidiary with 100% ownership	208,299	26.47	-	-	208,299	-

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
 FOR THE SIX MONTHS ENDED JUNE 30, 2020
 (In Thousands of New Taiwan Dollars and Foreign Currencies)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of June 30, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				June 30, 2020	December 31, 2019	Number of Shares	%	Carrying Amount			
Winbond Electronics Corp.	Nuvoton Technology Corporation	Taiwan	Research, development, design, manufacture and marketing of Logic IC, 6 inch wafer product, test, and OEM	\$ 2,994,644	\$ 2,994,644	177,000,000	62.00	\$ 4,483,685	\$ 343,891	\$ 215,059	
	Winbond Int'l Corporation	British Virgin Islands	Investment holding	2,992,157	2,992,157	95,410,000	100.00	1,642,294	18,744	18,744	
	Winbond Electronics (HK) Limited	Hong Kong	Sales of semiconductor and investment holding	278,158	278,158	71,150,000	100.00	483,089	71,119	71,116	
	Landmark Group Holdings Ltd.	British Virgin Islands	Investment holding	168,755	168,755	5,343,000	100.00	440,302	32,173	32,173	
	Callisto Holding Limited	Hong Kong	Electronic commerce and investment holding	156,292	156,292	40,000,000	100.00	134,539	(6,755)	(6,755)	
	Great Target Development Ltd.	Seychelles	Investment Holding	155,663	155,367	4,470,000	100.00	139,223	(264)	(264)	
	Winbond Electronics Germany GmbH	Germany	Sales and service of semiconductor	28,679	28,679	850,000	100.00	28,279	-	-	
	Winbond Technology Ltd.	Israel	Design and service of semiconductor	21,242	21,242	100,000	100.00	74,236	4,959	4,959	
	Pine Capital Investment Limited	Hong Kong	Investment holding	2,967	2,967	780,000	100.00	3,269	(211)	(211)	
	Chin Xin Investment Co., Ltd.	Taiwan	Investment holding	1,874,825	1,874,825	182,840,999	38.00	3,564,125	129,233	37,321	
Hwa Bao Botanic Conservation Corp.	Taiwan	Agriculture and forestry botanic conservation	750	750	75,000	15.00	710	(31)	(5)		
Winbond Int'l Corporation	Winbond Electronics Corporation America	United States of America	Design, sales and after-sales service of semiconductor	1,683,207	1,683,207	3,067	100.00	1,451,692	18,893	18,893	
Landmark Group Holdings Ltd.	Winbond Electronics Corporation Japan	Yokohama, Japan	Research, development, sales and after-sales service of semiconductor	112,644	112,644	2,970	100.00	452,787	32,468	32,468	
	Peaceful River Corp.	British Virgin Islands	Investment holding	20,044	20,044	5,660,000	100.00	(13,249)	(54)	(54)	(Note 1)
Callisto Holding Limited	Callisto Technology Limited	Hong Kong	Electronic commerce and investment holding	30,895	30,895	1,000,000	100.00	29,805	22	22	
				USD 1,000	USD 1,000			USD 1,006	USD 1	USD 1	
Great Target Development Ltd.	GLMTD Technology Private Limited	India	Sales and service of semiconductor	135,415	135,415	27,998,400	99.99	109,332	(125)	(125)	
Nuvoton Technology Corporation	Nuvoton Electronics Technology (H.K.) Limited	Hong Kong	Sales of semiconductor	427,092	427,092	107,400,000	100.00	484,243	32,985	32,985	
	Marketplace Management Limited	British Virgin Islands	Investment holding	273,418	273,418	8,842,789	100.00	77,948	2,178	2,178	
	Nuvoton Investment Holding Ltd.	British Virgin Islands	Investment holding	590,953	590,953	17,960,000	100.00	288,496	14,083	14,083	
	Song Yong Investment Corporation	Taiwan	Investment holding	38,500	38,500	3,850,000	100.00	69,901	3,167	3,167	
	Nuvoton Technology India Private Limited	India	Design, sales and after-sales service of semiconductor	30,211	30,211	600,000	100.00	21,321	595	595	
	Nuvoton Technology Corp. America	United States of America	Design, sales and after-sales service of semiconductor	190,862	190,862	60,500	100.00	186,025	2,165	2,165	
	Nuvoton Technology Singapore Pte. Ltd.	Singapore	Design, sales and after-sales service of semiconductor	3,044	-	100,000	100.00	2,593	(371)	(371)	
Nuvoton Technology Korea Limited	Korea	Design, sales and after-sales service of semiconductor	30,828	-	125,000	100.00	30,750	-	-		
Marketplace Management Limited	Goldbond LLC	United States of America	Investment holding	1,472,903	1,472,903	-	100.00	77,814	2,348	2,348	
Nuvoton Investment Holding Ltd.	Nuvoton Technology Israel Ltd.	Israel	Design and service of semiconductor	46,905	46,905	1,000	100.00	289,626	14,187	14,187	

Note 1: PRC has a negative net book value as of June 30, 2020, which is reclassified to other non-current liabilities.

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

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 2020
(In Thousands of New Taiwan Dollars and Foreign Dollars)

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

Investor Company	Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of June 30, 2020	Net Income of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Note 1)	Carrying Amount as of June 30, 2020	Accumulated Repatriation of Investment Income as of June 30, 2020
						Outward	Inward						
WEC	Winbond Electronics (Suzhou) Limited	Design, development and marketing of VLSI integrated ICs	\$ 276,435 USD 9,000	Through investing in WEHK in the third area, which then invested in the investee in Mainland China indirectly	\$ 276,435 USD 9,000	\$ -	\$ -	\$ 276,435 USD 9,000	\$ 12,111	100	\$ 12,111	\$ 297,259	\$ 35,880
NTC	Nuvoton Electronics Technology (Shanghai) Limited	Provide project of sale in China and repair, test and consult of software	68,036 USD 2,000	Through investing in MML in the third area in British Virgin Islands, which then invested in the investee in Mainland China indirectly	68,036 USD 2,000	-	-	68,036 USD 2,000	2,516	62	1,549	48,802	-
	Winbond Electronics (Nanjing) Ltd.	Computer software service (except I.C. design)	16,429 USD 500	Through investing in MML in the third area in British Virgin Islands, which then invested in the investee in Mainland China indirectly	16,429 USD 500	-	-	16,429 USD 500	-	62	-	(1,025) (Note 2)	-
	Nuvoton Electronics Technology (Shenzhen) Limited	Computer software service (except I.C. design), wholesale business for computer, supplement and software	197,670 USD 6,000	Through investing in NTHK in the third area, which then invested in the investee in Mainland China indirectly	197,670 USD 6,000	-	-	197,670 USD 6,000	3,413	62	2,101	126,096	-

Note 1: Investment profit or loss for the six months ended June 30, 2020 was recognized under the basis of the financial statements reviewed by the Company's auditor.

Note 2: WENJ has a negative net book value as of June 30, 2020, which is reclassified to other non-current liabilities.

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

Company	Accumulated Outward Remittance for Investment in Mainland China as of June 30, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 3)
WEC	\$ 276,435 (USD9,000)	\$ 276,435 (USD9,000)	\$ 35,567,666
NTC	282,135 (USD8,500)	282,135 (USD8,500)	4,396,424

Note 3: Upper limit on the amount of 60% of the investee's net book value.

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

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2020
(In Thousands of New Taiwan Dollars)

No.	Company Name	Related Party	Nature of Relationship	Transaction Details			Percentage of Consolidated Total Gross Sales or Total Assets (%)
				Financial Statement Account	Amount	Terms	
0	WEC	WEHK	Transactions between parent company and subsidiaries	Operating revenue	\$ 4,838,424	-	20
		WEHK	Transactions between parent company and subsidiaries	Accounts receivable due from related parties	975,451	-	1
		WECA	Transactions between parent company and subsidiaries	Operating revenue	335,693	-	1
		WECA	Transactions between parent company and subsidiaries	Other payables	133,106	-	-
		WECA	Transactions between parent company and subsidiaries	Research and development expenses	184,447	-	1
		WECJ	Transactions between parent company and subsidiaries	Accounts receivable due from related parties	221,230	-	-
		WECJ	Transactions between parent company and subsidiaries	Operating revenue	2,057,139	-	8
		WECJ	Transactions between parent company and subsidiaries	Research and development expenses	163,481	-	1
		WECN	Transactions between parent company and subsidiaries	Accounts receivable due from related parties	106,505	-	-
		WECN	Transactions between parent company and subsidiaries	Operating revenue	792,624	-	3
		NTC	Transactions between parent company and subsidiaries	Other receivables	214,553	-	-
		WTL	Transactions between parent company and subsidiaries	Research and development expenses	138,726	-	1
		1	NTC	NTHK	Transactions between parent company and subsidiaries	Operating revenue	1,749,796
NTHK	Transactions between parent company and subsidiaries			Accounts receivable due from related parties	208,299	-	-
NTCA	Transactions between parent company and subsidiaries			Research and development expenses	126,418	-	1
NTIL	Transactions between parent company and subsidiaries			Research and development expenses	371,574	-	2
NTIL	Transactions between parent company and subsidiaries			Other payables	131,882	-	-

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

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

TABLE 9**WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS****JUNE 30, 2020**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Walsin Lihwa Corporation	883,848,423	22.21
Chin Xin Investment Co., Ltd.	221,003,072	5.55

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

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