STRICTLY CONFIDENTIAL

Nuvoton Technology Corporation

(incorporated as a company limited by shares in Taiwan, the Republic of China)

US$150,000,000 Currency-Linked Zero Coupon Convertible Bonds due 2030

Nuvoton Technology Corporation (the "**Company**" or the "**Issuer**" and, together with its subsidiaries, the "**Group**," or, to the extent applicable, "**we**," "**us**," "**our**") is offering US$150,000,000 aggregate principal amount of currency-linked US dollar denominated zero coupon convertible bonds due 2030 (the "**Bonds**"), through UBS AG Hong Kong Branch (the "**Initial Purchaser**").

The Bonds will be direct, unconditional, unsecured and unsubordinated obligations of the Company, and will rank pari passu without any preference or priority among themselves and with all of the Company's other present and future direct, unconditional, unsecured and unsubordinated obligations, except as otherwise provided herein. Unless the Bonds have been previously redeemed, repurchased and canceled or converted, the Company will redeem the Bonds at the Settlement Equivalent (as defined herein) of 108.03% of the outstanding principal amount thereof at the Maturity Date (as defined herein). The Bonds will not bear any interest.

The Bonds will be convertible into common shares of the Company, par value NT$10.00 per share (the "**Common Shares**"), during the period from and including April 22, 2025 to and including January 11, 2030 (subject to certain restrictions) at a conversion price which will initially be NT$118.68 per Share (subject to adjustment as set forth in "Description of the Bonds—Conversion—Adjustments to the Conversion Price") determined on the basis of a fixed exchange rate of NT$32.917 = US$1.00 applicable on conversion of the Bonds. The Common Shares are currently listed under the trading code "4919" on the Taiwan Stock Exchange (the "**TWSE**") in the Republic of China (the "**ROC**"). The closing sale price per share on the TWSE on January 9, 2025 was NT$98.90 (equivalent to US$3.00 at the exchange rate of NT$32.9170 to US$1.00 based on the Taipei Forex Inc. Taiwan Dollar 11:00 fixing rate on January 9, 2025). See "Risk Factors—Risks Relating to Ownership of the Bonds and the Common Shares."

At any time on or after January 21, 2028, by giving the requisite notice, the Company may redeem the Bonds, in whole or in part, at the Settlement Equivalent (as defined herein) of the Early Redemption Amount (as defined herein), if the Closing Price (as defined herein) of the Common Shares for 20 out of 30 consecutive Trading Days (as defined herein) immediately prior to the date on which notice of such redemption is given, is at least 130% of the quotient of the Early Redemption Amount divided by US$200,000, and then multiplied by the Conversion Price (as defined herein). In addition, the Company may, at its option, redeem the Bonds then outstanding, in whole but not in part, at the Settlement Equivalent of the Early Redemption Amount if (i) more than 90% in principal amount of the Bonds originally issued has been redeemed, repurchased and canceled or converted or (ii) the Company becomes obligated to pay Additional Amounts (as defined herein) as a result of certain changes in the tax laws of the ROC (or such other jurisdiction in which the Company is then organized or resident for tax purposes) occurring after the Closing Date, which is expected to be on January 21, 2025.

You may require the Company to repurchase the Bonds, in whole or in part (being US$200,000 in principal amount or integral multiple thereof), at the Settlement Equivalent of 104.74% of the principal amount in US dollars with respect to your Bonds on January 21, 2028. You may also require the Company to repurchase the Bonds at the Settlement Equivalent of the Early Redemption Amount if the Common Shares cease to be listed or admitted to trading on the TWSE or there is a Change of Control (as defined herein).

Approval in-principle has been received for the listing and quotation of the Bonds on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this offering memorandum. Approval in-principle for the listing and quotation of the Bonds on the SGX-ST is not to be taken as an indication of the merits of this offering (the "**Offering**"), the Company, the Group, its subsidiaries or any of their associated companies or the Bonds. Prior to this Offering, there has been no market anywhere for the Bonds, or any market outside Taiwan for the Common Shares.

Notification pursuant to Section 309B of the Securities and Futures Act 2001 of Singapore (as modified or amended from time to time)—The Bonds are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Investing in and holding the Bonds involves a high degree of risk. See "Risk Factors" beginning on page 10 for a discussion of certain factors to be considered in connection with an investment in, and the holding of, the Bonds.

The Bonds and the Common Shares to be issued upon conversion of the Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") or any state securities laws. The Bonds are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S under the Securities Act ("**Regulation S**"). The Bonds are sold subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and the applicable securities laws of any state or other jurisdiction pursuant to registration thereunder or exemption from registration. As a prospective purchaser, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. The Bonds are not being directly or indirectly offered or sold in the ROC. See "Transfer Restrictions" and "Plan of Distribution."

The Bonds will be represented by beneficial interests in one or more global bonds registered in the name of a nominee for the common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). Except as described herein, beneficial interests in the global bonds will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream and their participants. The Initial Purchaser expects to deliver the Bonds to purchasers accounts on or about January 21, 2025.

Bond Issue Price: 100%

Sole Global Coordinator and Sole Bookrunner

UBS

Offering memorandum dated January 9, 2025

You should rely only on the information contained in this offering memorandum. None of the Company, the Initial Purchaser, the Trustee (as defined herein), the Agents (as defined herein), or any of its or their respective directors, officers, employees, representatives, agents, advisers or affiliates, or any person who controls any of them, has authorized anyone to provide you with different information. None of the Company, the Initial Purchaser, the Trustee, the Agents, or any of its or their respective directors, officers, employees, representatives, agents, advisers or affiliates, or any person who controls any of them, is making an offer of these securities in any state or jurisdiction where the offer is not permitted. This offering memorandum does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the securities to which it relates or an offer to sell or the solicitation of an offer to buy such securities by any person in any circumstances in which such offer or solicitation is unlawful. You should not assume that the information contained in this offering memorandum is accurate as of any date other than the date of this offering memorandum. Our business, financial condition, results of operations and prospects may have changed since that date.

NO UNITED STATES FEDERAL, STATE OR FOREIGN SECURITIES COMMISSION OR REGULATORY AUTHORITY HAS RECOMMENDED THE BONDS OR REVIEWED, PASSED ON, DETERMINED OR CONFIRMED THE ACCURACY OR ADEQUACY OF THIS OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

Except as described below, the Company accepts responsibility for the information contained in this offering memorandum. This offering memorandum describes, in all material respects, the business and principal assets of the Group and contains all information with respect to the Group taken as a whole and to the Bonds and the Common Shares to be delivered upon conversion of the Bonds that is material in the context of the issue and offering of the Bonds. The statements (other than opinions, beliefs, expectations and intentions expressed by the Company) contained in the offering memorandum relating to each member of the Group are true and accurate in all material respects and not misleading, and there are no other facts in relation to any member of the Group, the omission of which would, in the context of the issue and offering of the Bonds, make any statement of a material fact in the offering memorandum misleading, and all reasonable inquiries have been made by the Company to ascertain such material facts and to verify the accuracy of all such material information and statements, provided that the Company makes no representation or warranty with respect to any statements or omissions made in reliance upon and in conformity with information relating to the Initial Purchaser furnished in writing to the Company by the Initial Purchaser expressly for use in the offering memorandum. The information contained in the sections entitled "Appendix A—The Securities Markets of the ROC" and "Appendix B—Foreign Investment and Exchange Controls in the ROC" has been extracted from publicly available resources. However, such information has not been verified by the Company, the Initial Purchaser or any of the Company's or the Initial Purchaser's affiliates or advisors in connection with this offering.

None of the Company, the Initial Purchaser, the Trustee, the Agents, or any of its or their respective directors, officers, employees, representatives, agents, advisers or affiliates, or any person who controls any of them, makes any representation to any offeree or purchaser of the Bonds offered and sold hereby regarding the legality of an investment by such offeree or purchaser under applicable investment or similar laws. The contents of this offering memorandum should not be construed as legal, financial, business or tax advice. Each prospective investor should consult his or her own legal adviser, financial adviser or tax adviser for legal, financial or tax advice in relation to any purchase or proposed purchase of the Bonds.

To the fullest extent permitted by law, none of the Initial Purchaser, the Trustee, the Agents, or any of its or their respective directors, officers, employees, representatives, agents, advisers or affiliates, or any person who controls any of them, accepts responsibility whatsoever for the Bonds, the Common Shares to be delivered upon conversion of the Bonds, or the contents of this offering memorandum or for any other statement, made or purported to be made by itself or on its behalf in connection with the Company, the issue or the Offering. Each of the Initial Purchaser, the Trustee, the Agents, or any of its or their respective directors, officers, employees, representatives, agents, advisers or affiliates, or any person who controls any of them, accordingly disclaims all and any liability whether arising in tort or contract or otherwise that it might otherwise have in respect of the Bonds, the Common Shares to be delivered upon conversion of the Bonds, this offering memorandum or any such statement.

The distribution of this offering memorandum and the offering and sale of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this offering memorandum comes are required by us and the Initial Purchaser to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on the offering and sale of the Bonds and distribution of this offering memorandum, see "Plan of Distribution" and "Transfer Restrictions." This offering memorandum does not constitute an offer of, or an invitation by or on behalf of the Company, the Initial Purchaser, the Trustee, the Agents, or any of its or their respective directors, officers, employees, representatives, agents, advisers or affiliates, or any person who controls any of them, to subscribe for or purchase any of the Bonds in any jurisdiction in which such offer or invitation would be unlawful. This offering memorandum may be used only for the purposes for which it has been published.

Important Notice to Prospective Investors

Prospective investors should be aware that certain intermediaries in the context of this Offering, including the Initial Purchaser, are "capital market intermediaries" ("**CMIs**") subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the "**Code**"). This notice to prospective investors is a summary of certain obligations the Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as "overall coordinators" ("**OCs**") for this Offering and are subject to additional requirements under the Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the Code as having an association ("**Association**") with the Issuer, the CMI or the relevant group company. Prospective investors associated with the Issuer or any CMI (including its group companies) should specifically disclose this when placing an order for the Bonds and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to this Offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to this Offering, such order is hereby deemed not to negatively impact the price discovery process in relation to this Offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e., two or more corresponding or identical orders placed via two or more CMIs). If a prospective investor is an asset management arm affiliated with the Initial Purchaser, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the Initial Purchaser or its group company has more than 50% interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMIs in accordance with the Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to this Offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not such a "proprietary order". If a prospective investor is otherwise affiliated with the Initial Purchaser, such that its order may be considered to be a "proprietary order" (pursuant to the Code), such prospective investor should indicate to the Initial Purchaser when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not such a "proprietary order." Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to this Offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to this Offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private bank(s) which acts as a CMI in connection with this Offering ("**Private Banks**")) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the Initial Purchaser and/or any other third parties as may be required by the Code, including to the Issuer, any OCs, relevant regulators and/or any other third parties as may be required by the Code, it being understood and agreed that such information shall only be used for the purpose of complying with the Code, during the bookbuilding process for this Offering. Failure to provide such information may result in that order being rejected.

PRIIPS REGULATION / PROHIBITION OF SALES TO EEA RETAIL INVESTORS—The Bonds are not intended to be offered, sold, or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "**EEA**"). For the purposes of this provision, a "retail investor" means a person who is one (or more) of the following: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

UK PRIIPS REGULATION / PROHIBITION OF SALES TO UK RETAIL INVESTORS—The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold, or otherwise made available to any retail investor in the United Kingdom (the "**UK**"). For the purposes of this provision, a "retail investor" means a person who is one (or more) of the following: (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended, the "**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET—Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Bonds (a "**distributor**") should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

UK MIFIR PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET—Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (the "**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA ("**UK MiFIR**"); and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. Any distributor should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

This offering memorandum is only being distributed to and is only directed at: (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the

“**Order**”); or (ii) high net worth companies, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “**relevant persons**”). The Bonds are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire the Bonds will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this offering memorandum or any of its contents.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

We have made forward-looking statements in this offering memorandum. The words "anticipate," "believe," "estimate," "expect," "intend," "plan," "project," "seek" and similar words identify forward-looking statements. In addition, all statements other than statements of historical fact included in this offering memorandum are forward-looking statements. Our forward-looking statements contain information regarding:

- our future revenue and profitability;
- our business strategies;
- expected growth in consumer demand;
- the expected industry trends; and
- our capital expenditure plans.

Other matters discussed in this offering memorandum regarding matters that are not historical facts are only forecasts based on information currently available to us. We have based these forward-looking statements on our current expectations and projections about future events. Although we believe that these expectations and projections are reasonable, these forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. These risks, uncertainties and other factors include, among others:

- the intensely competitive industries in which we operate;
- industry risks;
- general economic, political and social conditions and developments in the ROC, Japan, Singapore, the PRC and other jurisdictions in which we operate our business, and development of geopolitical tensions between the PRC, the United States and other jurisdictions that may have a significant impact on our business;
- market acceptance of our products;
- risks associated with our entry into new markets or businesses;
- changes in market prices for our products;
- our rate of growth and ability to meet the demands in relation to our growth;
- changes in the availability and prices of raw materials and machinery and equipment we need to manufacture our products;
- our ability to meet financial and other covenants provided under our loan agreements;
- our continued ability to secure funding to meet our liquidity needs and investment objectives;
- legal proceedings, if any; and

- other risks identified in the “Risk Factors” section of this offering memorandum.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we can give no assurance that such expectations will be proven correct. We undertake no obligation to publicly update or revise any forward-looking statements whether as a result of new information, future events or otherwise. In light of the foregoing and the risks, uncertainties and assumptions in “Risk Factors” and elsewhere in this offering memorandum, the forward-looking events in this offering memorandum are not guarantees of future performance and might not occur and our actual results could differ materially from those anticipated in those forward-looking statements.

ENFORCEABILITY OF FOREIGN JUDGMENTS IN THE ROC, JAPAN AND SINGAPORE

The following is a brief description of certain limitations on the enforceability of foreign judgments in the ROC, where the Company is incorporated, and Japan and Singapore, where a material portion of our assets are located.

The ROC

The Company is a company limited by shares and incorporated under the ROC Company Act. Most of the Company's directors and executive officers named in this offering memorandum are residents of the ROC and a significant portion of its assets and the assets of such persons are located in the ROC. As a result, it may be difficult for investors to enforce judgments obtained outside the ROC against the Company or such persons in the ROC, including those predicated upon the civil liability provisions of the federal securities laws of the United States. Any final judgment obtained against the Company or such persons in any court other than the courts of the ROC in respect of any legal suit or proceeding arising out of or relating to the Bonds or the Common Shares to be issued upon conversion of the Bonds will be enforced by the courts of the ROC without further review of the merits only if the court of the ROC in which enforcement is sought is satisfied that:

- the court rendering the judgment has jurisdiction over the subject matter according to the laws of the ROC;
- neither the judgment nor the court proceedings resulting in the judgment are contrary to the public order or good morals of the ROC;
- if the judgment was rendered by default by the court rendering the judgment, (i) process was duly served on the Company or such persons within a reasonable period of time within the jurisdiction of such court in accordance with the laws and regulations of such jurisdiction or (ii) process was served on the Company or such persons with judicial assistance of the ROC; and
- judgments of the courts of the ROC are recognized and enforceable in the jurisdiction of the court rendering the judgment on a reciprocal basis.

A party seeking to enforce a foreign judgment in the ROC would, except under limited circumstances, be required to obtain foreign exchange approval from the Central Bank of the Republic of China (Taiwan) (the "**CBC**") for the remittance out of the ROC of any amounts exceeding US$100,000 or its equivalent recovered in respect of such judgment denominated in a currency other than NT dollars. See "Appendix B—Foreign Investment and Exchange Controls in the ROC."

Japan

Any final and conclusive civil judgment for monetary claims (which are limited to those of a purely civil nature and do not include monetary claims in the nature of criminal or administrative sanctions, such as punitive damages, even though they take the form of civil claims) obtained in a foreign court against the Company or such persons in any court other than the courts of the Japan in respect of any lawsuits or legal proceeding arising out of or relating to the Bonds or the Common Shares to be issued upon conversion of the Bonds will be recognized as a valid judgement by the courts of the Japan, provided that:

- the jurisdiction of such foreign court is permitted under Japanese laws or treaties;
- the Company or such persons have received service of process necessary for the commencement of the relevant proceedings, other than by public notice or any method comparable thereto, or has appeared before such court;
- such judgment and court proceedings are not repugnant to public policy as applied in Japan;

- there exists reciprocity as to recognition by such court of final judgments obtained in a Japanese court; and
- there is no conflicting Japanese judgment on the subject matter.

In original actions or in actions for enforcement of judgments of U.S. courts brought before Japanese courts, there is some doubt as to the enforceability in Japan of liabilities based solely on the federal and state securities laws or other laws of the United States or any state thereof.

Singapore

The Indenture and the Bonds will be governed by, and construed in accordance with, the laws of the State of New York. The Company is a company limited by shares and incorporated in the ROC. Most of the Company's directors and officers, and a substantial portion of the assets of the Company, are, or may be, located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Company or its directors and officers, or to enforce against the Company or its directors and officers in U.S. courts judgments obtained in such courts predicated upon the civil liability provisions of the federal securities laws of the United States. Pursuant to the Indenture, the Company has appointed Cogency Global Inc. to be its agent for service of process with respect to any suit, action or proceeding arising out of or relating to the Indenture or the Bonds.

A U.S. court judgment may not be enforced in Singapore pursuant to the Reciprocal Enforcement of Foreign Judgments Act 1959, or (as at the date of this offering memorandum), the Choice of Court Agreements Act 2016 (as the United States is currently a signatory but not yet a party to the 2005 Hague Convention on the Choice of Court Agreements).

A final and conclusive judgment in the federal or state courts of the United States under which a definite sum of money is payable, other than a sum payable in respect of taxes, fines, penalties or similar charges, may be subject to a common law action for enforcement of the foreign judgment as a debt in the courts of Singapore. The Singapore courts also may not recognize or enforce a foreign judgment if the foreign judgment is inconsistent with a prior local judgment, was procured by fraud, contravenes public policy, amounts to the direct or indirect enforcement of a foreign penal, revenue or other public law, or the proceedings in which it was obtained are contrary to natural justice.

There is uncertainty as to whether judgments of courts in the United States based upon the civil liability provisions of the federal securities laws of the United States would be recognized or enforceable in Singapore courts, and there is doubt as to whether Singapore courts would enter judgments in original actions brought in Singapore courts based solely upon the civil liability provisions of the federal securities laws of the United States. For example, Singapore courts may not recognize or enforce judgments against the Company and its directors and officers to the extent that the judgment is punitive or penal. It is uncertain as to whether a judgment of the courts of the United States under civil liability provisions of the federal securities laws of the United States would be determined by the Singapore courts to be punitive or penal in nature.

DEFINITIONS, CERTAIN CONVENTIONS AND OTHER DATA

Unless otherwise indicated, the following references in this offering memorandum have the following meaning:

- "AI" refers to artificial intelligence;
- "AIoT" refers to Artificial Intelligence of Things;
- "Articles of Incorporation" refers to our articles of incorporation, as amended from time to time;
- "ARM" refers to ARM Holdings plc;
- "BCD" refers to Bipolar-CMOS-DMOS;
- "Bonds" refers to US$150,000,000 aggregate principal amount of currency-linked US dollar denominated zero coupon convertible bonds due 2030;
- "CBC" refers to the Central Bank of the Republic of China (Taiwan);
- "China" and "PRC" refer to the People's Republic of China, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan (unless the context otherwise specifies);
- "Closing Date" refers to January 21, 2025;
- "CMI" refers to capital market intermediaries;
- "Common Shares" and "Shares" refer to our common shares with par value NT$10.00 per share;
- "Company," "Issuer," "we," "us," "our" and "Nuvoton" refer to Nuvoton Technology Corporation and, as the context may require, to Nuvoton Technology Corporation and its subsidiaries;
- "COVID-19" refers to the coronavirus disease 2019;
- "CPU" refers to central processing unit;
- "CSP" refers to Chip Scale Package;
- "DIR" refers to Department of Investment Review of the ROC;
- "DSP" refers to digital signal processor;
- "EEA" refers to the European Economic Area;
- "Foreign Regulations" refers to Regulations Governing Investment in Securities By Overseas Chinese and Foreign Nationals, which was approved by the ROC Executive Yuan on May 26, 1983, as amended from time to time;

- “FSC” refers to the Financial Supervisory Commission of the ROC;
- “GPU” refers to graphic processing unit;
- “Group” refers to Nuvoton Technology Corporation and its subsidiaries;
- “HMI” refers to human-machine interfaces;
- “Holder” or “Bondholder” refers to a holder of the Bonds;
- “IoT” refers to the internet of things;
- “IC” refers to integrated circuit;
- “IFRS” refers to the International Financial Reporting Standards as issued and revised from time to time by International Accounting Standard Board;
- “Indenture” refers to the indenture, to be dated as of January 21, 2025, between the Company and Citicorp International Limited, in its capacity as trustee;
- “Initial Purchaser” refers to UBS AG Hong Kong Branch;
- “IP” refers to intellectual property;
- “IRS” refers to the Internal Revenue Service of the United States;
- “ISP” refers to image signal processor;
- “IT” refers to information technology;
- “M&A” refers to mergers and acquisitions;
- “Maturity Date” refers to January 21, 2030;
- “MCU” refers to microcontrollers;
- “ML” refers to machine learning;
- “MOEA” refers to the Ministry of Economic Affairs of the ROC;
- “MOPS” refers to the Market Observation Post System on the TWSE;
- “MOSFET” refers to metal-oxide-semiconductor field-effect transistor;
- “MTD” refers to motor driver;
- “New Taiwan dollars”, “NT dollars” and “NT$” refer to New Taiwan dollars, the lawful currency of the ROC;
- “Non-ROC Holder”, refers to each of a Non-ROC Resident Individual or a Non-ROC Resident Entity. As used

in the preceding sentence, a "Non-ROC Resident Individual" is a foreign national individual who owns the Bonds or the Common Shares and does not reside in the ROC for 183 days or more during any calendar year, and a "Non-ROC Resident Entity" is a corporation or a non-corporate body that owns the Bonds or the Common Shares and is organized under the laws of a jurisdiction other than the ROC and has no fixed place of business or business agent in the ROC;

- "NPU" refers to neural processing unit;
- "NTCJ" refers to Nuvoton Technology Corporation Japan;
- "OEM" refers to original equipment manufacturer;
- "Order" refers to Financial Services and Markets Act 2000 (Financial Promotion) Order 2005;
- "PRC Regulations" refers to the Regulations Governing Mainland Chinese Investors' Securities Investments and Futures Trading in Taiwan, which was announced by the FSC on April 30, 2009, as amended;
- "Private Bank(s)" refers to private bank(s) which acts as a CMI in connection with this Offering;
- "Purchase Agreement" refers to that certain purchase agreement between us and the Initial Purchaser entered into on January 9, 2025;
- "QDII" refers to a qualified institutional investor which has been approved by the competent authority in PRC;
- "R&D" refers to research and development;
- "Regulation S" refers to Regulation S promulgated under the Securities Act;
- "ROC" and "Taiwan" refers to the Republic of China and other areas under the effective control of the Republic of China;
- "ROC Company Act" refers to the Company Act of 1929, as amended, of the ROC;
- "ROC Executive Yuan" refers to the Executive Yuan of the ROC;
- "ROC Government" refers to the government of the ROC;
- "ROC Securities and Exchange Act" refers to the Securities and Exchange Act of 1968 of the ROC, as amended;
- "Securities Act" refers to the U.S. Securities Act of 1933, as amended;
- "SFA" refers to Securities and Futures Act 2001 of Singapore (as modified or amended from time to time);
- "SGX-ST" refers to the Singapore Exchange Securities Trading Limited;
- "Taiwan IFRS" refers to the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations

Committee endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China;

- "TDCC" refers to the Taiwan Depository & Clearing Corporation;
- "TPEx" refers to the Taipei Exchange, formerly known as GreTai Securities Market;
- "TPSCo." refers to Tower Partners Semiconductor Co., Ltd.;
- "TWSE" refers to the Taiwan Stock Exchange;
- "UHV" refers to ultra-high voltage;
- "United States" and "U.S." refer to the United States of America;
- "United States dollars", "US dollars" and "US$" refer to United States dollars, the lawful currency of the United States; and
- "Winbond" refers to Winbond Electronics Corporation, a principal shareholder of the Company.

As the Common Shares are listed on the TWSE, our financial statements are required to be presented in New Taiwan dollars, the lawful currency of the ROC. Therefore, our financial statements presented herein are translated from NT dollars into US dollars using the exchange rate of NT$31.65 to US$1.00 as set forth in the statistical release published by the Federal Reserve Board of the United States on September 30, 2024. No representation is made that the NT$ or US$ amounts referred to in this offering memorandum could have been or could be converted into US$ or NT$, as the case may be, at any particular rate, the above rates or at all.

Unless expressly stated otherwise, all financial information, description and other information regarding our financial condition and results of operations as of and for the years ended December 31, 2021, 2022 and 2023 and as of and for the nine months ended September 30, 2023 and 2024 included in this offering memorandum are presented on a consolidated basis. Our consolidated financial statements as of and for the years ended December 31, 2021 and 2022 and our consolidated financial statements as of and for the years ended December 31, 2022 and 2023 have been audited by Deloitte & Touche, our independent auditors.

In this offering memorandum, where information has been presented in thousands, millions or billions of units, amounts may have been rounded up or down. Accordingly, the total of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding.

Certain names with Chinese characters have been translated into English names. Such translations are provided solely for the convenience of investors and should not be construed as representations that the English names actually represent the Chinese characters.

Where the context so permits or requires, words importing the singular number include the plural and vice versa and words importing the masculine gender include the feminine and neuter genders and vice versa.

We have compiled all industry and market information and statistics contained in this offering memorandum from various published and private sources, which may be inconsistent with other information compiled elsewhere. None of the Company, the Initial Purchaser, the Trustee, the Agents, or any of its or their respective directors, officers, employees, representatives, agents, advisers or affiliates, or any person who controls any of them, has independently verified the accuracy of any of such information.

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SUMMARY

The following is only a summary and it may not contain all the information you should consider before deciding to invest in the Bonds. You should read this entire offering memorandum carefully, including the "Risk Factors" section and the financial statements and related notes.

Overview

Our Common Shares have been listed on the TWSE since September 2010 under the trading code "4919". As of September 30, 2024, our total capitalization was NT$16,672.9 million (US$526.8 million). Our principal executive offices are located at No. 4, Creation Rd. III, Hsinchu Science Park, Hsinchu City 300, Taiwan, ROC, and our telephone number is 886-3-577-0066.

We are a multinational semiconductor company, focusing on design, development and sales of IC products with wide applications in general uses, audio, cloud security, visual sensing, battery monitoring, IoT and laser diode. We also own and operate a semiconductor foundry and provide foundry services to third parties as well as our own IC products.

Our history of designing and manufacturing IC products can be traced back to the late 1980's, preceding the spin-off of Nuvoton from Winbond in July 2008. In September 2020, we completed the acquisition of the semiconductor business of Panasonic Corporation, through which we have strengthened our IC product portfolio and expanded our presence into Japan and Singapore. Our IC products serve a wide range of end customers including industry-leading computers, servers, smartphones, automotives, home electronic appliances, gaming and audio manufacturers in Asia, North America and Europe.

We own and operate a 6-inch foundry plant in Hsinchu, Taiwan. Our foundry plant offers a variety of technologies, including generic logic, power management and customized processes based on 0.3um to 1.0um technologies. Our foundry service focuses on the development of Bipolar-CMOS-DMOS ("**BCD**") processes to deliver highly competitive, next-generation platforms and enhanced service value to our customers. We are committed to providing stable, long-term capacity, exceptional OEM quality and on-time delivery to meet customer needs.

Today, we have five research and development centers in the ROC, the United States, Israel, Singapore and Japan, designing and developing IC products for customers in a wide range of applications, including computers and servers, automotive, household appliances, security systems and industrial control. As of September 30, 2024, our research and development teams consisted of 1,433 full time-employees, of which 477 are based in the ROC, 32 in the United States, 133 in Israel, 50 in Singapore and 741 in Japan. As of September 30, 2024, we have approximately 4,070 patents and 2,100 ongoing patent applications.

In 2021, 2022, 2023 and the nine months ended September 30, 2024, our operating revenue were NT$41,456.0 million, NT$41,872.4 million, NT$35,348.1 million and NT$24,653.0 million (US$778.9 million), respectively. In the same periods, we recorded a net profit of NT$2,940.8 million, NT$4,220.8 million, NT$2,420.4 million and NT$282.3 million (US$8.9 million), respectively.

Competitive Strengths

We believe our success is primarily attributable to the following competitive strengths:

- Differentiated technology with a focus on security;
- Diversified product portfolio serving a wide range of end markets;
- Proven product quality and reliability;
- Decade-long relationships with industry-leading customers;

- Visionary and committed management team;

- Strong focus on ESG; and

- Long-term, close relationships with value chain partners.

Our Business Strategies

We plan to implement the following strategies to maintain our leading market position in the semiconductor industry:

- Increase investment in the development of an AI ecosystem to strengthen customer retention and enhance our competitive position;

- Expand market share with industry-leading customers;

- Continue commitment to ESG and corporate responsibility;

- Continue to enhance key technological expertise; and

- Continue to grow via M&A.

Recent Developments

As announced on the Market Observation Post System on the TWSE (the "**MOPS**"), the Company's unaudited consolidated operating revenue for October, November and December 2024 was NT$2,310.5 million, NT$2,386.2 million and NT$2,573.6 million, respectively, compared to NT$2,865.7 million, NT$2,818.0 million and NT$2,785.9 million, respectively, for the same months of 2023. The consolidated operating revenue data for October, November and December 2024 has not been audited nor reviewed by our auditor and is subject to adjustments based upon, among other things, completion of applicable reporting processes. Actual results could differ materially from the financial data provided above.

For the three months ended September 30, 2024, we generated a net loss of NT$105.5 million, primarily attributable to the decrease in our operating revenue as compared with the same months of 2023. Since October 2024, we continue to face uncertainties in economic environment, which could have impacted our operations and financial performance. As of the date of this offering memorandum, we are still in the process of preparing our financial statements for the three months ended December 31, 2024, and it remains uncertain whether we will record a profit or loss for this period. If we continue to record a loss for this period, it may have a material adverse effect on our financial condition and the price of the Common Shares.

THE OFFERING

The following is only a summary and is qualified in its entirety by reference to the "Description of the Bonds" and the more detailed information contained elsewhere in this offering memorandum. Capitalized terms used in this summary and not defined have the respective meanings given to them in "Description of the Bonds."

Issuer	Nuvoton Technology Corporation
The Offering	US$150,000,000 aggregate principal amount of currency-linked US dollar denominated zero coupon convertible bonds due 2030, being offered and sold outside the United States in reliance on Regulation S.
Interest	The Bonds will not bear any interest.
Closing Date	January 21, 2025
Maturity Date and Final Redemption...	Unless previously redeemed, repurchased and canceled or converted, the Bonds will mature, and we will redeem the Bonds, on January 21, 2030 (the "**Maturity Date**") at the Settlement Equivalent of 108.03% of the outstanding principal amount thereof.
Issue Price	100%
Ranking...	The Bonds will be our direct, unconditional, unsecured and unsubordinated obligations (but subject to a negative pledge, as described in "Negative Pledge" below), and will rank *pari passu* without any preference or priority among themselves and with all of our other present and future direct, unconditional, unsecured and unsubordinated obligations.
Conversion	Subject to certain conditions, each holder of the Bonds (each, a "**Holder**" or a "**Bondholder**") will have the right during the Conversion Period (as defined herein) to convert its Bonds (being US$200,000 in principal amount or any integral multiples thereof) into the Common Shares; *provided*, *however*, that the Conversion Right during any Closed Period (as defined herein) shall be suspended and the Conversion Period shall not include any such Closed Period. See "Description of the Bonds—Conversion" and "Risk Factors—Risks Relating to the Bonds and the Common Shares—There are limitations on the Bondholders' ability to exercise Conversion Rights." Subject to changes to ROC laws and regulations, we shall as soon as practicable but in no event more than five Trading Days (as defined herein) from the Conversion Date (as defined herein) issue and deliver the Common Shares through book-entry system of TDCC or through physical delivery of a certificate or certificates to the local agent appointed by the converting Holders.
Conversion Price	The conversion price will initially be NT$118.68 per share determined on the basis of the Fixed Exchange Rate applicable on conversion of Bonds of NT$32.917 = US$1.00. The conversion price will be subject to adjustment for, among other things, subdivision or consolidation of shares, right issues, distributions, stock dividends, and other dilutive events. See "Description of the Bonds."
Settlement Equivalent	For the relevant Rate Calculation Date (as defined herein) in respect of any US Dollar-denominated amount payable in respect of the Bonds, means such US Dollar amount converted into NT Dollar amount using the Fixed Exchange Rate of NT$32.917 = US$1.00, and then converted back to US

	Dollar amount using the applicable Prevailing Rate (as defined herein) on such date.
Early Redemption Amount	The Early Redemption Amount for each US$200,000 in principal amount of the Bonds is determined so that it represents for the Holder a yield of 1.55% per annum, calculated on a semi-annual basis.
Redemption at the Option of the Issuer..	At any time after January 21, 2028 and prior to the Maturity Date, the Bonds may be redeemed at the option of the Company, in whole or in part, on not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable) and to the Trustee and the Agents, at the Settlement Equivalent of the applicable Early Redemption Amount; *provided* that: (l) the Closing Price (converted into U.S. Dollars at the Prevailing Rate) of the Common Shares for 20 out of the 30 consecutive Trading Days immediately prior to the date on which notice of such redemption is given, is at least 130% of the quotient of the Early Redemption Amount divided by US$200,000, and then multiplied by the then prevailing Conversion Price; and (2) the applicable Redemption Date does not fall within a Closed Period. Notwithstanding the foregoing, we may redeem the Bonds, in whole but not in part, at any time, on not less than 30 nor more than 60 days' notice, at the Settlement Equivalent of the applicable Early Redemption Amount if more than 90% in principal amount of the Bonds originally issued has been redeemed, repurchased and canceled or converted; provided that the applicable Redemption Date does not fall within a Closed Period.
Additional Amounts	Payment of principal of and other amounts on the Bonds will be made without withholding or deduction for or on account of taxes of the ROC or such other jurisdiction in which we are then organized or resident for tax purposes or from which any payment on the Bonds is made (or any political subdivision or authority or agency thereof), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, we will, subject to certain exceptions, pay such Additional Amounts (as defined herein) on the Bonds as will result in receipt by the Holder of each Bond of such amounts as would have been received by such Holder had no such withholding or deduction been required.
Tax Redemption..................................	If, as a result of any change in, or amendment to the laws of the ROC or such other jurisdiction in which we are then organized or resident for tax purposes (or any political subdivision or authority or agency thereof) on or after the Closing Date, we become obligated to pay Additional Amounts, the Bonds may be redeemed at the option of the Company, in whole but not in part, at the Settlement Equivalent of the applicable Early Redemption Amount; *provided* that such right cannot be exercised earlier than 45 days prior to the first date on which we would be obligated to make an Additional Amounts payment with respect to all or substantially all of the outstanding Bonds were a payment then due. Notwithstanding the foregoing, if the outstanding principal amount of the Bonds at the time when such redemption notice is given is greater than 10% of the aggregate principal amount of the Bonds as of the Closing Date, Holders may elect not to have their Bonds redeemed but with no entitlement to any Additional Amounts or reimbursement of additional tax. See "Description of the Bonds—Redemption of the Bonds—Redemption for Taxation Reasons."

Repurchase at the Option of the Holder	Unless the Bonds have been previously redeemed, repurchased and canceled or converted, each Holder shall have the right, at such Holder's option, to require the Company to repurchase, in whole or in part (being US$200,000 in principal amount or an integral multiple thereof), such Holder's Bonds, on January 21, 2028 at a price equal to the Settlement Equivalent of 104.74% of the principal amount in US dollars with respect to such Holder's Bonds to be repurchased.
Repurchase in the Event of Change of Control	Unless the Bonds have been previously redeemed, repurchased and canceled or converted, each Holder shall have the right, at such Holder's option, to require the Company to repurchase, in whole or in part (being US$200,000 in principal amount or integral multiples thereof), such Holder's Bonds at the Settlement Equivalent of the applicable Early Redemption Amount upon the occurrence of a Change of Control, as defined herein. See "Description of the Bonds—Repurchase of the Bonds—Repurchase in the Event of Change of Control."
Repurchase in the Event of Delisting	Unless the Bonds have been previously redeemed, repurchased and canceled or converted, in the event that the Common Shares cease to be listed or admitted to trading on the TWSE, each Holder shall have the right, at such Holder's option, to require the Company to repurchase, in whole or in part (being US$200,000 in principal amount or an integral multiple thereof), such Holder's Bonds on the date set by the Issuer for such repurchase, which shall not be less than 30 nor more than 60 days following the date on which the Trustee sends to each Holder a notice after receiving relevant information from the Issuer regarding such delisting, at the Settlement Equivalent of the applicable Early Redemption Amount with respect to such Holder's Bonds to be repurchased. See "Description of the Bonds—Repurchase of the Bonds—Repurchase in the Event of Delisting."
Negative Pledge	Subject to certain exceptions, we will not, and will procure that none of our Principal Subsidiaries (as defined herein) will, create or permit to subsist any Lien (as defined herein) on any of its or, as the case may be, such Principal Subsidiary's, property, assets or revenues, present or future, to secure for the benefit of the holders of any International Investment Securities (as defined herein) any sum owing in respect thereof or any guarantee or indemnity thereof without making effective provision to secure the Bonds (a) equally and ratably with such International Investment Securities with a similar Lien or (b) with such other security as shall be approved by registered Holders holding not less than 50% of the principal amount of the outstanding Bonds. See "Description of the Bonds—Certain Covenants—Negative Pledge."
Form and Denomination	The Bonds will be issuable only in book-entry form and only in denominations of US$200,000 in principal amount or any integral multiples thereof. Bonds will be represented by the Global Bond. On the Closing Date, we will deliver the Global Bond to a common depositary (the "**Common Depositary**") for Euroclear and Clearstream. If (i) at any time, the Common Depositary advises the Company in writing that it is unwilling or unable to continue as a depository for the Global Bond and a successor depository is not appointed by the Company within 90 days, (ii) either Euroclear or Clearstream or any alternative clearing system on behalf of which the Bonds evidenced by the Global Bond may be held is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so, or (iii) an Event of Default has occurred and is continuing with respect to the Bonds and the Trustee notifies the Company in writing that any of the Bonds have become immediately due and payable pursuant to the Indenture, and, in the case of (iii) above, if the

	Holders so request, the Company shall issue individual certificated bonds in registered form in exchange for the Global Bond in any authorized denominations and in an aggregate principal amount equal to the principal amount of the Global Bond. The Bonds are not issuable in bearer form.
Use of Proceeds....................................	The gross proceeds to be received by the Company from this Offering will be US$150,000,000, before deducting underwriting commissions and related expenses. We intend to use the net proceeds of this Offering to procure raw materials from countries or regions outside the ROC. See "Use of Proceeds."
Listing	For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Bonds will be traded on the SGX-ST in a minimum board lot size of US$200,000. Approval in-principle has been received for the listing and quotation of the Bonds on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any statements made, opinions expressed or reports contained in this offering memorandum. Approval in-principle for the listing of the Bonds on the SGX-ST is not to be taken as an indication of the merits of this Offering, the Company, the Group, its subsidiaries or any of their associated companies or the Bonds. For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, we will appoint and maintain a paying agent in Singapore, where the Bonds may be presented or surrendered for payment or redemption, in the event that the Global Bonds is exchanged for individual definitive Bonds. In addition, in the event that the Global Bonds is exchanged for individual definitive Bonds, an announcement of such exchange will be made by us or on our behalf through the SGX-ST and such announcement will include all material information with respect to the delivery of the individual definitive Bonds, including details of the paying agent in Singapore.
Lock-Ups	We have agreed that for a period of 90 days after the Closing Date, we will not, without the Initial Purchaser's prior written consent, offer, pledge, sell, contract to sell or otherwise transfer or dispose of any Common Shares or any securities convertible into or exercisable or exchangeable for Common Shares. See "Plan of Distribution."
Trading Market for the Common Shares	The only trading market for the Common Shares is the TWSE. The Common Shares have been listed on the TWSE under the trading code "4919."
Governing Law	The Indenture and the Bonds will be governed by, and construed in accordance with, the laws of the State of New York.
Trustee	Citicorp International Limited
Paying Agent, Conversion Agent and Transfer Agent	Citibank, N.A., London Branch
Registrar...	Citicorp International Limited
Transfer Restrictions............................	None of the Bonds or the Common Shares issuable upon conversion of the Bonds has been registered under the Securities Act, and those securities are subject to restrictions on transfer. See "Transfer Restrictions."

Delivery of the Bonds	Delivery of the Bonds, against payment in same-day funds, will be on the Closing Date.

SUMMARY FINANCIAL DATA

The selected financial information has been derived from our consolidated financial statements as of and for the years ended December 31, 2021 and 2022 and as of and for the years ended December 31, 2022 and 2023 and our unaudited consolidated financial statements as of and for the nine months ended September 30, 2023 and 2024 included elsewhere in this offering memorandum. The consolidated financial statements as of and for the years ended December 31, 2021 and 2022 and the consolidated financial statements as of and for the years ended December 31, 2022 and 2023 have been audited by Deloitte & Touche, our independent auditors, and the unaudited consolidated financial statements as of and for the nine months ended September 30, 2023 and 2024 have been reviewed by Deloitte & Touche. Our consolidated financial statements are presented in conformity with the Taiwan IFRS. You should read the following selected financial information together with our financial statements included elsewhere in this offering memorandum. Neither these data nor the format in which they are presented should be viewed as comparable to information prepared in accordance with IFRS or generally accepted accounting principles elsewhere. See “Summary of Certain Material Differences between Taiwan IFRS and IFRS.”

Consolidated Financial Information

Consolidated Statements of Comprehensive Income Data

	Year ended December 31,				Nine Months ended September 30,		
	2021	2022	2023		2023	2024	
	NT$	NT$	NT$	US$	NT$	NT$	US$
		(audited)				(unaudited)	
				(in thousands)			
Operating revenue	41,455,957	41,872,426	35,348,149	1,116,845	26,878,415	24,652,986	778,925
Operating cost	(24,599,840)	(24,378,097)	(21,005,496)	(663,681)	(15,889,480)	(15,325,785)	(484,227)
Gross profit	**16,856,117**	**17,494,329**	**14,342,653**	**453,164**	**10,988,935**	**9,327,201**	**294,698**
Selling expenses	(1,185,131)	(1,162,124)	(972,814)	(30,737)	(743,327)	(733,777)	(23,184)
General and administrative expenses	(2,884,137)	(2,749,443)	(2,545,425)	(80,424)	(1,934,249)	(1,749,771)	(55,285)
Research and development expenses	(9,451,500)	(9,104,501)	(9,124,732)	(288,301)	(6,845,880)	(6,601,531)	(208,579)
Expected credit loss	(8,206)	(352)	(9,499)	(300)	(14,805)	(9,162)	(290)
Total operating expenses	(13,528,974)	(13,016,420)	(12,652,470)	(399,762)	9,538,261	(9,094,241)	(287,338)
Profit from operations	**3,327,143**	**4,477,909**	**1,690,183**	**53,402**	**1,450,674**	**232,960**	**7,360**
Finance costs	(68,915)	(35,230)	(45,759)	(1,445)	(35,152)	(32,148)	(1,015)
Share of profit of associates	-	126,861	162,270	5,127	269,882	57,565	1,819
Interest income	30,007	89,583	190,134	6,007	145,056	135,631	4,285
Dividend income	67,845	80,422	71,728	2,266	71,728	64,294	2,031
Other gains and losses	62,617	50,404	40,651	1,284	10,116	14,751	466
Gains on disposal of property, plant and equipment	134,893	304,132	646,211	20,418	83,422	13,839	437
Foreign exchange gains (losses)	(24,204)	143,614	77,808	2,458	188,704	(28,714)	(907)
Gains (losses) on financial instruments at fair value through profit or loss	16,110	(130,675)	(106,622)	(3,368)	(163,945)	(39,209)	(1,239)
Total non-operating income and expenses	218,353	629,111	1,036,421	32,747	569,811	186,009	5,877
Profit before income tax	**3,545,496**	**5,107,020**	**2,726,604**	**86,149**	**2,020,485**	**418,969**	**13,237**
Income tax expense	(604,744)	(886,247)	(306,170)	(9,674)	(306,950)	(136,706)	(4,319)
Net profit for the year/period	**2,940,752**	**4,220,773**	**2,420,434**	**76,475**	**1,713,535**	**282,263**	**8,918**

Consolidated Balance Sheet Data

	As of December 31,				As of September 30,		
	2021	2022	2023		2023	2024	
	NT$	NT$	NT$	US$	NT$	NT$	US$
		(audited)				(unaudited)	
				(in thousands)			
Total current assets	22,000,452	24,115,127	19,199,465	606,618	20,214,169	17,065,169	539,184
Total non-current assets	12,407,938	12,736,613	12,540,729	396,232	12,552,425	13,650,526	431,296
Total assets	34,408,390	36,851,740	31,740,194	1,002,850	32,766,594	30,715,695	970,480
Total current liabilities	9,818,988	10,967,686	8,180,808	258,477	9,410,110	9,102,367	287,594
Total non-current liabilities	9,034,712	8,318,116	6,828,342	215,746	7,293,864	5,511,813	174,149
Total liabilities	18,853,700	19,285,802	15,009,150	474,223	16,703,974	14,614,180	461,743
Net assets	15,554,690	17,565,938	16,731,044	528,627	16,062,620	16,101,515	508,737

Consolidated Statements of Cash Flow Data

	Year ended December 31,				Nine months ended September 30,		
	2021	2022	2023		2023	2024	
	NT$	NT$	NT$	US$	NT$	NT$	US$
		(audited)				(unaudited)	
				(in thousands)			
Net cash generated from (used in) operating activities	4,110,432	3,421,678	132,087	4,173	(595,805)	1,925,282	60,830
Net cash generated from (used in) investing activities	758,010	(2,164,434)	(389,210)	(12,297)	(72,505)	(1,491,771)	(47,133)
Net cash generated from (used in) financing activities	(494,774)	(821,087)	(3,487,554)	(110,191)	(3,221,212)	(1,626,821)	(51,400)
Effects of exchange rate changes on the balance of cash held in foreign currencies	(556,370)	262,997	(328,114)	(10,367)	(134,794)	139,958	4,422
Net increase (decrease) in cash and cash equivalents	3,817,298	699,154	(4,072,791)	(128,682)	(4,024,316)	(1,053,352)	(33,281)
Cash and cash equivalents at the beginning of the year/period	5,881,733	9,699,031	10,398,185	328,536	10,398,185	6,325,394	199,854
Cash and cash equivalents at the end of the year/period	9,699,031	10,398,185	6,325,394	199,854	6,373,869	5,272,042	166,573

Other Financial Data

	Year ended December 31,			Nine Months ended September 30,	
	2021	2022	2023	2023	2024
Gross margin[(1)]	40.7%	41.8%	40.6%	40.9%	37.8%
Operating margin[(2)]	8.0%	10.7%	4.8%	5.4%	0.9%
Net profit margin[(3)]	7.1%	10.1%	6.8%	6.4%	1.1%

(1) Gross margin is calculated by dividing gross profit by operating revenue.

(2) Operating margin is calculated by dividing income from operations by operating revenue.

(3) Net profit margin is calculated by dividing net profit for the period by operating revenue.

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RISK FACTORS

Investing in the Bonds involves risks, and you should carefully consider the risks described below before making an investment decision. In addition, you should also carefully consider all of the information contained in this offering memorandum, including our financial statements and related notes. You should note that we are governed in the ROC and the PRC by a legal and regulatory environment that in some material respects may be different from that prevailing in other countries.

Risks Relating to the Semiconductor Industry

We operate in a highly cyclical industry which can suffer from periodic downturns.

The semiconductor industry is highly cyclical and our business and profitability has been materially affected from significant economic downturns, which may change market conditions suddenly and dramatically, at various times. Significant economic downturns can be caused by many factors, including declines in business activity, limitation on the availability or increases in the cost of credit or capital, reduction in consumer confidence, increases in inflation or a combination of these or other factors. These downturns have involved periods of production overcapacity, oversupply, lower prices and lower revenues. In addition, average selling prices for our products can fluctuate significantly month to month. Any of these factors could materially and adversely affect our business, revenue and results of operations.

The semiconductor industry is characterized by intense competition, which could reduce our sales or put continued pressure on our sales prices.

The semiconductor industry is highly competitive, and has been characterized by rapid technological change, short product lifecycles, high capital expenditures, intense pricing pressure from major customers, periods of oversupply and continuous advancements in process technologies and manufacturing facilities.

It is possible that new competitors could emerge and acquire significant market share. In addition, increased exposure to international markets further creates new areas with which we may not be familiar with and could place us in competition with new market players. We cannot assure you that we will be successful in adapting into the new competitive environment. Some of our competitors may offer semiconductor products at a lower price, which could result in pricing pressures on sales of our semiconductor products. If we are unable to maintain the margins on our semiconductor products, our operating results could be negatively impacted. In addition, if we do not develop new innovative solutions, enhance the reliability, performance, efficiency and other features of our existing semiconductor products or reduce their overall costs, our products may become uncompetitive and obsolete and our customers may turn to our competitors for alternatives. In order to succeed in this environment, we must successfully meet our customers' technology requirements and increase the value of our products, while also striving to reduce their overall costs and our own operating costs. If we fail to successfully manage these competitive factors, fail to successfully balance the conflicting demands for innovative technology with lower overall costs, or fail to address new competitive forces, our business and financial condition will be adversely affected.

The semiconductor industry is characterized by significant price erosion, especially after a product has been on the market for a significant period of time.

The specific products in which our semiconductors are incorporated may not be successful, or may experience price erosion or other competitive factors that affect the prices manufacturers are willing to pay us. One of the results of the rapid innovation that is exhibited by the semiconductor industry is that pricing pressure, especially on products containing older technology, can be intense. Customers may vary order levels significantly from period to period, request postponements to scheduled delivery dates, modify their orders or reduce lead times. This is particularly common during times of low demand for those end products. This can make managing our business difficult, as it limits our ability to effectively predict future demand. In order to profitably supply these products, we must reduce our production costs in line with the lower net sales we can expect to receive per unit. Usually, this must be accomplished through improvements in process technology and production efficiencies. If we cannot advance our process technologies or improve our efficiencies to a degree sufficient to maintain required margins, we will not be able to make a profit from the sale of these products. Moreover, we may not be able to cease production of such products, either due to contractual obligations or for customer relationship reasons, and as a result may incur losses on such products.

We cannot guarantee that competition in our core product markets will not lead to price erosion, lower net sales growth rates and lower margins in the future. Should reductions in our manufacturing costs fail to keep pace with reductions in market prices for the products we sell, this could have a materially negative impact on our business, financial condition and results of operations. Furthermore, actual growth rates may be less than projected industry growth rates, resulting in spending on process and product development well ahead of market requirements, which could have a materially negative impact on our business, overall financial condition and results of operations.

The semiconductor industry is capital intensive. We may incur high R&D costs with advanced technology and there is no guarantee that our R&D efforts will yield fruitful results.

To remain competitive in the semiconductor industry, we must constantly improve our facilities and process technologies and carry out extensive research and development, each of which requires investment of significant amounts of capital. We have been continuously upgrading our technologies to integrate new technology innovation into our production. For instance, in response to the growing market demand for edge computing devices, we are allocating resources to develop semiconductor devices equipped with machine learning ("**ML**") inference accelerators. To address the power consumption challenges associated with ML computations, we are collaborating with academic institutions to develop energy-efficient structures, which enable us to meet the requirements of high-computing tasks while minimizing energy consumption. The development of such advanced technology has incurred and may continue to incur high R&D costs. If we are unable to generate sufficient cash or raise sufficient capital to meet our capital investment requirements, or if we are unable to raise required capital on favorable terms when needed, this could have a material adverse effect on our business, overall financial condition and results of operations.

However, there is no guarantee that our R&D investments will yield fruitful results enabling us to achieve a significant growth in operating revenue. If we cannot achieve certain technology breakthrough and successfully apply them into products which generate adequate gross margins so as to compensate for such investment in R&D, our financial performance and business operations may be materially and adversely affected.

Changes to industry standards and technical requirements relevant to our products and markets could adversely affect our business, results of operations and prospects.

Our ability to compete in the future will depend on our ability to identify and comply with evolving industry standards and technical requirements. The emergence of new industry standards and technical requirements could render our products incompatible with products developed by other suppliers or make it difficult for our products to meet the requirements of certain of our customers in consumer, industrial, IoT and other markets. As a result, we could be required to invest significant time and effort and to incur significant expense to redesign our products to ensure compliance with relevant standards and requirements. If our products are not in compliance with prevailing industry standards and technical requirements for a significant period of time, we could miss opportunities to achieve crucial design wins, our revenue may decline and we may incur significant expenses to redesign our products to meet the relevant standards, which could adversely affect our business, results of operations and prospects.

Our business could suffer if we are not able to secure the development of new technologies or if we cannot keep pace with the technology development of our competitors.

The semiconductor industry is characterized by rapid technological changes. New process technologies using smaller feature sizes and offering better performance characteristics are introduced in the industry every one to two years. The introduction of new technologies allows us to increase the functions per chip while at the same time improving performance parameters, such as decreasing power consumption or increasing processing speed. In addition, the reduction of feature sizes allows us to produce smaller chips offering the same functionality and thereby considerably reduce the costs per function. In order to remain competitive, it is essential that we secure the capabilities to develop and qualify new technologies for the manufacturing of new products. If we are unable to develop and qualify new technologies and products, or if we devote resources to the pursuit of technologies or products that fail to be accepted in the marketplace or that fail to be commercially viable, our business may suffer.

The competitive environment of the semiconductor industry has led to industry consolidation, and we may face even more intense competition from newly merged competitors.

The highly competitive environment of the semiconductor industry and the high costs associated with manufacturing technologies and developing marketable products have resulted in significant consolidation in the industry and are likely to lead to further consolidation in the future. Such consolidation can allow our competitors to further benefit from economies of scale, enjoy improved or more comprehensive product portfolios and increase the size of their serviceable markets. In addition, we may become a target for a company looking to improve its competitive position. Any such corporate event could result in unpredictable consequences, which could have a material adverse effect on our results of operations and financial condition. Consequently, our competitive position may be adversely impacted by consolidation among other industry participants, who may leverage increased market share and economies of scale to improve their competitive position.

Risks Relating to Our Company

Geopolitical tensions and volatile global economic conditions may put downward pressure on demand for our products and services, as well as our business, financial condition, liquidity and results of operations.

The global economy has experienced significant volatility in recent years, including due to the global financial crisis and economic slowdown, rising interest rates, the conflicts of Russia-Ukraine and Israel-Hamas, trade tensions between the United States and the PRC, the novel coronavirus 2019 (“**COVID-19**”) pandemic and volatility in the global stock markets, which have led to less favorable financial and economic conditions.

The uncertain nature, magnitude, and duration of hostilities stemming from the conflicts between Russia and Ukraine, the conflicts involving Hamas and Israel, and further escalation of tensions between Israel and various countries in the Middle East and North Africa, including the potential effects of sanctions limitations, retaliatory cyber-attacks on the world economy and markets, and potential shipping delays, have contributed to increased market volatility and uncertainty, which could have an adverse impact on macroeconomic factors that affect our business and could amplify the existing supply chain challenges faced by the Company. We currently have a subsidiary in Israel with approximately 160 employees dedicated to developing computer-related security application products. Although our Israeli subsidiary is currently under normal operation and we have established remote work arrangements to address potential contingencies, there is no guarantee that the future development of military conflicts and tensions will not negatively impact our operations. In addition, as a result of Russia’s invasion of Ukraine, the United States, the United Kingdom and the European Union governments, among others, have developed coordinated economic and financial sanctions packages. As the invasion of Ukraine continues, there can be no certainty regarding whether such governments or other governments will impose additional sanctions, or other economic or military measures against Russia. Although we have not been materially adversely affected by the Russian-Ukraine conflicts, the impact of the invasion of Ukraine, including economic sanctions or additional war or military conflict, as well as potential responses to them by Russia, is still uncertain and they may adversely affect our business, supply chain, suppliers, customers and potential demand for our products as the current geopolitical conflicts continue, new geopolitical conflicts occur, and consequential sanctions and countermeasures develop. It is not possible to predict the broader consequences of this conflict, which could include further sanctions, embargoes, regional instability, geopolitical shifts and adverse effects on macroeconomic conditions, the availability and cost of raw materials, supplies, freight and labor, currency exchange rates and financial markets, all of which could impact our business, financial condition and results of operations.

There has been sustained tension between the United States and the PRC over trade policies including tariffs and barriers on imports and exports and government incentives to onshore and/or nearshore production and supply chains to favored jurisdictions. Our current results of operations have not been materially affected by the export control regulations or the overall trade tensions between the United States and the PRC. We cannot assure you that any trade-relevant regulations, rules, or measures will not have an adverse impact on our business, financial condition and results of operations. To the extent changes in the political environment have a negative impact on us or on the markets in which we operate our business, results of operations and financial condition could be adversely impacted in the future.

Our business is sensitive to global economic conditions. There are ongoing concerns relating to the political gridlock in the United States over government spending and debt levels and the consequences for economic growth and investor confidence in the United States. Central banks of some countries, including the Federal Reserve Board, have also accelerated their shifts in monetary policies and increased interest rates. There can be no assurance that monetary and fiscal policy measures adopted by central banks or national governments will have the intended effect or that a global economic downturn will not occur or market volatilities will not persist. The volatile global market conditions may adversely affect the demand for our products. The potential decrease and slowdown in demand for such products may inflict significant downward pressure on prices, and we could have reduced revenues, lower profit margins and/or loss of market share, any of which would have an adverse effect on our business, reputation, financial condition and results of operations.

If we fail to adequately forecast the demand for our products, we may incur product shortages or excess product inventories.

Our agreements with certain suppliers require us to provide forecasts of our anticipated manufacturing orders, and some suppliers require us to place binding manufacturing commitments in advance of receiving purchase orders from our customers. We are limited in our ability to increase or decrease our forecasts under such agreements. Other manufacturers supply us with product on a purchase order basis. The allocation of capacity is determined solely by our suppliers over which we have no direct control. Additionally, we may place orders with our suppliers in advance of customer orders to allow us to quickly respond to changing customer demand or to obtain favorable product costs. Furthermore, we provide our suppliers with equipment that is used to program our products to customer specifications. The programming equipment is manufactured to our specifications and has significant order lead times. These factors may result in product shortages or excess product inventories. Obtaining additional supply in the face of product, programming equipment or capacity shortages may be costly, or not possible, especially in the short term since most of our products and programming equipment are supplied by a single supplier. Our failure to adequately forecast demand for our products could materially harm our business or the relationship with our customers.

Our approach to developing solutions for potential customers involves developing solutions for and aligning our roadmap with application processor, sensor, and flash memory vendors. We have entered into informal partnerships with other parties that involve the development of solutions that interface with their devices or standards. These informal partnerships also may involve joint marketing campaigns and sales calls. If our solutions are not incorporated into customer products, if our partners discontinue production of or integration of our solution into their product offerings, or if the informal partnerships do not grow as expected or if they are significantly reduced or terminated by acquisition or other means, our revenue and gross margin will be materially harmed and we may be required to write-off related inventories and long-lived assets.

New business is often subject to a competitive selection process that can be lengthy and uncertain and that requires us to incur significant expenses in advance. Even if we win and begin a product design, a customer may decide to cancel or change our product plans, which could cause us to generate no sales from a product and adversely affect our results of operations.

In several of our business areas, we focus on winning competitive bid selection processes, known as “design wins”, to develop products for use in our customers’ products. These selection processes can be lengthy and can require us to incur significant design and development expenditures. We may not win the competitive selection process and may never generate any revenues despite incurring significant design and development expenditures.

If we win a product design and receive corresponding orders from our customers, we may experience delays in generating revenues from our products as a result of the lengthy development and design cycle. Our customers often evaluate our products for six months or more before designing them into their systems, and they may not commence volume shipments for up to an additional six to twelve months, if at all. During this lengthy sales cycle, our potential customers may cancel or change their product plans. Customers may also discontinue products incorporating our devices at any time or they may choose to replace our products with lower cost semiconductors. In addition, we are working with leading customers in our target markets to define our future products. If customers cancel, reduce or delay product orders from us or choose not to release products that incorporate our devices after we have spent substantial time and resources developing products or assisting customers with their product design, our revenue levels may be less than anticipated and our business could be materially harmed.

Finally, if our customers fail to successfully market and sell their products, our results of operations could be materially adversely affected as the demand for our products falls.

If we do not continue to expand into new markets, our future growth may be negatively affected.

Our future growth partially depends on our ability to expand our business into new markets. Entering into new markets successfully requires the satisfaction of a variety of conditions, including obtaining the necessary permits and building or connecting to effective distribution channels. We cannot guarantee that we could satisfy all the conditions necessary to expand into a new market and effectively expand our market coverage. Therefore, if our efforts in expanding into new markets failed, our future growth may be negatively affected.

Products that do not meet customer specifications or that contain, or are perceived to contain, defects or errors or that are otherwise incompatible with their intended end use could impose significant costs on us.

The design and production processes for our products are highly complex. It is possible that we may produce products that do not meet customer specifications, contain or are perceived to contain defects or errors, or are otherwise incompatible with their intended uses. We may incur substantial costs in recalling or remedying such products with actual or perceived defects, which could include material inventory write-downs. Moreover, if actual or perceived problems with nonconforming, defective or incompatible products occur after we have shipped the products, we might not only bear direct liability for providing replacements or otherwise compensating customers, but could also suffer from long-term damage to our relationship with important customers or to our reputation in the semiconductor industry generally. This could have a material adverse effect on our business, financial condition and results of operations.

The loss of one or more of our significant customers or a decline in demand from one or more of these customers could have a materially negative impact on net sales.

Historically, we have relied on a limited number of customers for a substantial portion of our total sales. Our five largest customers accounted for approximately 63.6%, 62.5%, 40.3% and 38.0% of our operating revenue in 2021, 2022, 2023 and the nine months ended September 30, 2024, respectively. As a result, the loss of or a reduction in demand from one or more of these customers, either as a result of industry conditions or specific events relating to a particular customer, could have a materially negative impact on net sales.

We may not be able to match our production capacity to the demand of our customers.

During periods of increased demand, we may not have sufficient capacity to meet customer orders. In the past, we have responded to increased demand by optimizing equipment function and condition to increase capacity or entering into strategic alliances, which in many cases resulted in significant expenditures. There is no guarantee that we will be able to optimize equipment function and condition to increase capacity or enter into new strategic alliances after the date of this offering at terms favorable to us or at all. To expand our production capacity for our business in the future, we may have to spend substantial amounts, which could negatively affect our overall financial condition and results of operations.

A reduction or disruption in our production capacity or our supplies could negatively impact our business.

The production capacity of our manufacturing facility could be affected by manufacturing problems. Difficulties in the production process could reduce yields or interrupt production, and, as a result of such problems, we may not be able to deliver products to our customers on time or in a cost-effective, competitive manner. As the complexity of both our products and our fabrication processes has become more advanced, manufacturing tolerances have been reduced and requirements for precision have become more demanding. We have in the past experienced delays in delivery and product quality. Our failure to adequately manage our capacity could have a materially negative impact on our business, which in turn could impact our overall financial condition and results of operations. Furthermore, we may suffer disruptions in our manufacturing operations, either due to production difficulties such as those described above or as a result of external factors beyond our control.

We use highly combustible materials such as silane and hydrogen in our manufacturing processes and are therefore subject to the risk of explosions and fires, which can cause significant disruptions to our operations and/or death, loss of limbs or other significant harm to life, health or environment. If operations at a manufacturing facility are interrupted, we may not be able to shift production to other facilities on a timely basis or at all. In addition, certain of our products are only capable of being produced at a single manufacturing facility and to the extent that any of these facilities fail to produce these products, this risk will be increased. Even if a transfer is possible, transitioning production of a particular type of semiconductor from one of our facilities to another can take between six to twelve months to accomplish, and in the interim period we would likely suffer significant or total supply disruption and incur substantial costs. Such an event could have a materially negative impact on our business, overall financial condition and results of operations.

Fluctuations in our manufacturing processes, yield and quality may increase out costs and have a negative effect on our results of operations.

Fluctuations in our manufacturing processes, yields and quality, especially for new products, may increase our costs. Difficulties encountered during the complex semiconductor manufacturing process can render a substantial percentage of semiconductor devices nonfunctional. New manufacturing techniques or fluctuations in the manufacturing process may change the performance distribution and yield of our products. We have, in the past, experienced manufacturing runs that have contained substantially reduced or no functioning devices, or that generated devices with below normal performance characteristics. Our reliance on third party suppliers may extend the period of time required to analyze and correct these problems. Once corrected, our customers may be required to redesign or re-qualify their products. As a result, we may incur substantially higher manufacturing costs, shortages of inventories or reduced customer demand.

Yield fluctuations frequently occur in connection with the manufacture of newly introduced products, with changes in product architecture, with manufacturing at new facilities, on new fabrication processes or in conjunction with new backend manufacturing processes. Newly introduced solutions and products are often more complex and more difficult to produce, increasing the risk of manufacturing related defects. New manufacturing facilities or processes are often more complex and take a period of time to achieve expected quality levels and manufacturing efficiencies. While we test our products, including our software development tools, they may still contain errors or defects that are found after we have commenced commercial production. Undetected errors or defects may also result from new manufacturing processes or when new intellectual property is incorporated into our products. If our products or software development tools contain undetected or unresolved defects, we may lose market share, experience delays in or loss of market acceptance, reserve or scrap inventories or be required to issue a product recall. In addition, we would be at risk of product liability litigation if defects in our products were discovered. Although we attempt to limit our liability to end users through disclaimers of special, consequential and indirect damages and similar provisions, we cannot assure you that such limitations of liability will be legally enforceable.

We rely on strategic partners and other third parties, and our business could be harmed if they fail to perform as expected or relationships with them were to be terminated.

As part of our strategy, we have entered into a number of long-term strategic alliances with leading industry participants, both to manufacture semiconductors and to develop new manufacturing process technologies and products. If our strategic partners encounter financial difficulty or change their business strategies, they may no longer be able or willing to participate in these alliances. Our business could be harmed if any of our strategic partners were to discontinue our participation in a strategic alliance or if the alliance were otherwise terminated. To the extent we rely on alliances and third-party design and/or manufacturing relationships, we face the risks of:

- an inability to maintain continuing relationships with our suppliers;
- the inability of our manufacturing partners to develop manufacturing methods appropriate for our products and their unwillingness to devote adequate capacity to produce our products;
- reduced control over delivery schedules and product costs; and
- limited ability to meet customer demand when faced with product shortages.

If any of these risks materialize, we could experience an interruption in our supply chain or an increase in costs, which could delay or decrease our revenues or adversely affect our business, financial condition and results of operations.

We outsource a significant portion of our manufacturing activities to third-party contract manufacturers. If our production or manufacturing capacity at one of these third-party facilities is delayed, interrupted or eliminated, we may not be able to satisfy customer demand.

We outsource the manufacturing of a significant portion of our IC products. If production or manufacturing capacity is delayed, reduced or eliminated at one or more of these third-party manufacturing facilities, manufacturing could be disrupted, we could have difficulties or delays in fulfilling our customer orders, and our sales could decline. In addition, if a third-party contract manufacturer fails to deliver quality products and components on time and at reasonable prices, we could have difficulties fulfilling our customer orders, and our sales could decline. As a result, our IC products, overall financial condition and results of operations could be adversely affected.

While we take measures to ensure the quality and reliability of our outsourcing manufacturers, there can be no assurance that our current or future outsourcing manufacturers will be able to always make timely delivery or fulfill our quality requirements. To the extent we rely on alliances and third-party design and/or manufacturing relationships, we face the following risks:

- reduced control over delivery schedules and product costs;
- manufacturing costs that are higher than anticipated;
- inability of our manufacturing partners to develop manufacturing methods and technology appropriate for our products and their unwillingness to devote adequate capacity to produce our products;
- decline in product reliability;

- inability to maintain continuing relationships with our suppliers; and

- restricted ability to meet customer demand when faced with product shortages.

In addition, purchasing rather than manufacturing IC products may adversely affect our gross profit margin if the purchase costs of these products become higher than our own manufacturing costs would have been. Our internal manufacturing costs include depreciation and other fixed costs, while costs for products outsourced are based on market conditions. Prices for IC products also vary depending on capacity utilization rates at our suppliers, quantities demanded, product technology and geometry. Furthermore, these outsourcing costs can vary materially from quarter-to-quarter and, in cases of industry shortages, they can increase significantly, negatively impacting our gross margin.

If any of these risks are realized, we could experience an interruption in our supply chain or an increase in costs, which could delay or decrease our net sales or otherwise adversely affect our business, overall financial condition and results of operations.

Our business could suffer if third-party service providers fail to perform as expected.

We have outsourced a number of business functions and processes, including some of our IT services, which may comprise the usual risks of such outsourcing in case a service provider encounters difficulties providing the required services. For example, if a service provider is not able to provide the agreed services, we may not be able to replace such service provider on short notice, which may have an adverse effect on our business.

We rely on a limited number of suppliers of manufacturing equipment and materials and could suffer shortages if these suppliers were to interrupt supply or increase their prices.

Our manufacturing operations depend upon obtaining deliveries of equipment and adequate supplies of materials on a timely basis. We purchase materials from a number of suppliers on a just-in-time basis. From time to time, suppliers may extend lead times, limit supply to our Company or increase prices due to capacity constraints or other factors. Because the equipment that we purchase is complex, it is difficult for us to substitute one supplier for another or one piece of equipment for another. Some materials are only available from a limited number of suppliers. In 2021, 2022, 2023 and the nine months ended September 30, 2024, purchases from our two largest suppliers, from which we bought silicon wafers, accounted for 55%, 54%, 60% and 58% of our total procurement, respectively. Although we believe that supplies of the materials we use are currently adequate and measures have been taken to manage the risk of shortfall in supplies, shortages could occur in critical materials, such as silicon wafers or specialized chemicals used in production, due to interruption of supply or increased industry demand. Our overall financial condition and results of operations would be hurt if we were not able to obtain adequate supplies of quality equipment or materials in a timely manner or if there were significant increases in the costs of equipment or materials.

We may be adversely affected by rising prices of and shortage of raw material prices and key components.

We are exposed to fluctuations in raw material prices and the availability and price of our key components, including wafer. Unanticipated increases in raw material and key components requirements or prices, the imposition of tariffs, and changes in supplier availability or supplier consolidation, could increase production costs and adversely affect profitability as fixed-price contracts may prohibit our ability to charge the customer for the increase in raw material prices and key components prices. In the recent past, wafer, gold, copper and petroleum-based organic polymer prices in particular have fluctuated on a worldwide basis. If we are not able to compensate for or pass on our increased costs to customers, such price increases could have an adverse impact on our gross profit and financial results.

Our operations could involve the use of regulated materials, and we may incur substantial cost to comply with applicable environmental, health and safety laws and regulations.

We are subject to laws and regulations relating to the use, handling, storage, disposal and human exposure to materials, including hazardous materials. If we were to violate or become liable under environmental, health and safety laws in the future as a result of our inability to obtain permits, human error, accident, equipment failure or other causes, we could be subject to fines, costs or civil or criminal sanctions, face third-party property damage or personal injury claims or be required to incur substantial investigation or remediation costs, any of which could have a material adverse effect on business, results of operations and financial condition.

We also face increasing complexity in our product design as we adjust to new requirements relating to the materials composition, energy efficiency and recyclability of our products. We expect that our operations will be affected by other new environmental laws and regulations on an ongoing basis that will likely result in additional costs, and could require that we change the design and/or manufacturing of products, and could have a material adverse effect on business, results of operations or financial condition.

The global nature of our operations exposes us to increased risks inherent in engaging in international business and compliance obligations.

We operate globally, with numerous research and development and manufacturing facilities in the ROC, the PRC, Japan, Singapore, the United States and Israel. In addition, we generate operating revenue from numerous countries. Our business is therefore subject to risks involved in international business, including:

- negative economic developments in foreign economies and instability of foreign governments, including the threat of war;
- terrorist attacks, epidemic, pandemic or civil unrest;
- financial risks, such as longer payment cycles and difficulty in collecting accounts receivable in certain countries;
- changes in laws and policies affecting trade and investment; and
- varying practices of the regulatory, tax, judicial and administrative bodies in the jurisdictions where we operate.

Substantial changes in any of these conditions could have an adverse effect on our business and results of operations. Our results of operations could also be hurt if demand for the products made by our customers decreases due to adverse economic conditions in any of the regions where they sell their own products.

We may continue to engage in acquisitions, joint ventures and other transactions that may complement or expand our business. We may not be able to complete these transactions, and even if executed, these transactions pose significant risks and could have a negative effect on our operations.

In September 2020, we completed the acquisition of the semiconductor business of Panasonic Corporation. This acquisition is the first transaction in which we have acquired a business that has a larger asset base than that of our own. In the future, we may continue to engage in acquisitions, joint ventures and other transactions that may complement or expand our business.

Our future success may be dependent on opportunities to enter into joint ventures and to buy other businesses or technologies that could complement, enhance or expand our current business or products or that might otherwise offer us growth opportunities or gains in productivity. If we are unable to identify suitable targets, our growth prospects may suffer, and we may not be able to realize sufficient scale advantages to compete effectively in all relevant markets. We may also face competition for desirable targets from other companies in the semiconductor industry. Our ability to acquire targets may also be limited by applicable antitrust laws and other regulations the jurisdictions in which we do business. We may not be able to complete such transactions, for reasons including, but not limited to, a failure to secure financing or as a result of restrictive covenants in our debt instruments. Any transactions that we are able to identify and complete may involve a number of risks, including, without limitation:

- the diversion of our management's attention from our existing business to integrate the operations and personnel of the acquired or combined business or joint venture;
- the necessity of coordinating geographically separated organizations, systems and facilities;
- the challenge of operating acquired facilities profitably or achieving improvements in their financial performance;
- the challenge of integrating the business backgrounds, corporate cultures and management philosophies of the acquired business and the Company;
- the challenge and cost of aligning standards, controls, procedures, policies and compensation structures of the acquired business and the Company, including, without limitation, accounting and finance, payroll, revenue management, commercial operations, risk management and employee benefits;
- the potential difficulty in maintaining employee morale and retaining key officers and personnel;
- the potential difficulty in retaining existing customers and suppliers, including intellectual property licenses;
- the potential negative impact on our net worth due to impairment of acquired goodwill and intangible assets, including intellectual property rights and customer relationships; and
- our possible inability to achieve the intended objectives of the transaction.

We may not be able to protect our proprietary intellectual property and may be accused of infringing the intellectual property rights of others.

Our success depends on our ability to obtain patents, licenses and other intellectual property rights covering our products and our design and manufacturing processes. The process of seeking patent protection can be long and expensive. Patents may not be granted on currently pending or future applications or may not be of sufficient scope or strength to provide us with meaningful protection or commercial advantage. In addition, effective copyright, trademark and trade secret protection may be unavailable or limited in some countries, and our trade secrets may be vulnerable to disclosure or misappropriation by employees, contractors and other persons.

Competitors may also develop technologies that are protected by patents and other intellectual property rights. These technologies may therefore either be unavailable to us or be made available to us only on unfavorable terms and conditions.

Litigation, which could require significant financial and management resources, may be necessary to enforce our patents or other intellectual property rights or to defend against claims of infringement of intellectual property rights brought against us by others. Lawsuits may have a material adverse effect on our business. We may be forced to stop producing substantially all or some of our products or to license the underlying technology upon economically unfavorable terms and conditions or we may be required to pay damages for the prior use of third-party intellectual property.

Our business and overall financial condition could be adversely affected by current or future litigation.

We may from time to time be a party to lawsuits in the normal course of our business, including suits involving allegations of intellectual property infringement, product liability and breaches of contract. The results of complex legal proceedings are difficult to predict, and an unfavorable result could lead to severe consequences for us. For instance, if a United States court finds us to have used a third party's intellectual property right without the necessary permission, we could be liable to pay treble damages. There can be no assurance that the results of current or future legal proceedings will not materially harm our business, reputation or brand. We maintain liability insurance for certain legal risks at levels our management believes are appropriate and consistent with industry practice. We may incur losses relating to litigation beyond the limits, or outside the coverage, of such insurance, and such losses may have a material adverse effect on the results of our operations or financial condition, and our future provisions for litigation-related losses may not be sufficient to cover our ultimate loss or expenditure. An unfavorable resolution of a particular lawsuit could have a material adverse effect on our business, operating results, or financial condition.

We may be subject to liabilities as a result of personal injury claims based on alleged links between the semiconductor manufacturing process.

In the last few years, there has been increased litigation, media scrutiny and associated reports focusing on an alleged link between working in semiconductor manufacturing clean room environments and certain illnesses and birth defects. Because we utilize these clean rooms, we may become subject to liability as a result of current and future claims alleging personal injury. A significant judgment against us or material defense costs could harm our business, overall financial condition and results of operations.

We rely upon third-party licensed technology to develop our products. If licenses of third-party technology are inadequate, our ability to develop and commercialize our products or product enhancements could be negatively impacted.

Our products incorporate technology licensed from third parties, under arrangements such as paid licensing and cross-licensing. For example, we have established long-term cooperation relationship with ARM Holdings plc ("**ARM**") and have joined the Arm Total Access program pursuant to which we were granted the license to use a wide range of cutting-edge IP products and tools including central processing unit ("**CPU**"), graphic processing unit ("**GPU**"), neural processing unit ("**NPU**"), image signal processor ("**ISP**"), system IP and physical IP. While we believe the licenses we received from third parties enable us to develop our products and pursue our current product strategies, these licenses may not provide us with the benefits we expect from them. From time to time, we may be required to license additional technology from third parties to develop our products or product enhancements. However, these third-party licenses may not be available to us on commercially reasonable terms or at all. In that scenario, we may have to develop these technologies on our own, which we may not be able to do successfully. Our inability to obtain third-party licenses necessary to develop products and product enhancements or develop such technologies on our own could require us to obtain substitute technology at a greater cost or of lower quality or performance standards or delay product development. Any of these results may limit our ability to develop new products, which could harm our business, overall financial condition and results of operations.

We may be subject to United States import and export regulations, as such we are exposed to potential risks from import and export activity.

We may be subject to the import and export control laws and regulations of the United States. We have a research and development center for smart home products located in the United States but conduct no production activities in the United States. Although our products are not originated in the United States, we cannot guarantee the materials used in our production are not subject to United States import and export regulations, or our products will not be shipped to or have other alliance to the United States. Therefore, we may be subject to the import and export control laws of the United States, which may impose restrictions on business activities, or otherwise require licenses or other authorizations from agencies such as the U.S. Department of State, U.S. Department of Commerce and U.S. Department of the Treasury. These restrictions may impact deliveries to customers or limit development and manufacturing alternatives. If we are not able to remain in compliance with import and export regulations, we might be subject to investigation, sanctions or penalties by regulatory authorities. Such penalties can include civil, criminal or administrative remedies such as loss of export privileges. We cannot be certain as to the outcome of an evaluation, investigation, inquiry or other action or the impact of these items on our operations. Any such action could adversely affect our financial results and the market price of our Common Shares.

We may be adversely affected by property loss and business interruption.

Damage and loss caused by fire, natural hazards, supply shortage, or other disturbance at semiconductor facilities or within our supply chain, at customers as well as at suppliers, can be severe. Thus, even though we have constructed and operate our facilities in ways that minimize the specific risks and that enable a quick response if such events should occur, damages from such events could nonetheless be severe. Furthermore, despite our continued expectations to invest in prevention and response measures at our facilities and to maintain property loss and business interruption insurance, any loss may exceed the amounts recoverable under our insurance policies. As a result, any such events could have a material adverse effect on our business, financial condition and results of operations, and any such loss may exceed the amounts recoverable under our insurance policies.

Natural disasters, epidemics, acts of war or terrorism, cyber-attacks or other factors beyond our control in the future may have a material adverse effect on our business operations, results of operations and financial condition.

Natural disasters, epidemics, acts of war or terrorism or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the regions we conduct our business. These regions may be under the threat of droughts, earthquakes, explosions, floods, fires, ice storms, power shortages or failures, physical attacks, snow storms, terrorist acts, tornados, typhoons, or are susceptible to epidemics, such as COVID-19, Severe Acute Respiratory Syndrome, avian influenza, H1N1 influenza, H5N1 influenza, H7N9 influenza or Middle East respiratory syndrome, potential wars or terrorist attacks, cyber-attacks, riots, disturbances or strikes. Serious natural disasters may result in a tremendous loss of lives and injury and destruction of assets and disrupt our business and operations. Severe communicable disease outbreaks could result in a widespread health crisis that could materially and adversely affect business activities in the affected regions, which could therefore materially affect our operations. Acts of war or terrorism, riots or disturbances may also injure or cause deaths to our employees, and disrupt our business network and operations. Any of these factors and other factors beyond our control could have an adverse effect on the overall business environment, cause uncertainties in the regions where we conduct business, cause our business to suffer in ways that we cannot predict and materially and adversely impact our business, financial condition and results of operations.

In particular, the ROC and Japan are susceptible to earthquakes and have experienced severe earthquakes in the past, which caused significant property damage and loss of life. For example, on April 3, 2024, a 7.2 magnitude earthquake struck off the coast of Hualien, the ROC. More recently, a 7.1 magnitude earthquake struck in the Hyūga Sea off the coast of Miyazaki Prefecture, Kyushu, Japan on August 8, 2024. Although we did not experience significant structural damage to the facilities from earthquakes in recent years, there can be no assurance that future earthquakes will not occur and result in major damage to the facilities, which could have a material adverse effect on our results of operations. The ROC, Japan and the PRC are also susceptible to typhoons, which may cause damage and business interruptions to companies. Any temporary or sustained adverse impact from future natural disasters or incident may negatively affect the results of operations.

Our operations rely on complex information technology systems and networks, and any disruptions in such systems or networks could have a material adverse impact on our business and results of operations.

Our security systems are designed to protect our customers', suppliers' and employees' confidential information, as well as maintain the physical security of our facilities. We also rely on a number of third-party "cloud-based" service providers of corporate infrastructure services relating to, among other things, human resources, electronic communication services and some finance functions, and we are, of necessity, dependent on the security systems of these providers. Any security breaches or other unauthorized access by third parties to the systems of our cloud-based service providers or the existence of computer viruses in their data or software could expose us to a risk of information loss and misappropriation of confidential information. Accidental or willful security breaches or other unauthorized access by third parties to our information systems or facilities, or the existence of computer viruses in our data or software, could expose us to a risk of information loss and misappropriation of proprietary and confidential information belonging to us, our customers or our suppliers. Any theft or misuse of this information could result in, among other things, unfavorable publicity, damage to our reputation, difficulty in marketing our products, allegations by our customers that we have not performed our contractual obligations, litigation by affected parties and possible financial obligations for liabilities and damages related to the theft or misuse of this information, any of which could have a material adverse effect on our business, financial condition, our reputation, and our relationships with our customers and partners. Since the techniques used to obtain unauthorized access or to sabotage systems change frequently and are often not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures.

Our products may not be viewed as supporting climate change mitigation in the IT sector and we are subject to risks associated with our customers' substantial demand for electrical power to support their operations.

Our ability to create energy saving products is key to climate change mitigation and business success. In addition, climate change reporting and product certification are increasingly sought by customers and regulators. If we do not satisfy customer requirements for products that help mitigate climate change, and document how they contribute to such change, it could have a material adverse impact on our business, operating results, and financial conditions.

In addition, the operation of our products by our customers can require massive amounts of electrical power. The demand for our products may not be able to increase or remain sustainable if the costs, including electrical power expenses, associated with using our products are burdensome for our clients. For instance, to meet the fast growing demands for computing power in personal computers , servers and AI applications, our IC products can consume a large amount of electrical power during use. Any shortage of electricity supply or an increase in electricity costs in a jurisdiction could negatively impact customer demand in that area. We may have capital requirements in connection with building manufacturing facilities and there is no assurance that we will be able to obtain the financing to satisfy our capital requirements.

Our operations may be interrupted, and our expansion may be limited, by power, water or other utility shortages.

We may suffer power outages or interruptions in the ROC or other jurisdictions caused by unstable electricity supply or sudden surges in electricity usage by other power consumers on the same power grid. Our production facilities consume substantial amounts of power in manufacturing processes. Any power shortage, brownout or blackout for a significant period of time may disrupt our manufacturing, and as a result, could have a material adverse impact on our business, financial condition and results of operations. For example, in March 2022, the ROC suffered a massive electrical power outage, which left thousands of homes, offices and factories without power. Such shortages or interruptions in electricity supply could further be exacerbated by changes in the energy policy of the ROC government which intends to make the ROC a nuclear-free region by 2025. Although the electrical power outage did not have a material impact on our operations, there is no assurance that our operations in such countries will not be affected by power shortages or such administrative measures in the future, thereby causing material production disruption and delay in delivery schedules. If such event occurs, our business, results of operations, financial condition and future prospects could be materially and adversely affected. If we are unable to secure reliable and uninterrupted supply of electricity to power our operations for the production of our products, our ability to fill customers' orders would be severely jeopardized.

The recent water shortage crisis has also been impacting the semiconductor industry in the ROC, which consumes a huge amount of water. In early 2021, the ROC has suffered the worst drought in decades. The storage capacity of most reservoirs in central and southern regions of the Taiwan Island has plummeted to 10% of normal reserves. While we have adopted standard operating procedures to reduce water usage and prepared water tankers to increase supply during the water shortage crisis period, there is no guarantee that future water shortage crises will not have a significant impact on our operations. Future expansions of our operations could be limited by shortages in electricity, water, or other utility, and the limited availability of commercial-use land.

Our business depends substantially on the continuing efforts of our directors, senior management, key personnel, and our ability to maintain a skilled labor force.

We are dependent on our respective boards of directors and senior management for our daily business operations and for formulating and implementing our business strategies and future plans. Our success is, to a large extent, attributable to the experience, expertise and managerial skills of our respective boards of directors and senior management. If one or more of our executive directors or senior management were unable or unwilling to continue in their present positions, we may be unable to identify and recruit suitable replacements in a timely manner, or at all. In addition, if any member of our senior management were to join a competitor or form a competing company, we may lose some of our know-how and customers. There is no assurance that any of our senior management members will not discontinue their service for whatever reason in the future.

Furthermore, recruiting and retaining capable personnel is vital to maintaining the quality of our products, continuously improving our production processes and supporting the expansion of our production capacity. For example, we need to recruit and maintain experienced professionals familiar with our production processes, sales teams with the ability to identify market demands and maintain close relationships with customers, and personnel with relevant experience to maintain and strengthen our internal control systems and procedures. We may also need to employ and retain more management personnel to support our expansion in the future. Competition for competent personnel, especially qualified technical personnel and operators in the jurisdictions where we operate is intense, and replacing or finding new skilled employees is difficult. If we are unable to attract and retain qualified employees, key personnel and senior management, our business, financial condition and results of operations may be materially and adversely affected.

We may not be able to secure additional financing on favorable terms, or at all, to meet our future capital needs.

Our operations are funded by equity financings and borrowing arrangements with banks. There is no assurance that we will not incur operating and net losses and negative cash flows from operations in the future. We cannot predict accurately whether operations will generate sufficient cash to fund our ongoing operations. Therefore, in the future, we may require additional capital to fund our ongoing operations and respond to business opportunities, challenges, acquisitions or unforeseen circumstances. However, we may not be able to timely secure additional debt or equity financing on commercially acceptable terms, or at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to grow or support our business and to respond to business opportunities and challenges could be significantly limited.

In addition, if we raise additional funds through issuances of equity, convertible debt securities or other securities convertible into equity, our existing shareholders, including holders of the Common Shares upon conversion of the Bonds, could suffer significant dilution in their percentage ownership of our company, and any new equity securities we issue could have rights, preferences and privileges senior to those of holders of the Commons Shares.

Our operating results may be affected by a number of factors, and as a result we may not be able to meet the expectations of securities analysts and investors, which could cause the price of our Common Shares to decline.

Our operating results may be affected by a number of factors, many of which are not within our control. If our operating results do not meet the expectations of securities analysts or investors, the market price of our Common Shares will likely decline. Our reported results can be affected by numerous factors, including:

- the overall cyclicality of, and changing economic and market conditions in, the semiconductor industry, as well as seasonality in sales of consumer products in which our products are incorporated;

- our ability to scale our operations in response to changes in demand for our existing products and services or demand for new products requested by our customers;

- intellectual property disputes, customer indemnification claims and other types of litigation risks;

- the gain or loss of a key customer, design win or order;

- the timing, rescheduling or cancellation of significant customer orders and our ability, as well as the ability of our customers;

- to manage inventory;

- changes in accounting rules;

- our success in implementing cost reductions measures; and

- the length of particular product development cycles.

Due to the foregoing factors and the other risks discussed in this offering memorandum, investors should not rely on quarter-to-quarter comparisons of our operating results as an indicator of future performance.

Our results of operations and financial condition can be adversely impacted by changes in exchange rates.

Our results of operations can be negatively affected by changes in exchange rates, particularly between the U.S. dollar and New Taiwan dollars and Japanese Yen. The appreciation of the New Taiwan dollars against the U.S. dollars could adversely impact our pricing advantage. In addition, the balance sheet impact of currency translation adjustments has been, and may continue to be, material. Furthermore, while we operate in an industry with prices primarily denominated in U.S. dollars and therefore receives a large proportion of our revenues in U.S. dollars, a large proportion of our expenses are in New Taiwan dollars and we also report our financial results in New Taiwan dollars, which is our operational currency. As a result, our financial results can be significantly negatively affected by exchange rate fluctuations of the U.S. dollar against the New Taiwan dollars. Similarly, since a material portion of our costs and expenses are in Japanese yen while the prices of our products are primarily denominated in U.S. dollars, any future appreciation of Japanese Yen against U.S. dollars could negatively affect our profit margin.

Although we use certain financial instruments, such as foreign exchange forward contracts, to alleviate foreign exchange related risks, there is no guarantee that we are completely immune from such risks.

We have entered into certain related-party transactions and may continue to rely on related parties for certain aspects of our operations.

We have entered, and may continue to enter, into transactions with our affiliates. Such transactions cover many aspects of our operations, such as sale and purchase of goods, manufacturing services and lease of office premises. Our operations rely, and will continue to rely, on transactions with such of our affiliates. If the pricing under such transactions changes, or if our related parties terminate agreements with us, we may be unable to obtain replacements on the same terms without disruption to our business. While our internal policy is to conduct related-party transactions on terms that are substantially the same as those for comparable transactions with non-affiliates, we cannot guarantee that each single transaction with our related parties, currently existing or to be entered in the future, will be on an arm's-length basis and at least as favorable to us as what would be available from unrelated third parties. It could materially and adversely affect our business, operations, results of operations and/or financial condition.

In addition, transactions with our related parties might result in adverse tax consequences to us under the tax laws and regulations of the ROC and other jurisdictions in which we conduct business. Under applicable ROC tax laws and regulations, arrangements and transactions among related parties could be subject to audit or scrutiny by the ROC tax authorities up to seven years after the taxable year when the arrangements or transactions are conducted. We could face adverse tax consequences if the ROC tax authorities were to determine that the contractual arrangements or transactions between us and our related parties were not entered into on an arm's-length basis and therefore constituted unfavorable transfer pricing arrangements on us. Unfavorable transfer pricing arrangements on us could, among other things, result in an upward adjustment on taxation. In addition, the ROC tax authorities could impose a fine (up to two times of the adjusted but unpaid taxes) on us. Our results of operations could be adversely affected if our tax liabilities increase significantly or we are required to pay a fine. Similarly, under Japan's transfer pricing regulations, related-party transactions may be audited by tax authorities for up to seven years after the filing deadline. If these transactions are found not entered into on an arm's-length basis, taxable income may be adjusted, leading to additional taxes. Surcharges for filing or payment errors can reach up to 50% of the adjusted but unpaid taxes, and, in severe cases, criminal sanctions may also apply.

Our business benefits from the support of the ROC government, and a decrease in this support may have a material negative impact on our business.

Our Company has benefited from various incentives provided by the ROC government. For example, as a high-tech enterprise with a focus on research and development, we are eligible to lease factory premises in the Hsinchu Science Park. As the ROC government may adjust from time to time the specific conditions for determination of high-tech enterprises in response to the development of its economics and technology, we cannot assure you that our Company will always conform to the applicable conditions. Once the business we are operating is considered by competent ROC authorities to have substantive differences from the conditions for high-tech enterprises published by the ROC government at that time, our position as a high-tech enterprise enjoying certain preferential treatments may be lost. If any of our preferential treatment or our ability to take advantage of these preferential treatments are curtailed or eliminated, our business, overall financial condition and results of operations could be materially and adversely affected.

We are exposed to various tax risks, and several factors could have an adverse effect on our tax burden.

We are subject to, among other taxes, income and transaction taxes in the ROC and other jurisdictions in which we conduct business. An adverse change in the tax laws of the jurisdictions in which we conduct business, such as an increase in tax rates or an adverse change in the tax treatment of an item of income or expense, could result in a material increase in the amount of taxes we incur. For example, the statutory income tax rate applicable to us in the ROC was increased from 17% to 20% effective from January 1, 2018.

In addition, we are subject to periodic audits and other reviews by tax authorities in the jurisdictions in which we conduct business. Such audit, examination and review require input from our management's diverting valuable internal resources. In the event of an unfavorable outcome, such audit, examination and review may result in additional tax liabilities or adjustments to our historical results.

Changes to existing accounting pronouncements or taxation rules or practices may cause adverse revenue fluctuations, affect our reported financial results or how we conduct our business.

New accounting pronouncements or taxation rules and varying interpretations of accounting pronouncements or taxation practices have occurred and may occur in the future. Any future changes in accounting pronouncements or taxation rules or practices may have a significant effect on how we report our results and may even affect our reporting of transactions completed before the change is effective. In addition, a review of existing or prior accounting practices may result in a change in previously reported amounts. This change to existing rules, future changes, if any, or the questioning of current practices may adversely affect our reported financial results or the way we conduct our business and subject us to regulatory inquiries or litigation.

Our deferred tax assets are subject to regular reassessment, which may result in additional valuation allowances.

We recognized deferred tax assets in a total amount of NT$211.2 million as of September 30, 2024. The realization of deferred tax assets is dependent upon our ability to generate the appropriate character of future taxable income sufficient to utilize loss carry-forwards or tax credits before their expiration. A change of the estimated amounts and character of future income may require additional valuation allowances.

Environmental laws and regulations may expose us to liability and increase our costs.

Some of our manufacturing processes involve the use of hazardous raw materials, and create various hazardous substances. We are subject to the regulations in various jurisdictions relating to the use, storage, discharge and disposal of chemicals and waste used in the manufacturing processes. We cannot guarantee that we will always fully comply with these environmental regulations. Any failure to comply with environmental related regulations or obtain the necessary production certificates and permits could subject us to fines, liabilities and administrative sanctions. In addition, if more stringent regulations are adopted in the future, the costs of compliance could be substantial. Any failure to control the use of or to restrict adequately the discharge of hazardous substances could subject us to monetary fines and liabilities and administrative sanctions. If we are held liable for damages in the event of contamination or injury, it could have a material and adverse effect on our business, financial condition and results of operations.

In accordance with the environmental regulations, we are required to obtain relevant production certificates and permits. Our ability to obtain, maintain, or renew such certificates and permits on acceptable terms is subject to change, as, among other things, the regulations and policies of relevant governmental authorities may change. We cannot guarantee that we will be successful and timely in obtaining all the required approvals, certificates and permits. Failure to do so may subject us to monetary fines, liabilities and administrative sanctions.

Risks Relating to the ROC

Disruptions in the ROC's political and economic environment could seriously harm our business.

We are incorporated in the ROC where our headquarters and a significant portion of our assets are located. Our Common Shares are listed on the TWSE. Accordingly, our business, financial condition, results of operations and the market price of the Shares may be affected by changes in government policies, laws, taxation, inflation, interest rates, social instability and other military, political, economic or social developments in or affecting the ROC.

In addition, the ROC has a unique international political status. Since 1949, Taiwan and mainland China have been separately governed. The PRC government regards Taiwan as a province of the PRC and does not recognize the legitimacy of its sovereignty. Although significant economic and cultural relations have been established in the past decades between the ROC and the PRC, relations have often been strained. The PRC government has not renounced the use of military force to gain control over Taiwan, particularly under what it considers as highly provocative circumstances, such as a declaration of independence by Taiwan or the refusal by the ROC to accept the PRC's "one China" policy. Further, the PRC government passed the Anti-Secession Law in March 2005, which authorizes non-peaceful means and other necessary measures should Taiwan move to gain independence from the PRC. Past developments in relations between the ROC and the PRC have on occasion depressed the market prices of the ROC securities market. Relations between the ROC and the PRC and other factors affecting military, political, economic or social conditions in the ROC could materially and adversely affect our financial condition and results of operations, as well as the market price and liquidity of our securities.

The economy in the ROC, similar to the global economy, has faced hardship in the last few years, and it continues to face challenges in the short to medium term. As a result of the recovery from global economic downturn, the ROC has experienced slow economic growth in the last years, and such recovery may not work in the long term to fully recover the severe downturn in economic activities. Continued turbulence in the international market, decline in global consumer spending and future slowdown of economic growth in the ROC may adversely affect our business, prospects, overall financial condition and results of operations.

As we are a public company, actions taken by us or third parties may result in a change in control of the Company.

We are a public company listed on the TWSE. As a result, we may be subject to potential takeovers or acquisitions by third parties through the purchase of our publicly traded Common Shares. In addition, there may be potential mergers or acquisitions, consolidations or share swaps that result in a change of control. A change of control may lead to changes in management, strategies or business direction, as well as the termination of agreements that contain relevant change of control provisions, all of which may have a material and adverse effect on our business, prospects, overall financial condition and results of operations.

Failure to obtain, maintain or renew approvals in connection with inbound or outbound investments from the ROC Department of Investment Review ("DIR") may materially and adversely affect our financial condition and results of operations.

The DIR, an agency under the administration of the ROC Ministry of Economic Affairs ("**MOEA**"), has supervisory and regulatory authority for matters relating to, among other things, inbound investments in ROC companies by non-ROC persons and overseas ROC nationals, and outbound investments by ROC companies or individuals. Under current ROC law, ROC individuals and companies are required to obtain prior approval from the DIR before making certain investments or make a report to the DIR within the period of time prescribed by relevant laws and regulations after investment in any other jurisdictions outside the ROC under certain circumstances. There is no assurance that we will be able to continue to satisfy the requirements for, or otherwise obtain, permits or approvals for future and current projects. Failure to obtain, maintain or renew such permits and approvals may impede or hinder our operations, and adversely affect our business prospects, financial condition and results of operations.

The imposition of foreign exchange restrictions may have an adverse effect on foreign investors' abilities to acquire securities listed in the ROC, including the Bonds and the Common Shares, or to repatriate the interest, dividends or sale proceeds from those securities.

The ROC government may impose foreign exchange restrictions in certain emergency situations, including situations where there are sudden fluctuations in interest rates or exchange rates, where the ROC government experiences extreme difficulty in stabilizing the balance of payments or where there are substantial disturbances in the financial and capital markets in the ROC. These restrictions may require foreign investors to obtain the ROC government's approval before acquiring securities listed in the ROC, repatriating the interest or dividends from those securities or repatriating the proceeds from the sale of those securities. There can be no assurance that these restrictions, if imposed, will not adversely affect, among other things, the secondary market price of the Bonds.

Financial reporting requirements and accounting standards in the ROC differ from those in other countries.

We are subject to financial reporting requirements in the ROC that differ in significant respects from those applicable to companies in certain other countries, including the United States. In addition, our consolidated financial statements as of and for the years ended December 31, 2021 and 2022 and as of and for the years ended December 31, 2022 and 2023 and our consolidated financial statements as of and for the nine months ended September 30, 2023 and 2024 have been prepared in accordance with the Taiwan IFRS, which differ in certain material respects from the IFRS. See "Summary of Certain Material Differences between the Taiwan IFRS and IFRS."

We have not prepared a complete reconciliation of our consolidated financial statements as of and for the years ended December 31, 2021 and 2022 and as of and for the years ended December 31, 2022 and 2023 and our consolidated financial statements as of and for the nine months ended September 30, 2023 and 2024 and related footnote disclosure between the Taiwan IFRS and the IFRS, and we have not quantified such differences. Accordingly, no assurance is provided that the disclosure in "Summary of Certain Material Differences between the Taiwan IFRS and IFRS" is complete. In making an investment decision, investors must rely upon their own examination of our financial information and the terms of the Bonds. Potential investors should consult their own professional advisers for an understanding of such differences and how they might affect the financial information contained herein.

We are incorporated in the ROC, and because corporate governance under ROC law differs from that under the laws of the United States and other jurisdictions, our corporate governance requirements may not be as developed or of the same standard as those under the laws of the United States and other jurisdictions.

We are incorporated under ROC law, and our corporate governance is governed by our Articles of Incorporation and by the applicable ROC laws and regulations. ROC law does not require a public company to have a majority of independent directors on its board of directors. The ROC Securities and Exchange Act requires public companies meeting certain criteria as may be promulgated by the FSC from time to time to have two independent directors but no less than one-fifth of the total number of the directors. We currently have four independent directors on our 11-member board of directors. Such corporate governance requirements may not be as developed or of the same standard as those under the laws of the United States or other jurisdictions. As such, the holders of the Bonds and our shareholders may have more difficulty in protecting their interests in connection with actions taken by our management or directors than they would as public shareholders in other jurisdictions.

You may not be able to enforce a judgment of a foreign court in the ROC.

We are a company limited by shares and incorporated under the ROC Company Act. Most of our directors and executive officers named in this offering memorandum are residents of the ROC and a significant portion of our assets and the assets of such persons are located in the ROC. As a result, it may be difficult for investors to enforce judgments obtained outside the ROC against us or such persons in the ROC, including those predicated upon the civil liability provisions of the federal securities laws of the United States. It is also not entirely certain that an action for civil liability predicated solely on the United States federal securities laws could be brought directly in the ROC courts.

Risks Relating to the PRC

We are subject to the political, economic and legal environments in the PRC.

Currently we sell and market our products to customers in the PRC. Accordingly, our business is subject to the political, economic and legal environments in the PRC. There can be no assurance that our investments and business activities in the PRC will not be adversely affected if relations between the PRC and the ROC are further strained.

Prior to 1978, the PRC had adopted a central economic planning system. All production and economic activities in the country were governed by the economic goals set out in the five-year plans and the annual plans adopted by the central authorities. Since 1978, the PRC government has permitted foreign investment and implemented several economic reforms, gradually changing from a planned economy towards a market-oriented economy. However, many of the reforms and economic policies adopted or to be adopted by the PRC government may change from time to time, which may have an adverse effect on enterprises with substantial businesses in the PRC that fail to adequately adapt to the changes in such economic policies. In addition, the PRC government has had significant influence over the PRC’s economic growth through allocating resources, regulating payment of foreign currency-denominated obligations, setting monetary policies and providing preferential treatments to particular industries or companies.

While the PRC’s economy has experienced significant growth in the past 30 years, growth has been uneven both geographically and among various sectors. The PRC government has implemented various measures to encourage economic growth and guided the allocation of resources. While some of these measures benefit the PRC’s overall economy, they may have a negative effect on us. For example, our business, overall financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations.

Complexity in the PRC legal system could adversely affect our business and results of operations.

Since 1979, many new laws and regulations covering general economic matters have been promulgated in the PRC. However, since these laws and regulations are relatively new and continue to evolve rapidly, interpretations of laws and regulations may change from time to time. In addition, there may be PRC laws and regulations that are peculiar to the PRC and may impose additional procedural or compliance requirements on those to whom they apply. Furthermore, the recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedural Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedural Law based either on treaty between the PRC and the country where the judgment is made or on reciprocity between jurisdictions. Therefore, if a foreign judgment is rendered by a foreign court in which the country and the PRC do not have any treaty or agreement providing for the reciprocal recognition and enforcement of foreign judgments, such a judgment may not be enforced by a PRC court.

We cannot predict the future development of the PRC legal system, such as the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, the preemption of local regulations or the overturn of local government's decisions by superior laws. Failure to keep track of and comply with relevant laws and regulations may limit the legal protections available to us.

Dividends we receive from our PRC subsidiaries may be subject to PRC withholding tax.

The PRC Enterprise Income Tax Law provides that a maximum income tax rate of 20% may be applicable to dividends payable to non-PRC investors that are "non-resident enterprises" to the extent such dividends are derived from sources within the PRC. The PRC State Council has reduced such rate to 10% through the implementation of the PRC Enterprise Income Tax Law. We are therefore subject to such withholding tax with respect to business operations carried out by our PRC subsidiaries.

U.S.-China trade war may adversely impact our business, financial condition and results of operations.

There have been changes and discussions with respect to U.S. trade policies towards the PRC, where a significant number of our customers are based. Tariffs and retaliatory tariffs have been imposed by the U.S. and the PRC on each other, and additional tariffs and retaliation tariffs have been proposed. Such tariffs, retaliatory tariffs or other trade restrictions on products and materials that our customers import or export could cause the prices of our customers' products to increase. This could reduce demand for such products, or reduce our customer's margins, and adversely impact their revenues, financial results and ability to service debt, which, in turn, could lead a reduction of orders placed with us by our customers. In addition, to the extent changes in the political environment have a negative impact on us or on the markets in which we operate our business, results of operations and financial condition could be materially and adversely impacted in the future. It remains unclear what the U.S. Administration or the PRC government will or will not do with respect to tariffs already imposed, additional tariffs that may be imposed, or international trade agreements and policies. A trade war or other governmental action related to tariffs or international trade agreements or policies has the potential to negatively impact ours and/or our customers' costs, demand for our customers' products, and/or the world economy or certain sectors thereof and, thus, adversely impact our business, financial condition and results of operations.

Risks Relating to the Bonds or the Common Shares

There are limitations on the Bondholders' ability to exercise conversion rights.

The Bondholders will not be able to exercise conversion rights during any Closed Period, as defined in "Description of the Bonds." In addition, under the current ROC laws, regulations and policies, a PRC person is not permitted to convert the Bonds or to register as the Company's shareholder unless (i) it is a PRC qualified domestic institutional investor, or a QDII, who will hold less than 10% of the Issuer's issued shares after conversion of the Bonds, or (ii) it otherwise obtains the approval of the MOEA if all the business items are within the positive list promulgated by the ROC government from time to time and it will hold 10% or more (or other threshold required by the regulators) of the Company's issued shares after conversion of the Bonds. There are also restrictions on the amount remitted to the ROC for investments by QDIIs, separately and jointly. Accordingly, the qualification criteria for a PRC person to make investment and the investment threshold imposed by the FSC and the TWSE may cause a Bondholder who is a PRC person to be unable to convert the Bonds and hold the Common Shares issuable upon conversion of the Bonds. Under current ROC laws, "**PRC person**" means an individual holding a passport issued by the PRC, a resident of any area of the PRC under the effective control or jurisdiction of the PRC (but not including a special administrative region of the PRC such as Hong Kong and Macau, if so excluded by applicable laws of the ROC), any agency or instrumentality of the PRC and any corporation, partnership or other entity organized under the laws of any such area, or in countries outside of the ROC or PRC that is directly or indirectly controlled by, or directly or indirectly having more than 30% of its capital owned by, or beneficially owned by any such person, resident, agency, instrumentality, corporation, partnership or entity.

Future issuance, offering or sale of the Common Shares, including any securities that may be convertible into or exchangeable for the Common Shares, by us or, in the case of sale, by our current shareholders may adversely affect the value of your investment.

The market prices of the Bonds and the Common Shares could decline as a result of sales of a large number of the Common Shares or any securities that are substantially similar to the Common Shares including, but not limited to any securities that may be convertible into, or exchangeable for, the Common Shares after this offering or the perception that such sales could occur. In connection with the Offering, we agreed to certain lock-ups, subject to certain exceptions, for a period of 90 days after the Closing Date not to offer, pledge, sell, contract to sell or otherwise transfer or dispose of any Common Shares or any securities convertible into or exercisable or exchangeable for Common Shares without the prior written consent of the Initial Purchaser. See "Plan of Distribution." Nevertheless, the Initial Purchaser may lift or waive all or some of these restrictions at their sole discretion, and when the applicable restrictive period expires, we will be able to sell or otherwise dispose of the Common Shares, subject to legal restrictions. In addition, we cannot assure you that any of our shareholders will not sell, or otherwise dispose of, the Common Shares. If our shareholders sell a large number of the Common Shares after this Offering, the market price of the Bonds and the Common Shares could be depressed and the value of your investment could substantially decrease. The market prices of the Common Shares and the Bonds could also decline if substantial amounts of the Common Shares or securities convertible or exchangeable into the Common Shares are sold after the closing of this Offering, or if there is a perception that these sales could occur.

A holder of the Bonds or its designee requesting the conversion of the Bonds may be required to provide certain information to the Company or the Conversion Agent, and failure to provide such information may result in a delay of the conversion.

A holder of the Bonds or its designee requesting the conversion of the Bonds may be required to provide certain information to the Company or the Conversion Agent, including the name and nationality of the person to be registered as the shareholder, the number of Common Shares the person is acquiring and has acquired in the past as a result of the conversion of the Bonds it holds, the Conversion Date, or such other information as may be reasonably required, before such conversion is effected. Under applicable ROC laws, the Company is required to report to the FSC if the person to be registered as a shareholder (i) is a "related party" of the Company as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuer or (ii) will hold, immediately following such conversion, more than 10% of the total number of the Common Shares deliverable upon conversion of the aggregate principal amount of all such Bonds at the time of issue. Failure to provide such information may cause the delay or rejection of such conversion of the Bonds.

A liquid market for the Bonds may not develop, and the market for the Common Shares may not be liquid.

Prior to this Offering, there has been no market for the Bonds. While approval in-principle has been received for the listing and quotation of the Bonds on the SGX-ST, an active trading market for the Bonds might not develop.

The Bonds have not been registered under the securities laws of the United States or elsewhere and cannot be publicly offered, sold, pledged or otherwise transferred in any jurisdiction where such registration may be required. The Bonds may not be publicly offered or sold, directly or indirectly, in the ROC. Furthermore, there has been no trading market for the Common Shares outside the ROC, and the only trading market for the Common Shares is the TWSE.

Holders of the Bonds will bear the risk of fluctuations in the price of the Common Shares.

The market price of the Bonds at any time will be affected by fluctuations in the price of the Common Shares. It is impossible to predict how the price of the Common Shares will change. Trading prices of the Common Shares will be influenced by, among other things, our results of operations and political, economic, financial and other factors that affect capital markets generally. Any decline in the price of the Common Shares would adversely affect the market price of the Bonds.

Fluctuations in the exchange rate between the NT Dollar and the US dollar may have a material adverse effect on the value of the Bonds in US dollar terms.

Although the principal amount of the Bonds is denominated in US dollars, the Common Shares are listed on the TWSE, which quotes and trades the Common Shares in NT dollars. As a result, fluctuations in the exchange rate between the NT Dollar and the US dollar will affect, among other things, the market price of the Bonds and the US dollar equivalent of the Common Shares received upon conversion of the Bonds.

Furthermore, the Bonds are currency-linked debt instruments. Bondholders are required to pay the subscription money for the Bonds in US dollars, while all amounts due from the Company under the Bonds, will be settled in US dollars, translated to NT dollars at the Fixed Exchange Rate and then translated back to US dollars at the Prevailing Rate. Accordingly, the US dollar return on the Bonds, or yield to maturity, will depend on the principal amount converted into US dollars at the prevailing exchange rate at the time of payment. Any volatility of the exchange rate between NT dollar and the US dollar during the term of the Bonds will affect the return on the Bonds, or yield to maturity, in US dollars. In particular, any devaluation of the NT dollar against the US dollar during the term of the Bonds will decrease the US dollar return on the Bonds and will result in the yield to maturity of the Bonds in US dollars being less than the stated yield to maturity of the Bonds. In the event of a material devaluation of the NT dollar against the US dollar, Bondholders may not receive the full US dollar subscription amount upon redemption of the Bonds.

Holders of the Bonds will have no rights as shareholders until they acquire the Common Shares upon conversion of the Bonds.

Unless and until the holders of the Bonds acquire the Common Shares upon conversion of the Bonds, the holders of the Bonds will have no rights as shareholders, including any voting rights or rights to receive any dividends or other distributions with respect to the Common Shares. Subject to the Indenture and other applicable ROC laws, holders of the Bonds who acquire the Common Shares upon the exercise of their conversion rights will be entitled to exercise the rights of shareholders only as to actions for which the applicable record date occurs after the Conversion Date.

Converting holders of the Bonds are subject to government-imposed requirements of appointing a tax guarantor and local agent in the ROC.

Under current ROC laws, if a non-ROC person is an overseas Chinese or foreign national or entity having not been registered with the TWSE, when exercising the conversion right, such non-ROC person will be required to first register with the TWSE and then appoint a local agent to, among other things, open a securities trading account with a local securities brokerage firm to hold or trade the common shares, open an NT dollar bank account, remit funds, pay ROC tax, exercise shareholders’ rights, and perform such other matters as may be designated by the converting holder. In addition, under the current ROC laws, a non-ROC person is required to appoint a local bank to act as custodian for handling confirmation and settlement of trades, safekeeping of securities and cash proceeds, and reporting and declaration of information. Under existing ROC laws and regulations, without satisfying these requirements, a non-ROC person will not be able to hold or to sell or otherwise transfer the Company’s Common Shares on the TWSE or otherwise.

In addition, when a non-ROC person converts the Bonds or registers as the Company's shareholder, such non-ROC person will be required under the current ROC laws and regulations to appoint an agent, or a tax guarantor, in the ROC for filing tax returns and making tax payments. A tax guarantor must meet certain qualifications set by the Ministry of Finance of the ROC and, upon appointment, becomes a guarantor of your ROC tax obligations. We cannot assure that such non-ROC person will be able to appoint and obtain approval for a tax guarantor in a timely manner, if at all.

Holders of the Bonds may be subject to the income tax imposed by the ROC when they sell the Common Shares delivered upon conversion of the Bonds.

As used in this section, a "Non-ROC Resident Individual" is a foreign national individual who owns the Bonds or the Common Shares and is not physically present in the ROC for 183 days or more during any calendar year, and a "Non-ROC Resident Entity" is a corporation or a non-corporate body that owns the Bonds or the Common Shares and is organized under the laws of a jurisdiction other than the ROC and has no fixed place of business or business agent in the ROC. "Non-ROC Resident Individuals" and "Non-ROC Resident Entities" are jointly referred to as "Non-ROC Holders".

Starting from January 1, 2016, capital gains realized from the sale or disposal of the Company's Common Shares are exempt from ROC income tax under Article 4-1 of the ROC Income Tax Act. Nevertheless, capital gains realized from the sale or disposal of the Bonds are exempt from ROC income tax. There is no assurance that capital gains realized from the sale or disposal of the Company's Common Shares may be able to be exempted from ROC income tax in the future.

The value of the Common Shares and the Bonds may be adversely affected by the volatility of the ROC securities market.

The ROC securities market is smaller and more volatile than the securities markets in the United States and in certain European countries. The TWSE has experienced substantial fluctuations in the prices, and has shown particular volatility following certain political events, market events and scandals. Also, there are currently limits on the range of daily price movements on the TWSE. From time to time, the ROC regulatory agencies have intervened in the ROC stock market during periods of extreme volatility. In 2024, the TWSE Index fell to a low of 17,161.79 on January 17, and subsequently reached a peak of 24,390.03 on July 11. See "Appendix A—The Securities Market of the ROC." The TWSE has experienced problems such as market manipulation, insider trading and payment defaults. The recurrence of these or similar problems could adversely affect the market price and liquidity of the securities of ROC companies, including the Bonds and the Common Shares, in both domestic and international markets.

In response to major past declines and volatility in the securities markets in the ROC, and in line with similar activities by other countries in Asia, the ROC government formed the National Stabilization Fund in 2000, which has purchased, and may from time to time purchase, shares listed on the TWSE to support these securities markets in the ROC. In addition, other funds associated with the ROC government have in the past purchased, and may from time to time purchase, shares listed on the TWSE or other securities markets in the ROC. In the future, market activity by government entities, or the perception that such activity is taking place, may take place or has ceased, may cause fluctuations in the market prices and liquidity of the Common Shares.

The Company's public shareholders may have more difficulty in protecting their interests than they would as a shareholder of a corporation of other jurisdictions.

The Company's corporate affairs are mainly governed by its Articles of Incorporation and the ROC Company Act. The rights of its shareholders to bring shareholders' suits against its management, controlling shareholders or board of directors under ROC laws are much more limited than those of the shareholders of corporations of some other jurisdictions. Therefore, the Company's public shareholders may have greater difficulty in protecting their interests in connection with actions taken by its management, members of board of directors or controlling shareholders than they would as shareholders of corporations of other jurisdictions.

A Bondholder's right to receive payments on the Bonds is structurally subordinated.

The Bonds will be effectively subordinated to any of the Company's secured obligations with respect to assets that secure such obligations (but subject to a negative pledge, as described in "Description of the Bonds—Certain Covenants—Negative Pledge"). The terms of the Bonds do not prevent the Company from incurring additional debt in the future, and the Company is generally permitted to secure this indebtedness, although the Company's existing financial covenants may restrict the Company's future borrowings. If the Company incurs further indebtedness, its ability to make payments on the Bonds and, if required, to redeem the Bonds may be adversely affected.

The Company may not have the ability to redeem the Bonds in cash if investors exercise the early redemption right upon the occurrence of a change of control, delisting or upon their option in certain circumstances.

The Company may be required by Bondholders to redeem for cash all or some of their Bonds upon a transaction or event constituting a change of control, delisting or upon their option in certain circumstances as described under "Description of the Bonds." The Company may not have sufficient funds or other financial resources to make the required redemption in cash at such time or the ability to arrange necessary financing on acceptable terms. In addition, the Company's ability to redeem the Bonds in cash may be limited by law, by the terms of other agreements relating to the Company's senior debt, and by indebtedness and agreements that the Company may enter into in the future which may replace, supplement or amend its existing or future indebtedness. If the exercise of the redemption right upon the occurrence of a change of control or delisting occurs at a time when the Company is prohibited from redeeming the Bonds, the Company could seek the consent of lenders to redeem the Bonds or could attempt to refinance the borrowings that contain this prohibition. If the Company is not able to obtain consent or refinance these borrowings, the Company could remain prohibited from redeeming the Bonds. The Company's failure to redeem Bonds would constitute an Event of Default, which might constitute a default under the terms of the Company's other indebtedness at that time.

The Company may call the Bonds prior to maturity if the Company has or will become obligated to pay additional amounts as a result of certain changes in applicable tax law.

The Company may call the Bonds prior to maturity if the Company has or will become obligated to pay additional amounts as a result of any change in, or amendment to, the laws or regulations of any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations. In such an event, each Bondholder will have the right to elect that its Bonds shall not be redeemed but, in that case, subject as provided in "Description of the Bonds—Redemption of the Bonds—Redemption for Taxation Reasons," no additional amounts will be payable on the electing Bondholder's Bonds after the relevant tax redemption date and payment of all amounts shall be made subject to the deduction of withholding of any taxation required to be withheld or deducted. See "Description of the Bonds—Redemption of the Bonds—Redemption for Taxation Reasons."

Bondholders have limited anti-dilution protection.

The conversion price of the Bonds will be adjusted in the event that there is a free distribution, bonus issue, division, consolidation and reclassification, declaration of dividends, rights issue, warrants issue, capital distribution or other adjustment, but only in the circumstances and only to the extent provided in "Description of Bonds—Conversion—Adjustments to the Conversion Price." There is no requirement that there should be an adjustment for every corporate or other event that may affect the value of Common Shares. Events in respect of which no adjustment is made may adversely affect the value of Common Shares and, therefore, adversely affect the value of the Bonds.

The Trustee may request that the Bondholders provide indemnity, security and/or prefunding to its satisfaction.

In certain circumstances, the Trustee may (at its sole discretion) request the Bondholders to provide indemnity, security, and/or prefunding to its satisfaction before it takes steps and/or actions and/or institutes proceedings on behalf of Bondholders. The Trustee shall not be obligated to take any such steps and/or actions and/or institute such proceedings if not indemnified, secured, and/or prefunded to its satisfaction. Negotiating and agreeing to any indemnity, security, and/or prefunding can be a lengthy process and may impact when such steps and/or actions can be taken and/or such proceedings can be instituted. The Trustee may not be able to take such steps and/or actions and/or institute proceedings, notwithstanding the provision of indemnity, security or prefunding to it, in breach of the terms of the indenture governing the Bonds and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the Bondholders to take such actions directly.

There are uncertainties under the U.S. Outbound Investment Rule that might subject U.S. investors of the Bonds to notification requirements.

On October 28, 2024, the U.S. Department of the Treasury (the “Treasury”) issued the Provisions Pertaining to U.S. Investments in Certain National Security Technologies and Products in Countries of Concern (the “Outbound Investment Rule”). The Outbound Investment Rule, effective on January 2, 2025, is aimed at exerting greater U.S. government oversight over U.S. direct and indirect investments involving China and introduces new hurdles and uncertainties for cross-border collaborations, investments, and funding opportunities of China-based entities. It targets investments involving entities associated with countries of concern, currently China (including Hong Kong and Macau) and imposes investment prohibition or notification requirements on a wide range of investments in entities engaged in activities relating to three sectors: (i) semiconductors and microelectronics, (ii) quantum computing, and (iii) artificial intelligence systems. Under the Outbound Investment Rule, entities with meaningful tie with a country of concern and engaged in activities relating to the three sectors are defined as covered foreign persons, and with limited exceptions, equity investments (including investment in convertible bonds) by a U.S. person in a covered foreign person (a “covered transaction”) are subject to prohibition or notification requirements. Violation of such requirements could be subject to (i) a civil penalty up to the greater of (a) twice the value of the transaction that is the basis for the violation and (b) approximately US$368,000 (adjusted annually for inflation); and (ii) in the case of willful violations, a criminal penalty of up to 20 years’ imprisonment and a fine of up to US$1 million. Additionally, the Treasury would also have authority to order the nullification or force the divestment of any prohibited investment.

The Company does not meet the definition of covered foreign person and we do not believe that an investment by a U.S. person, as defined under the Outbound Investment Rule, in the Bonds constitutes a covered transaction under the Outbound Investment Rule. However, we have one subsidiary, Nuvoton Electronics (Nanjing) Limited, that involves IC design services, which fall within the scope of covered activities for notifiable transactions under the Outbound Investment Rule. For the nine months ended September 30, 2024, the subsidiary contributed to less than 0.2% of each of the Company’s revenue, net income, capital expenditure and operating expenses. Additionally, the proceeds of this Offering will not be used to finance or fund any operations in China, including this subsidiary. The Treasury has not issued further guidance to clarify certain rules, including under what circumstances an equity investment by a U.S. person in a non-covered-foreign-person issuer would constitute an indirect covered transaction. As such, there are uncertainties under the Outbound Investment Rule, and we cannot assure you that the Treasury will not take a different view from us and treat the investment in the Bonds by a U.S. person as an indirect covered transaction and thus subject to further notification requirements under the Outbound Investment Rule.

Additionally, the uncertainty in the interpretation of the Outbound Investment Rule may reduce U.S. investors’ interest in our equity securities. In such a case, the trading price of the Common Shares may be adversely affected, and the value of the Bonds may decline significantly. It could also be detrimental to our capital raising capacity and our business, financial condition and prospects.

USE OF PROCEEDS

The gross proceeds to be received by us from this Offering will be US$150,000,000, before deducting underwriting commissions and related expenses. We intend to use the net proceeds of this Offering to procure raw materials from countries or regions outside the ROC.

DIVIDENDS AND DIVIDEND POLICY

Our Dividend Policy

Pursuant to our Articles of Incorporation and certain ROC regulatory requirements, we are generally not permitted to distribute dividends or make other distributions to shareholders for any year in which we have no current or retained earnings. Before we can distribute a dividend or make any distribution to shareholders from profits, we must first apply our profits to losses incurred in previous years and pay all outstanding taxes, and set aside 10% of our annual net income as legal reserve, unless the legal reserve amounts to our paid-in capital.

Any remaining profits plus accumulated retained earnings shall first be allocated as special reserve in accordance with relevant laws and regulations. The remaining amount after allocating as special reserve or retained as needed for business purposes may be distributed as dividends to the holders of the preferred shares, followed by dividends to the holders of the Common Shares. The percentage of distribution of dividends and the ratio between cash dividend and stock dividend is proposed by our board of directors and approved by our shareholders at the shareholders' meeting, provided that our board of directors is authorized to distribute cash dividends upon resolution by a majority vote at a board meeting attended by two-thirds or more of the directors. Pursuant to our Articles of Incorporation, the distribution of dividends is subject to the condition that cash dividends shall not be less than 10% of total dividends.

Our dividend distribution policy is made in accordance with the ROC Company Act and our Articles of Incorporation, taking into account various factors, including, among others, our capital, financial structure, earnings, future development and the market environment. Our current policy is that dividends shall be distributed in a steady manner taking into consideration the appropriate level of profits that should be retained or distributed in the form of cash, or both stock and cash. Subject to our Articles of Incorporation, our dividend policy may be adjusted from time to time in accordance with economic and market conditions and, in particular, our future development and profitability.

Past Dividends

On March 5, 2024, our board of directors approved the distribution of a cash dividend of NT$3.00 per Common Share in the amount of NT$1,259.3 million in respect of the 2023 financial year. Our board of directors reported the dividend distribution plan to our shareholders at the shareholders' general meeting held on May 28, 2024. We paid this dividend on August 23, 2024.

On March 7, 2023, our board of directors approved the distribution of a cash dividend of NT$7.00 per Common Share in the amount of NT$2,938.4 million in respect of the 2022 financial year. Our board of directors reported the dividend distribution plan to our shareholders at the shareholders' general meeting held on May 26, 2023. We paid this dividend on August 25, 2023.

On March 15, 2022, our board of directors approved the distribution of a cash dividend of NT$5.00 per Common Share in the amount of NT$2,098.8 million in respect of the 2021 financial year. Our board of directors reported the dividend distribution plan to our shareholders at the shareholders' general meeting held on June 2, 2022. We paid this dividend on August 26, 2022.

On March 16, 2021, our board of directors approved the distribution of a cash dividend of NT$0.80 per Common Share in the amount of NT$311.7 million in respect of the 2020 financial year. On July 29, 2021, our board of directors resolved to revise the amount of cash dividend from NT$0.80 to NT$0.75804239 per Common Share in the same total amount in respect of the 2020 financial year. Our board of directors reported the dividend distribution plan to our shareholders at the shareholders' general meeting held on August 20, 2021. We paid this dividend on September 10, 2021.

Our past dividends payment history is not, and should not be taken as, an indication of our potential future practice with respect to dividend payments.

MARKET PRICE INFORMATION

The Common Shares have been listed on the TWSE since September 2010 under the trading code "4919".

Information regarding our historical share price may be obtained from the TWSE website.

On January 9, 2025, the reported closing price of our Common Shares was NT$98.90 per share, and the TWSE Index closed at 23,081.13. Information regarding our historical share price may be obtained from the TWSE website. The trading price and the daily closing price of the shares are available on the MOPS. For the avoidance of doubt, none of the information contained on the TWSE website and the MOPS is incorporated by reference into this offering memorandum, nor should any of such information be considered part of this offering memorandum.

The TWSE has experienced substantial fluctuations in the prices of listed securities and there are currently limits on the range of daily price movements. See "Appendix A—The Securities Market of the ROC".

CAPITALIZATION

The following table sets forth under Taiwan IFRS (i) the Company's unaudited consolidated capitalization as of September 30, 2024 on an actual basis; and (ii) the Company's unaudited consolidated capitalization as of September 30, 2024, as adjusted for the offering of the Bonds, before deducting underwriting discount and commission and other offering expenses. There has been no material change in our capitalization since September 30, 2024.

The following table should be read in conjunction with our financial statements and the notes thereto included elsewhere herein.

	As of September 30, 2024			
	Actual		**As adjusted for offering of Bonds**	
	NT$	**US$(1)**	**NT$**	**US$(1)**
	(in thousands)			
Short-term loans (including current portion of long-term loans)	1,308,294	41,336	1,308,294	41,336
Long-term liabilities				
Long-term loans, net of current portion	571,429	18,055	571,429	18,055
Bonds (now being issued)	-	-	4,747,500	150,000
Total long-term liabilities	**571,429**	**18,055**	**5,318,929**	**168,055**
Shareholders' equity				
Share capital	4,197,653	132,627	4,197,653	132,627
Capital surplus	6,997,593	221,093	6,997,593	221,093
Legal reserve	1,693,267	53,500	1,693,267	53,500
Special reserve	1,190,819	37,624	1,190,819	37,624
Unappropriated earnings	2,867,461	90,599	2,867,461	90,599
Exchange differences on translation of foreign financial statements	(1,253,968)	(39,620)	(1,253,968)	(39,620)
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	408,690	12,913	408,690	12,913
Total shareholders' equity of the parent company	**16,101,515**	**508,736**	**16,101,515**	**508,736**
Total capitalization(2)	**16,672,944**	**526,791**	**21,420,444**	**676,791**

Notes:

(1) Translation of amounts from US dollars into NT dollars has been made at the rate prevailing on September 30, 2024 of NT$31.65 = US$1.00. However, the sum of the line item "Total capitalization" is arrived at by multiplying the total number of the Common Shares issued by NT$10.00, which is the par value of a Common Share, and then translated at the fixed historical exchange rate as of the date indicated.

(2) Total capitalization is total long-term liabilities plus total shareholders' equity of the parent company.

SELECTED FINANCIAL DATA

The selected financial information has been derived from the Company's consolidated financial statements as of and for the years ended December 31, 2021 and 2022 and as of and for the years ended December 31, 2022 and 2023 and the Company's unaudited consolidated financial statements as of and for the nine months ended September 30, 2023 and 2024 included elsewhere in this offering memorandum. The consolidated financial statements as of and for the years ended December 31, 2021 and 2022 and as of and for the years ended December 31, 2022 and 2023 have been audited by Deloitte & Touche, our independent auditors, and the unaudited consolidated financial statements as of and for the nine months ended September 30, 2023 and 2024 have been reviewed by Deloitte & Touche. Our consolidated financial statements are presented in conformity with the Taiwan IFRS. You should read the following selected financial information together with our financial statements included elsewhere in this offering memorandum. Neither these data nor the format in which they are presented should be viewed as comparable to information prepared in accordance with IFRS or generally accepted accounting principles elsewhere. See "Summary of Certain Material Differences between Taiwan IFRS and IFRS."

Consolidated Financial Information

Consolidated Statements of Comprehensive Income Data

	Year ended December 31,				**Nine Months ended September 30,**		
	2021	**2022**	**2023**		**2023**	**2024**	
	NT$	**NT$**	**NT$**	**US$**	**NT$**	**NT$**	**US$**
	(audited)				**(unaudited)**		
				(in thousands)			
Operating revenue	41,455,957	41,872,426	35,348,149	1,116,845	26,878,415	24,652,986	778,925
Operating cost	(24,599,840)	(24,378,097)	(21,005,496)	(663,681)	(15,889,480)	(15,325,785)	(484,227)
Gross profit	**16,856,117**	**17,494,329**	**14,342,653**	**453,164**	**10,988,935**	**9,327,201**	**294,698**
Selling expenses	(1,185,131)	(1,162,124)	(972,814)	(30,737)	(743,327)	(733,777)	(23,184)
General and administrative expenses	(2,884,137)	(2,749,443)	(2,545,425)	(80,424)	(1,934,249)	(1,749,771)	(55,285)
Research and development expenses	(9,451,500)	(9,104,501)	(9,124,732)	(288,301)	(6,845,880)	(6,601,531)	(208,579)
Expected credit loss	(8,206)	(352)	(9,499)	(300)	(14,805)	(9,162)	(290)
Total operating expenses	(13,528,974)	(13,016,420)	(12,652,470)	(399,762)	9,538,261	(9,094,241)	(287,338)
Profit from operations	**3,327,143**	**4,477,909**	**1,690,183**	**53,402**	**1,450,674**	**232,960**	**7,360**
Finance costs	(68,915)	(35,230)	(45,759)	(1,445)	(35,152)	(32,148)	(1,015)
Share of profit of associates	-	126,861	162,270	5,127	269,882	57,565	1,819
Interest income	30,007	89,583	190,134	6,007	145,056	135,631	4,285
Dividend income	67,845	80,422	71,728	2,266	71,728	64,294	2,031
Other gains and losses	62,617	50,404	40,651	1,284	10,116	14,751	466
Gains on disposal of property, plant and equipment	134,893	304,132	646,211	20,418	83,422	13,839	437
Foreign exchange gains (losses)	(24,204)	143,614	77,808	2,458	188,704	(28,714)	(907)
Gains (losses) on financial instruments at fair value through profit or loss	16,110	(130,675)	(106,622)	(3,368)	(163,945)	(39,209)	(1,239)
Total non-operating income and expenses	218,353	629,111	1,036,421	32,747	569,811	186,009	5,877
Profit before income tax	**3,545,496**	**5,107,020**	**2,726,604**	**86,149**	**2,020,485**	**418,969**	**13,237**
Income tax expense	(604,744)	(886,247)	(306,170)	(9,674)	(306,950)	(136,706)	(4,319)
Net profit for the year/period	**2,940,752**	**4,220,773**	**2,420,434**	**76,475**	**1,713,535**	**282,263**	**8,918**

Consolidated Balance Sheet Data

	As of December 31,				As of September 30,		
	2021	2022	2023		2023	2024	
	NT$	NT$	NT$	US$	NT$	NT$	US$
		(audited)				(unaudited)	
				(in thousands)			
Total current assets	22,000,452	24,115,127	19,199,465	606,618	20,214,169	17,065,169	539,184
Total non-current assets	12,407,938	12,736,613	12,540,729	396,232	12,552,425	13,650,526	431,296
Total assets	34,408,390	36,851,740	31,740,194	1,002,850	32,766,594	30,715,695	970,480
Total current liabilities	9,818,988	10,967,686	8,180,808	258,477	9,410,110	9,102,367	287,594
Total non-current liabilities	9,034,712	8,318,116	6,828,342	215,746	7,293,864	5,511,813	174,149
Total liabilities	18,853,700	19,285,802	15,009,150	474,223	16,703,974	14,614,180	461,743
Net assets	15,554,690	17,565,938	16,731,044	528,627	16,062,620	16,101,515	508,737

Consolidated Statements of Cash Flow Data

	Year ended December 31,				Nine months ended September 30,		
	2021	2022	2023		2023	2024	
	NT$	NT$	NT$	US$	NT$	NT$	US$
		(audited)				(unaudited)	
				(in thousands)			
Net cash generated from (used in) operating activities	4,110,432	3,421,678	132,087	4,173	(595,805)	1,925,282	60,830
Net cash generated from (used in) investing activities	758,010	(2,164,434)	(389,210)	(12,297)	(72,505)	(1,491,771)	(47,133)
Net cash generated from (used in) financing activities	(494,774)	(821,087)	(3,487,554)	(110,191)	(3,221,212)	(1,626,821)	(51,400)
Effects of exchange rate changes on the balance of cash held in foreign currencies	(556,370)	262,997	(328,114)	(10,367)	(134,794)	139,958	4,422
Net increase (decrease) in cash and cash equivalents	3,817,298	699,154	(4,072,791)	(128,682)	(4,024,316)	(1,053,352)	(33,281)
Cash and cash equivalents at the beginning of the year/period	5,881,733	9,699,031	10,398,185	328,536	10,398,185	6,325,394	199,854
Cash and cash equivalents at the end of the year/period	9,699,031	10,398,185	6,325,394	199,854	6,373,869	5,272,042	166,573

Other Financial Data

	Year ended December 31,			Nine Months ended September 30,	
	2021	2022	2023	2023	2024
Gross margin[(1)]	40.7%	41.8%	40.6%	40.9%	37.8%
Operating margin[(2)]	8.0%	10.7%	4.8%	5.4%	0.9%
Net profit margin[(3)]	7.1%	10.1%	6.8%	6.4%	1.1%

(1) Gross margin is calculated by dividing gross profit by operating revenue.

(2) Operating margin is calculated by dividing income from operations by operating revenue.

(3) Net profit margin is calculated by dividing net profit for the period by operating revenue.

OUR BUSINESS

OVERVIEW

We are a multinational semiconductor company, focusing on design, development and sales of IC products with wide applications in general uses, audio, cloud security, visual sensing, battery monitoring, IoT and laser diode. We also own and operate a semiconductor foundry and provide foundry services to third parties as well as our own IC products.

Our history of designing and manufacturing IC products can be traced back to the late 1980's, preceding the spin-off of Nuvoton from Winbond in July 2008. In September 2020, we completed the acquisition of the semiconductor business of Panasonic Corporation, through which we have strengthened our IC product portfolio and expanded our presence into Japan and Singapore. Our IC products serve a wide range of end customers including industry-leading computers, servers, smartphones, automotives, home electronic appliances, gaming and audio manufacturers in Asia, North America and Europe.

We own and operate a 6-inch foundry plant in Hsinchu, Taiwan. Our foundry plant offers a variety of technologies, including generic logic, power management and customized processes based on 0.3um to 1.0um technologies. Our foundry service focuses on the development of BCD processes to deliver highly competitive, next-generation platforms and enhanced service value to our customers. We are committed to providing stable, long-term capacity, exceptional OEM quality and on-time delivery to meet customer needs.

Today, we have five research and development centers in the ROC, the United States, Israel, Singapore and Japan, designing and developing IC products for customers in a wide range of applications, including computers and servers, automotive, household appliances, security systems and industrial control. As of September 30, 2024, our research and development teams consisted of 1,433 full time-employees, of which 477 are based in the ROC, 32 in the United States, 133 in Israel, 50 in Singapore and 741 in Japan. As of September 30, 2024, we have approximately 4,070 patents and 2,100 ongoing patent applications.

We have demonstrated a proven track record of execution excellence since our inception as part of Winbond Electronics over 30 years ago in 1987. To date we have shipped 7 billion of ICs with MCU technology and won a large number of honors and awards for product innovation and corporate management. For product innovation, we successfully developed a node management controller with safety control and Internet of Things ("**IoT**") capabilities in 2023 that passed the Industrial Development Bureau's review for highly innovative projects. The NuMicro® M467 series microcontroller was awarded the 2023 EE Awards Asia. Additionally, we became the first supplier of embedded controllers and super I/O chips to pass the U.S. Federal Information Processing Standard 140-3 certification and also achieved the ISO/SAE 21434 certification for cybersecurity management systems in road vehicles. With regard to corporate management, in line with our green semiconductor philosophy, we continue to be committed to sustainable development. We won the "Sustainability Report Award" of SGS ESG Awards and the "Silver Award for Electronic Information Manufacturing Industry" of Taiwan Corporate Sustainability Awards and were named as one of the "Top 100 Carbon Competitive Companies of 2023" by Business Weekly in 2023. To further our commitment to sustainability, in 2024, we joined the "2024 TALENT, in Taiwan – Taiwan Talent Sustainability Action Alliance" to create a more diverse, equitable, and inclusive workplace. These awards and achievements highlight our product development outcomes and our efforts in promoting sustainability.

In 2021, 2022, 2023 and the nine months ended September 30, 2024, our operating revenue were NT$41,456.0 million, NT$41,872.4 million, NT$35,348.1 million and NT$24,653.0 million (US$778.9 million), respectively. In the same periods, we recorded a net profit of NT$2,940.8 million, NT$4,220.8 million, NT$2,420.4 million and NT$282.3 million (US$8.9 million), respectively.

OUR STRENGTHS

We believe our success is primarily attributable to the following competitive strengths:

Differentiated Technology with a Focus on Security

We believe we have deep technical core competencies in the design and manufacture of semiconductors, which differentiated us from our competitors and will continue to drive our success. Our core technologies focus on high-performance analog IP design, low-power-consumption power management systems, advanced encryption and decryption acceleration technologies and innovative AI applications. Additionally, leveraging on encryption, anti-peeping and firmware development and management technologies, we provide comprehensive protection of intellectual property and information security for stakeholders spanning from system manufacturers to end users. In light of the rapid development of post-quantum technology, post-quantum cryptography has become our next priority in security.

Our research and development teams in Israel and Japan possess extensive expertise in security products and continuously integrate security and safety features into our product lines. In 2024, we launched a secure IC product based on OpenTitan in collaboration with Google, which is designed to be highly resistant to potential breaches. We also introduced the concept of life cycle management into supply chain security, ensuring that every step from production to end use and destruction is thoroughly verified to maintain security at every stage of the product life cycle.

Our research and development personnel are dedicated to a diverse range of fields, including mixed-signal technologies, analog circuits, wireless communications, MCUs and cloud computing. As of September 30, 2024, we have approximately 4,070 patents and 2,100 ongoing patent applications. Our MCU products are highly compatible, and we have established a comprehensive product platform for MCUs including 64-bit microprocessor and 32-bit and 8-bit product lines. Focusing on cross-over applications from computing devices related to data centers, computer servers, edge computing and terminal processing, our cloud security products were the first in the industry with Federal Information Processing Standards, Common Criteria EAL4+ and Trusted Computing Group certification. Leveraging on their advanced security technology, our cloud security products have been utilized as the foundation to integrate key customers' systems and applications.

Diversified Product Portfolio Serving a Wide Range of End Markets

We have a diversified product portfolio serving a wide range of applications. Our IC products, including, among others, MCU, metal-oxide-semiconductor field-effect transistor ("**MOSFET**"), digital signal processor ("**DSP**"), ISP, image sensor and battery monitoring IC, are used in a wide range of end markets such as computers, servers, smartphones, automotives, home electronic appliances, and gaming and audio devices. Our comprehensive product platform for general purpose MCU is used in a wide range of markets including 5G, energy management, Artificial Intelligence of Things ("**AIoT**"), industrial control and automotive electronics. Our audio products are used in diverse markets including smart appliances, smart stereo systems, smart family entertainment, smart cars, smart interactive toys, smart robots, meeting systems, consumer electronics, healthcare and industrial applications. Our cloud security products are used in data centers, computer servers, edge computing and computer processing in related smart devices. We provide valuable solutions to our customers by creating unique and irreplaceable core devices one after another that utilize our strengths in low-power-consumption technology, system control technology and security technology. We believe the diverse range of markets we serve has contributed to our favorable financial results historically.

Proven Product Quality and Reliability

We have an outstanding mass production track record and have established strong supply chain management throughout our production processes and our cooperation with third-party foundry partners, which ensure our product quality and production stability as well as accumulating feedback from actual production which we use to continuously improve. Consequently, our products are highly regarded by customers and have been widely adopted across sectors such as automotive, industrial and computers and servers. We believe the market demands of our products demonstrate our excellent product quality, proven product reliability and strong supply chain management capability.

Decade-long Relationships with Industry-leading Customers

We have built long-term strategic partnerships with customers, many of whom are leading companies in their respective fields, including, among others, industry-leading computers, servers, smartphones, automotives, home electronic appliances, gaming and audio manufacturers, to provide competitive total design and development solutions. We pride ourselves on our customer-oriented focus and believe we are able to stay at the forefront of technological development and market trends through our collaborative relationship. We often collaborate with our customers at the front end of their design cycle, helping them develop next-generation products. Our involvement in our customers' design, development and production processes allows us to identify and take advantage of new industry trends. We believe this not only ensures we gain early access and knowledge in emerging technologies and products and adapt our production and research and development efforts in line with the new trends but also increases our customers' switching cost, thereby building on customer stickiness.

Visionary and Committed Management Team

We are led by a visionary and committed management team with deep experience and background in IC, electronics and technology. With an innovative mindset, our management team creates differentiated strategies to lead technology development and meet customer demands. In particular, Yuan-Mou Su, the chairperson of our board of directors and our chief executive officer, brings over 40 years of experience in IC and electronics industries accumulated from his services with both Nuvoton and other industry leaders such as Winbond Electronics, Advanced Micro Devices, Inc. and Digital Equipment Corporation, and remains actively involved in our day-to-day operations. In addition, Hsin-Lung Yang, our president, has accumulated rich experience of over 30 years and has assumed positions at renowned companies such as Cheertek Inc. and Novatek Microelectronics Corp. before joining us. Mr. Su and Mr. Yang are supported by a professional management team with in-depth understanding of the IC industry and passion in delivering cutting-edge technologies that drive advancements automotive, consumer and industrial applications.

Under our management's leadership, we have achieved notable innovations in IC design and system solutions and have earned recognition from our customers. We believe our management team will continue to guide our business expansion and sustain our leadership in the IC industry.

Strong Focus on ESG

We are dedicated to ethical and responsible business practices and care deeply about the environment and our employees' well-being. With "be a hidden champion in providing sustainable semiconductors to enrich human life" as our vision, we have been focusing on four aspects of ESG commitments since 2023—social welfare, diversity and inclusion, rural education, and environmental protection—and reflecting our ESG pursuit in every aspect of our business, from corporate management to product design and manufacturing.

In particular, we introduced the concept of "Green Products" to emphasize not only eco-friendly practices in our product design and manufacturing processes but also the creation of energy-efficient solutions for our customers. We focus on minimizing chip size in our product design to reduce raw material usage and waste, reducing consumables used and lowering carbon emissions in the manufacturing process, and making use of packaging materials that can be reused multiple times to reduce environmental impact. In addition, we are dedicated to providing high-efficiency, low-power-consumption products with our customers, effectively allowing them to reduce energy usage and carbon footprint as well. With respect to workplace safety and inclusivity, we prioritize occupational safety by promoting a "safety culture" aimed at identifying potential safety risks in advance, thus creating a reassuring workplace environment, and adopt the "3Cs" approach— culture, communication and caring—to diversity, equity and inclusion to foster an inclusive work environment and cultivating a culture of inclusivity.

We believe our commitment to ESG can contribute to our sustainable growth and long-term competitiveness.

Long-term, Close Relationships with Value Chain Partners

Our competitive edge in our products is bolstered by our long-term, closing relationships with value chain partners.

In our R&D efforts, we have established strategic partnerships with industry-leading collaborators. In particular, we have established long-term collaboration with ARM since 2008. We have joined the Arm Total Access program pursuant to which we were granted the license to use a wide range of cutting-edge IP products and tools including CPU, GPU, NPU, ISP, system IP and physical IP. In addition, we launched the M55M1 microcontroller in 2024 in collaboration with ARM, which has advanced the application of AI in edge devices. Our other key partnership activities with ARM in 2024 included the ARM edge AI seminar, ARM symposia 2024 and edge AI application development workshop using MCUs. By combining our strengths with our R&D partners, we can address complex challenges more effectively, stay ahead of market trends and deliver cutting-edge solutions. This collaborative approach fosters sharing of expertise and intellectual properties, ensuring that our technologies remain at the forefront of the industry while meeting the evolving needs of our customers.

With respect to manufacturing, we leverage world class semiconductor foundry partners and also work with top back-end packaging and testing partners. By working with world class foundries and top tier test and assembly and supply chain partners, we are able to quickly scale production using mainstream semiconductor manufacturing and wafer scale integration and control our capital expenses without compromising the quality of our end products.

OUR STRATEGIES

We plan to pursue the following strategies to drive our growth:

Increase Investment in the Development of an AI Ecosystem to Strengthen Customer Retention and Enhance our Competitive Position

We are deeply committed to building a robust and dynamic AI ecosystem that empowers our customers and partners. By integrating our advanced technologies into a seamless ecosystem, we aim to provide our clients with comprehensive solutions that foster long-term relationships and enhance customer loyalty. Our ecosystem strategy, as manifested by our NuWiseEdge and NewEZAI solutions, is designed to offer customers more than just products; it delivers a complete, scalable environment that supports innovation, collaboration, and growth. As customers enter our ecosystem, they gain access to a wide range of tools, software, services and technical support, all designed to maximize efficiency and unlock new opportunities. This approach not only strengthens customer retention but also increases user exposure to our full portfolio of solutions. By fostering deeper engagement, we are dedicated to creating a mutually beneficial ecosystem that drives sustained value and positions us as a trusted partner for our customers.

Expand Market Share with Industry-leading Customers

Our collaborative relationships with our customers, many of which are leading companies in their respective fields, are crucial to our success. We intend to further our collaboration with these and other customers and integrate our solutions into their design processes and product offerings by continuing to provide competitive total design and development solutions, shortening development timelines and overall improving the competitiveness of our customers' products. Customers with which we have existing supplier relationships are continuously developing new products in existing and new application areas, and we will continue to position ourselves as a partner to accentuate our role in their design and development of next generation products. By deepening our relationships with our existing customers, we will also be able to integrate our solutions into a greater number our customers' products, thus enabling us to enhance the operating revenue contributed by each customer. We intend to strengthen our relationships with these customers to increase our market share.

Continue Commitment to ESG and Corporate Responsibility

We plan to continue our commitment to sustainable operation and corporate social responsibility. We have set goals in various aspects of environmental protections and sustainable growth. For example, we target to reduce our greenhouse gas emissions by 50% by 2025 and by 55% by 2030 compared to the base year 2020 and to achieve net zero emissions by 2050. We also aim to reduce the electricity consumption of our ROC operations by 5% by 2025 and by 10% by 2030 compared to the base year 2020 and to reduce the average annual energy resource usage intensity of our Japanese operations by 1% compared to the previous year in each year from 2025 to 2030. We have taken and will continue to take actions to achieve our ESG goals, such as improving our product designs, upgrading our production facilities and optimizing the production process. Over the past years, we have, among other measures, installed on-site combustion scrubbers to treat exhaust from reaction chambers and recycled secondary wastewater from the deionization activated carbon system to the cooling tower. We will continue making similar tryouts and treating ESG as a long-term commitment.

In addition, we have complied with and will continue to ensure compliance with the environmental protection regulations in countries where we operate. Moreover, we will continuously monitor the financial risks caused by climate change and update the environmental, safety, and health requirements of our production facilities. We will also keep track of the latest ESG requirements and optimize our corporate initiatives so that we can focus on sustainable development and fulfill our corporate social responsibility.

Continue to Enhance Key Technological Expertise

We plan to continue to advance MCU product research development and focus on the four key technologies of low power consumption, analog, security and endpoint artificial intelligence ("**AI**"). For audio products, we will continue to improve audio quality and develop highly integrated, low-power audio processing controllers. For cloud security products, we actively research peripheral components and AI-related integration and seek opportunities to introduce innovative products and relevant applications into the market. Additionally, we are committed to developing thin, light, small, and low on-resistance Chip Scale Package ("**CSP**") MOSFETs that support fast charging and long-life battery requirements. For visual sensing products, we aim to enhance image signal processing technologies, focusing on achieving higher resolution, improved performance, and reduced power consumption. Regarding battery monitoring products, we are developing advanced functional safety technologies for car battery voltage measurement and internal monitoring systems. To maintain our industry leadership, we will continue investing in research and development, leveraging our deep market insights and understanding of customer product roadmaps to anticipate and create new products and solutions. This forward-looking approach ensures we remain at the forefront of technological innovation and market trends.

Continue to Grow via M&A

As a leading player in the ROC semiconductor industry, we also seek to diversify our geographical presence and product portfolio through mergers and acquisitions ("**M&A**"). In September 2020, we completed the acquisition of the semiconductor business of Panasonic Corporation, through which we have strengthened our IC product portfolio and expanded our presence into Japan and Singapore. Moving forward, we will continue to identify and pursue M&A opportunities that align with our long-term growth objectives. By doing so, we aid to unlock synergies and deliver enhanced value to our stakeholders while staying competitive in an ever-evolving industry landscape.

INTEGRATED CIRCUITS BUSINESS

Principal Products, Applications and Customers

We have developed a rich portfolio of MCU products and apply our products to a broad range of applications to satisfy our customers' needs. Our key products and recent developments are summarized below:

- ***General Purpose***. In coordination with the AIoT and smart home development, we continue to broaden our product lines to meet market demands and develop high-end MCU and MPU to be used in machine learning and AIoT device system, which can identify object and color or recognize key words in simple sentence. Other products in our microcontroller portfolio includes 8bit 8051 microcontrollers, ARM® Cortex®-M0 32-bit microcontrollers, ARM7 32-bit MPU, ARM9 32-bit MPU, and Cortex-A35 64-bit MPU;

- ***Audio***. We launched the industry's first embedded-flash voice control crystal N589, which effectively shortens the development cycle and inventory problems of voice products. The NSPxx series has been successfully expanded to consumer audio application products such as electronic door locks, electric vehicles, medical equipment, charging stations, smart toilets, smart trash bins, massage chairs and electric toothbrushes. Other products in our audio portfolio include CODEC, ARM® Cortex® -M0/M4 audio MCU and Class-D audio amplifiers, smart amplifiers, audio enhancement and DSP core products;

- ***Cloud Security***. We actively increase the computing speed of the embedded processor and the hardware encryption module to fulfill customer demand for higher security when working from home while introducing related functions that meet future energy conservation requirements. Other products in our security IC portfolio include baseboard management controllers, Super I/O, security controllers, EC, trust platform modules, computer hardware monitor chips and power management controllers.;

- ***Semiconductor Components***. The main product of semiconductor components is CSP MOSFET for lithium battery protection. We are expanding our product portfolio for mobile applications with low Ron resistance performance and small package sizes.

- ***Visual Sensing***. We provide sensors, DSP and ISP products and sensing solutions that designed to meet the specific needs of our customers' applications. Our 3D sensors feature the time-of-flight (ToF) sensors that can be used outdoors for applications such as face recognition and autonomous mobile robots (AMR). Our DSP and ISP products not only provide high-performance GFX and image beautification and transformation, but also support functional safety and security, creating human-machine interfaces ("**HMI**") that satisfy the needs for safety, security, and comfort. These products also meet the stringent quality requirements of the automotive industry. Our 2D sensors include small, high-image-quality sensors for medical endoscopy.

- ***Battery Monitoring***. Our battery monitoring and control products include battery monitoring IC for automobile and industrial lithium batteries and cooling fan motor driver ICs for data centers, base stations, and home appliances. We continue to develop automotive safety integrity level (ASIL-D) battery monitoring IC to ensure high capacity and safety of lithium batteries and expand the scope of applications to energy storage systems. We also develop high-speed and high-voltage motor driver IC for wide applications in data centers, office machines and home appliances.

- ***IoT***. Our IoT products can be used in MCU for power control or smart card security control.

- ***Laser Diode***. Our short-wavelength laser diode products can be used as the light source of direct imagining photolithography used in the printed circuit board (PCB) industry. Besides, they are also applicable to material processing and display.

Backed by our advanced and rich product portfolio, we are able to apply these products to various applications to address our customers' needs. Main sectors where our products are applied include computers and servers, automotive, communication, consumer and industrial control. The following summary provides an overview of our principal products and applications, as of September 30, 2024.

Sectors	Principal Products	Principal Applications
Computers and Servers	Super I/O, Power	Desktop PC, Motherboard, Workstation
	EC	Laptop PC, Chromebook
	BMC, SMC/AMC, MPESTI	Server, Data center
	TPM	Desktop PC, Laptop PC, Server, Multi-functional printers
	HSIF	Laptop PC, Server
	MOSFET	Notebook PC
Automotive	MCU	Multimedia control, Body control, Power control, T-Box
	Audio chipcorder	Car dashboard
	Audio MCU	Car E-call module
	MOSFET, BMIC	EV battery control
	DSP/ISP	Car HMI, Car audio, HUD
	Sensor	In car monitoring, Rear camera
Communication	MOSFET	Mobile phone
	Compound Semi	5G base station
	Security IC	Smart card
Consumer	MCU	Drone, Gaming keyboard/mouse, Wireless charger for smartphones and wearables, Home appliance control, Lithium battery module for smartphones
	Audio codec	Gaming controller
	Speech	Toy
	Audio chipcorder	Home appliance
	Audio DSP	Bluetooth/Wifi speakers and gaming headset
	Sensor	DSLR
	MOSFET, BMIC	Wearables IoT
Industrial Control	MCU	Power meter concentrator, Industrial HMI, Motor control, Sphygmomanometer, Glucosemeter, Industrial power tools, Smart meter, Industrial gateway
	MCU & MTD	Video surveillance
	Audio chipcorder	Voice prompt for public transportation
	Sensor	Medical, Space recognition, Surveillance & Broadcasting cameras
	Opto Semi	Optical communication, Processing machine, Laser welding
	MOSFET, BMIC	Industrial tools, Energy storage

Research and Development

We believe that our future success depends on our ability to continually improve our existing suite of products and to develop new products with improved technologies, features and functionality required by customers for both existing and new markets. Our research and development teams are dedicated to a diverse range of fields, including mixed-signal technologies, analog circuits, wireless communications, MCUs and cloud computing. The key focuses of the teams include data converters, power conversion, power amplifiers, wireless communication technologies, low-power-consumption and high-performance ARM SoC platforms and high-speed transmission interfaces. As of September 30, 2024, our research and development teams consisted of 1,433 full time-employees, of which 477 are based in the ROC, 32 in the United States, 133 in Israel, 50 in Singapore and 741 in Japan.

We have focused our recent research and development initiatives on enhancing the low power consumption, high efficiency and security functions of our products, and further strengthening our analog integrated circuit design and transducer production capabilities. We believe that in light of the demand for energy efficient, high performance and secure applications by our customers, innovation in these core areas will give us a competitive advantage over our competitors and preserve high margins for our products in the future.

We have achieved the following key research and development milestones in 2023 and 2024:

- developed and launched M55M1 microcontroller, a new production-ready endpoint AI platform for machine learning with secure on-device AI capabilities for embedded applications;

- developed and launched the NUC1263 series, a powerful 32-bit Arm Cortex-M23 microcontroller tailored for DDR5 gaming modules, delivering a 1.0V I3C interface and seamless gaming light control through an LLSI interface;

- developed and launched the MA35H0 Series microprocessor for industrial HMI applications;

- powered the next wave of smart industrial sensors with the NuMicro M091 series microcontrollers;

- introduced the versatile Arm Cortex-M4 M433 series, enhancing MCU application diversity and catering to a wide range of needs from entry-level to high-performance applications;

- developed and launched NuEzAI-M55M1 development board, offering seamless and easy-to-use endpoint AI development;

- received the 2024 EE Awards Asia – Product Award (Taiwan) and the title “Best MCU/Driver IC of the Year” for the low-power microcontroller M2L31 series with built-in ReRAM memory;

- developed OpenTitan-based security chip as next gen security solution for Chromebook;

- demonstrated the BMC-SMC Multi-node solutions with Intel at 2024 OCP Summit;

- was approved for subsidy for our BMC by the Industrial Development Administration of the MOEA under the Industrial Upgrading and Innovation Platform Program;

- launched the first M-PESTI chip, which had passed Intel validation and meet the requirements for compatibility and functionality;

- became the Intel ecosystem partner on MHS M-PESTI;

- received US NIST FIPS 140-3 Certification for cryptographic library for EC/SIO;

- announced our latest groundbreaking product, the eBMC chip, which is specially designed for edge computing platforms and promises to deliver enhanced efficiency, security, and management capabilities to the edge computing environment;

- developed CSP-MOSFET products with low Ron resistance through advancing our proprietary process technology;

- achieved mass production of a 1/4-inch VGA (640x480 pixel) resolution 3D TOF sensor, which is poised to revolutionize people and objects recognition in various indoor and outdoor environments through our unique pixel design technology and distance calculation/ISP technology;

- realized a 100V-rated high-speed, high-output circuit capable of direct 48V drive on a small chip, which is assembled in a QFN package that can be mounted on a 48V 1U (unit) fan motor (size 40mm x 40mm), contributing to lower power consumption in 1U servers and higher density in server racks; and

- developed high-power, short-wavelength laser diodes (375nm~420nm) with excellent reliability, which are a superb alternative to mercury lamp as light source in various applications.

In particular, we have established long-term collaboration with ARM. In 2024, in collaboration with ARM, we launched the M55M1 microcontroller, which has advanced the application of AI in edge devices. Our other key partnership activities with ARM in 2024 included the ARM edge AI seminar, ARM symposia 2024 and edge AI application development workshop using MCUs. In 2025, we will continue working with ARM to promote edge AI platforms, with preliminary plans to engage in joint development activities in South Korea and Japan.

Our research and development expenses were NT$9,451.5 million, NT$9,104.5 million, NT$9,124.7 million and NT$6,601.5 million (US$208.6 million) for 2021, 2022, 2023 and the nine months ended September 30, 2024, respectively.

Sales

We sell a portion of our products directly to original equipment manufacturers ("**OEMs**"), original design manufacturers and contract manufacturers. Our global sales and marketing teams, consisting of 547 sales and marketing employees based in the ROC, the PRC, the United States, Japan, Singapore, Israel, South Korea, Germany and India, are organized by regions or customer accounts. This enables our employees to build stronger relationships with customers and allows us to be more responsive to their development efforts and manufacturing requirements.

We also rely on third party distributors for a significant portion of our sales and to provide us with access to potential customers. We believe the use of distributors provide us with a cost-effective means to reach broader and more diversified customer base, especially in emerging markets and markets where we do not actively maintain a direct sales presence.

In addition to utilizing traditional distribution channels, we have also focused our efforts in developing our online presence to reach an even wider array of customers or establish connection with engineers and designers directly. For example, customers can purchase our products through the Nuvoton official online eStore accessible through our website, such as TECHDesign and Nuvoton Direct, or through one of our online regional distribution partners, such as Digi-Key and Mouser. We have also been marketing our products on major third-party online platforms, such as Tmall, and plan to continue our marketing efforts on such platforms in the future. Our online sales revenue and customers have been growing in the past ten years. We believe our growing online presence will allow us to sell to customers in locations our traditional distribution channels may not currently have a presence. The increased customer exposure that our products enjoy online could also contribute to the improvement of our product design.

Manufacturing

Our production of semiconductors is generally divided into two broad stages: wafer manufacturing, or "front-end" and packaging, assembly and test, or "back-end".

Front-end

Front-end production usually takes place at wafer manufacturing facilities, or foundries, and involves the patterning, etching, deposition and implantation of raw silicon wafers with the required electronic circuitry.

Front-end production requires a high level of precision and involves complex manufacturing processes. We have relied strongly on outsourcing front-end production because it enables us to leverage the skills and expertise of industry leading suppliers in front-end processes, simplify our operations, maintain high levels of production capacity, and reduce the significant capital costs of owning and operating substantial front-end operations. As a result, we are able to focus our resources on other areas of our business which directly impacts our competitive advantage over our competitors, such as continued research and development of new technologies, strengthening customer relationships and providing customers with technical support.

Utilizing its partial capacity, our own 6-inch foundry plant is responsible for the front-end production of the any products which we do not need to outsource, for example, products requiring wafer process ability are greater to 0.3um. Any products requiring wafer process ability of less than or equal to 0.25um typically will be outsourced to an 8-inch or 12-inch foundry plant.

Back-end

Back-end production involve the assembly, test and packaging of semiconductors in a form suitable for distribution. We handle back-end production through a combination of in-house efforts and outsourcing.

Competition

The global semiconductor industry is intensely competitive and is characterized by rapid technological change, evolving industry standards and a multitude of competitors. Our competitors range from large, multinational manufacturers of standard semiconductors, application-specific integrated circuits and fully customized integrated circuits to smaller manufacturers and "fabless" semiconductor companies that specifically target narrow market segments and product lines. Currently most of our competitors compete in some, but not all, of our sectors. However, there can be no assurances that they will not expand their operations to compete in additional segments in the future.

We expect competition to intensify as more companies enter the industry in the future or, as existing competitors improve or expand their product offerings. For example, with a focus on innovative technologies for specific applications, such as AIoT or accelerators in industrial automation, some leading technology companies continuously introduce products with better performance and lower power consumption. Meanwhile, leveraging their extensive product portfolios, some competitors are also able to cater to the growing demand for multifunctional products, such as MCUs with integrated wireless communication. Increased competition could result in price pressure and reduced profitability, both of which could materially and adversely affect our business, revenue and operating results.

We compete favorably with our competitors on the basis of product design, features, technical performance, cost, delivery times and quality. However, despite our strong relationship with customers, we could lose market share to new entrants that are able to more quickly adapt to technological changes.

The majority of the sectors in which we compete are mature and include established competitors with substantial experience and resources that generally compete in some, but not all, of our sectors. The following table shows key competitors for each of our sectors in alphabetical order:

Sectors	Key Competitors
Computers and Servers	Aspeed, Infineon, ITE, Microchip, STMicroelectronics
Automotive	NXP, Renesas Electronics
Communication	ROHM, Infineon
Consumer	NXP, STMicroelectronics
Industrial Control	Microchip, NXP, Renesas Electronics, STMicroelectronics

Our ability to compete successfully in the global semiconductor industry depends on several key factors, including:

- maintaining a complete suite of products;

- successful and timely development of new products and services that are aligned with future industrial application demands;
- product performance (as measured by speed, energy consumption and security), reputation, quality, reliability and cost-performance;
- ensuring our production capacity meets the customer's delivery schedule;
- providing customers with strong technical support; and
- the strength of customer relationships and effectiveness of our sales and distribution network.

We believe we compete favorably with respect to each of these factors. However, these factors are invariably influenced by elements outside of our control, including broad industry, technology and economic trends.

FOUNDRY BUSINESS

We own and operate a 6-inch foundry plant, which has been providing foundry services for over 30 years.

A significant component of our foundry business's revenue stream is derived from providing professional front-end manufacturing services to customers. As of September 30, 2024, 233 employees in our global sales and marketing team work specifically on our foundry business and are organized by customer accounts. When the foundry plant is not operating at maximum capacity, we utilize the partial capacity to manufacture our own products, such that they do not need to be outsourced to third party foundries.

Our foundry service focuses on the development of BCD processes to provide customers with more competitive next-generation power technology platforms and service value. We commenced volume production of the second-generation 0.5μm ultra-high voltage ("**UHV**") and second-generation 0.35μm BCD in January 2019. We provide ultralow on-resistance, streamlined processes and a diverse range of components to satisfy customer demands for DC/DC power management products. We expanded our UHV process into motor control applications in October 2020. We also commenced production of the second-generation 0.5μm HVIC to provide streamlined process and high-reliability components in October 2022. In addition, we have completed product verification with specific customers for the third-generation semiconductor GaN power components in June 2024. We continue to improve power technology platform to meet customer needs and increase our market competitiveness.

The global foundries industry is highly competitive. We expect competition to increase and intensify as more competitors enter our market and in particular, as customers demand a greater array of high-voltage processes and higher degrees of customization. Increased competition could result in price pressure and reduced profitability, both of which could materially and adversely affect the business, revenue and operating results of our foundry business. In order to give us a competitive advantage over our competitors, it is important for us to continually adapt to technological developments and to provide stable and long-term capacity and quality manufacturing processes to our customers. In order to enhance our competitiveness, we have focused our resources on the following during the course of 2023 and 2024:

- developing customized manufacturing processes for sensors to be used in air pressure market;
- developing high-efficiency and low-power-consumption manufacturing processes for power supply management;
- providing high-voltage processes (including, 60V/80V/120V/250V/600V/700V), in addition to our 3.3V to 40V core offerings; and

- continued to maintain VDA6.3 automotive standard certification to satisfy customers' demand for automotive-standard products.

We are continuing to enhance the quality, efficiency and reliability of our wafer manufacturing processes and bolster our value proposition for our customers.

INTELLECTUAL PROPERTY AND LICENSING

Intellectual Property

Intellectual property is an important aspect of our business, and we actively seek protection for our intellectual property as appropriate. We currently rely on a combination of patents, trade secrets, copyrights, trademarks, contractual commitments and other legal rights to protect our intellectual property.

We regularly review our research and development efforts to assess the existence and patentability of new intellectual property and generally apply for patent protection if our intellectual property carries the potential for wide application across our sectors or is able to give our business a competitive advantage over our competitors.

As of September 30, 2024, we have a broad portfolio of approximately 4,070 patents in various jurisdictions around the world including approximately 1,460 patents related to various electronic manufacturing processes, approximately 550 patents related to software systems and approximately 2,060 patents related to integrated circuit design. We also have approximately 2,100 patent applications pending, however, there can be no assurances that such applications will be approved or that it will not be challenged by third parties.

In addition to the protection provided by our intellectual property rights, we enter into confidentiality and proprietary rights or similar agreements that restrict the disclosure of our intellectual property with our employees, customers, suppliers and distributors. We further control the use of our proprietary technology and intellectual property through provisions in both general and product-specific terms of use.

Intellectual property laws, procedures, and restrictions provide only limited protection and any of our intellectual property may be challenged, invalidated, circumvented or otherwise infringed. Furthermore, the laws of certain countries do not protect proprietary rights to the same extent as the laws of the ROC, and we therefore may be unable to protect our proprietary technology in certain jurisdictions. Despite our efforts to protect our intellectual property, unauthorized parties may copy or obtain and use our technology to develop their own products with similar functionality as our own. If our patents or trade secrets fail to protect our intellectual property, we could lose some or all of our competitive advantage, which would enable our competitors to offer similar products. Any inability on our part to adequately protect our intellectual property may have a materially negative impact on our business, financial condition and results of operations.

We own a number of trademarks and, where we consider it desirable, we develop names for our new products and secure trademark protection for them.

Licensing Arrangements

In addition to intellectual property that we developed, we also have access to a significant number of third-party patents and other know-how as a result of our licensing arrangements with third parties. We have entered into licensing agreements with leading companies and other patent owners, with specified license fees/royalties or on a royalty-free basis, to use certain of the parties' respective patents relating specifically to the design, manufacture, use and/or sales of certain semiconductor products. In the future, we may need to obtain additional patent licenses or renew existing license agreements.

LEGAL MATTERS

We may from time to time be subject to legal proceedings, including patent infringement claims. Although, we rigorously defend ourselves against such claims, the ultimate outcome of such claims cannot be predicted with certainty. In the event of an adverse outcome, we may be required to, among others, pay damages for past infringement, obtain a license under the other party's intellectual property rights for the payment of certain license fees or royalties, make material changes to our products and/or manufacturing processes and cease to manufacture or sell certain products. As of the date of this offering memorandum, we are not involved in any pending proceedings.

We regularly assess the likelihood of any adverse outcome relating to any proceedings, claims and regulatory investigations. If it is probable that a liability, including accruals for significant litigation costs, has been incurred and the associated amount can be reasonably estimated, we will make provisions for such liabilities.

EMPLOYEES

As of September 30, 2024, we employed 3,719 full time-employees, of which 1,433 were engaged in research and development, 547 in sales and marketing, 1,334 in operations and support and 405 in general and administrative capacities. As of September 30, 2024, 1,582 of our employees were based in the ROC, 114 in the PRC, 1,680 in Japan, 102 in Singapore, 55 in the United States, 161 in Israel, 18 in South Korea, 3 in Germany and 4 in India. The average period of service of our employees is 17.02 years and in terms of academic qualifications, at least 53% have achieved a master's degree. During the last five years, we have not experienced any labor disputes resulting from significant strikes. We consider that our relations with our employees is satisfactory.

OUR MANAGEMENT

Directors

Our board of directors has ultimate responsibility for the management of our business and affairs. According to our Articles of Incorporation, the Company shall have nine to eleven directors, each of whom has a term of office for three years once (re-)appointed. Among the directors, there should be no less than three independent directors. The following tables contain certain information about each of our directors and senior executive officers. Each of our directors and senior executive officers listed below can be reached at our headquarters located No. 4, Creation Rd. III., Hsinchu Science Park, Hsinchu City 300, Taiwan, ROC.

Name	Representative	Position	Since	Expiration Date of the Current Term	Number and Percentage of Shares held as of November 30, 2024(1)
Winbond Electronics Corporation	Yuan-Mou Su	Chairperson of the Board	March 14, 2008(4)	June 1, 2025	218,554,635(2) (52.1%)
Karen K Chiao	-	Vice Chairperson of the Board	June 2, 2022	June 1, 2025	-
Arthur Yu-Cheng Chiao	-	Director	March 14, 2008	June 1, 2025	-
Chin Xin Investment Co., Ltd.	Rehn-Lieh Lin	Director	June 24, 2019(5)	June 1, 2025	5,440,219(3) (1.3%)
Chi-Lin Wea	-	Director	April 23, 2010	June 1, 2025	-
Royce Yu-Chun Hong	-	Director	April 23, 2010	June 1, 2025	-
Liang-Gee Chen	-	Director	June 2, 2022	June 1, 2025	-
Pao-Sheng Wei	-	Independent Director	June 2, 2022	June 1, 2025	-
Shu-Chyuan David Tu	-	Independent Director	June 12, 2014	June 1, 2025	-
Shan-Ko Hsu	-	Independent Director	June 14, 2013	June 1, 2025	-
Kuang-Chung Chen	-	Independent Director	June 2, 2022	June 1, 2025	-

(1) Representing shareholding information available on the MOPS.
(2) Representing 218,554,635 shares held by Winbond Electronics Corporation, which do not include 90,000 shares held by its representative, Yuan-Mou Su.
(3) Representing 5,440,219 shares held by Chin Xin Investment Co., Ltd., which do not include 307,421 shares held by its representative, Rehn-Lieh Lin.
(4) Representing the date Winbond Electronics Corporation was first elected as a director. Its representative, Yuan-Mou Su was first elected as a director representative on February 6, 2020.
(5) Representing the date Chin Xin Investment Co., Ltd. was first elected as a director. Its representative, Rehn-Lieh Lin was first elected as a director representative on June 2, 2022.

Yuan-Mou Su, Winbond Electronics Corporation representative, aged 70, is the chairperson of our board of directors. Mr. Su was firstly appointed as our CEO on February 6, 2020, effective on March 1, 2020. He is also the chairman of Nuvoton Technology Corporation Japan, director of Nuvoton Technology Corporation America, director of Nuvoton Technology Israel Ltd., and director of Nuvoton Technology Holdings Japan. Mr. Su received a Master of Electrical Engineering from the University of Southern California and a Bachelor’s degree in Electrical Engineering from the National Chiao Tung University.

Karen K Chiao, aged 38, is the vice chairperson of our board of directors. She is also the director and president of Callisto Holding Limited and director of Callisto Technology Limited, Miraxia Edge Technology Corporation, Nuvoton (Hong Kong), Hong Fundation, Nuvoton Technology Singapore Pte. Ltd. and Nuvoton Technology Corporation Japan. Ms. Chiao received a Master of Business Administration from INSEAD and a Bachelor's degree in Economics from Stanford University. Ms. Chiao and Arthur Yu-Cheng Chiao are second-degree relatives.

Arthur Yu-Cheng Chiao, aged 67, is a member of our board of directors. He is also the chairman and CEO of Winbond Electronics Corp., chairman of Chin Xin Investment Co., Ltd. and Cheng Ho Investment Co., Ltd., director of Walsin Lihwa Corp., Walsin Technology Corporation, United Industrial Gases Co., Ltd., Chin Cheng Construction Corp., Song Yong Investment Corporation, MiTac Holdings Corp., Winbond Electronics Corporation America, Winbond International Corporation, Nuvoton Investment Holding Ltd., Marketplace Management Limited, Nuvoton Technology Holdings Japan and Tower Partners Semiconductor Co., Ltd., independent director and remuneration committee convener of Taiwan Cement, and management of Goldbond LLC. Mr. Chiao received a Master's degree in Electrical Engineering & Institute of Management from University of Washington. Mr. Chiao and Karen K Chiao are second-degree relatives.

Rehn-Lieh Lin, Chin Xin Investment Co., Ltd. representative, aged 59, is a member of our board of directors. He is also the vice president of Business Group, Winbond Electronics Corporation, chairman of Callisto Holding Limited, and director of Nuvoton Technology Korea Ltd., Miraxia Edge Technology Corporation and Wei Lai Technology Co., Ltd. Mr. Lin received a Master of Electrical Engineering from National Cheng Kung University.

Chi-Lin Wea, aged 76, is a member of our board of directors. He is also the chairman of Waterland Financial Holdings, director of Elan Microelectronics Corporation, AVABIO Co., Ltd., Rakuten Bank and AcBel Polytech Inc., and independent director of Formosa Plastics Corporation, Inventech Co., Ltd. and SECON Co., Ltd. Mr. Wea received a Ph.D. in Economics from Université de Paris and a Master of Management from Imperial College London, United Kingdom.

Royce Yu-Chun Hong, aged 55, is a member of our board of directors. He is also the chairman and president of IPEVO Corp., chairman of XRANGE CO., LTD., XING Mobility Inc., Long Jun Investment Co., Ltd., Xing Propulsion Inc., EAP Co., Ltd. and Panasonic Taiwan, director of Jian-Huang Enterprise Co., Ltd., and independent director of GGA Co., Ltd. Mr. Hong received a Bachelor's degree in Industrial Design from Rhode Island School of Design and a Bachelor's degree in Graphic Design from the Art Center College of Design.

Liang-Gee Chen, aged 68, is a member of our board of directors. He is also the chairman of DaXin Development Co., Ltd., director of Ganzin Technology Co., Ltd. and Himax Technologies Co., Ltd., and independent director of VIS Co., Ltd. Mr. Chen received a Ph.D. from Institute of Electrical Engineering of National Cheng Kung University.

Pao-Sheng Wei, aged 66, is an independent director of our company. He is also the chairman of Shin Kong Financial Holding Co., Ltd., and Shin-Kong Life Insurance Co., Ltd., director of GOUNITTRAVEL Co., Ltd. and ASCENDO BIOTECHNOLOGY, INC. TAIWAN BRANCH (CAYMAN ISLANDS) and independent director of AIMD-Ainos Inc. and Advanced Lithium Electrochemistry (Cayman) Co., Ltd. Mr. Wei received a Master of International Business Administration from George Washington University in Washington DC, a Master of Financial Management from Benjamin Franklin University in Washington DC, and a Bachelor's degree from Department of Ocean Transportation of National Chiao Tung University.

Shu-Chyuan David Tu, aged 66, is an independent director of our company. He is also the chairman of BIZWAVE TECH CO., LTD., TONSAM Technologies Co., Ltd. and BestCom Co., Ltd., and director of SYNNEX Co., Ltd., Jetwell Computer Co., Ltd., Asgard System Inc., Inforcom Technology Inc., Synnex FPT Joint Stock Company, PT. Synnex Metrodata Indonesia, Synnex (Thailand) Public Company Ltd., Redington (India) Ltd., SEPER TECHNOLOGY CORPORATION and DIGITIMES Co., Ltd. Mr. Tu received a Master of Computer Engineering from California State University and a Bachelor's degree in Computer Engineering from National Chiao Tung University.

Shan-Ko Hsu, aged 71, is an independent director of our company. He is also the chairman of Unus Tech Co., Ltd., 3R Life Sciences Taiwan Ltd. and Yu Yuan Investment Co. Ltd., director of Innodisk Corporation and Acme Electronics Corporation, and independent director and convener of the Audit Committee of Winbond Electronics Corp. Mr. Hsu received a Master of Business Administration from National Chengchi University and took advanced courses at the Wharton School of the University of Pennsylvania.

Kuang-Chung Chen, aged 74, is an independent director of our company. He is also an independent director of Diodes Incorporated. Mr. Chen received a Bachelor's degree from Department of Chemical Engineering of Chinese Culture University.

Except as disclosed above, there is no family relationship among the directors listed above and the senior management listed below.

Board Practices

Audit Committee

Pao-Sheng Wei, Shu-Chyuan David Tu, Shan-Ko Hsu and Kuang-Chung Chen are the members of the Audit Committee. Pao-Sheng Wei is also the convener of our Audit Committee.

The primary responsibilities of our Audit Committee include:

- draft or modify the company's internal control system, and examine the effectiveness of the internal control system;
- determine the proceedings of significant financial matters, including but not limited to derivative transactions, acquiring assets, providing loans or guarantees;
- review the documents of the company's financial matters, including but not limited to annual and semi-annual financial statements, the transaction documents related to the company's material assets, and the important loans and guarantees agreements.
- review the appointment and dismissal of managers of finance, accounting or internal auditing; and
- supervise the company's compliance with relevant statutes and regulations and the company's control of the existing or potential risks.

The Audit Committee holds at least one meeting every quarter. The recommendations made by the Audit Committee will be submitted to the board of directors for the final decision.

Remuneration Committee

Pao-Sheng Wei, Shu-Chyuan David Tu, Shan-Ko Hsu and Kuang-Chung Chen are the members of the Remuneration Committee. Shu-Chyuan David Tu is also the convener of the Remuneration Committee.

The primary responsibilities of our Remuneration Committee include:

- evaluate and make recommendations with respect to the operational procures of the Remuneration Committee;

- determine and make recommendations with respect to the compensation granted to board directors, supervisors, and executives officers; and

- draft and review the policies, systems, standards and structure of performance and compensation evaluation for board directors, supervisors and executives officers.

The Remuneration Committee holds at least two meetings every year. The recommendations made by the Remuneration Committee will be submitted to the board of directors for the final decision.

Risk Management Committee

Yuan-Mou Su, Liang-Gee Chen, Pao-Sheng Wei, Shu-Chyuan David Tu, Shan-Ko Hsu and Kuang-Chung Chen are the members of the Risk Management Committee. Yuan-Mou Su is also the convener of the Risk Management Committee.

The primary responsibilities of our Risk Management Committee include:

- be responsible for the overall risk management of the Company, formulate risk management policies and structures, establish qualitative and quantitative management standards, and make adjustments based on the actual development needs of the Company or changes in the objective environment;

- implement the risk management decisions of the board of directors and review the development, establishment and execution effectiveness of the Company's overall risk management mechanism;

- set the risk appetite and review and manage the overall risk of the Company;

- assist and supervise each unit to carry out risk management activities and coordinate the interaction and communication of risk management functions across units;

- adjust the type of risk and the way it is assumed as circumstances change; and

- execute matters related to duties as required by the board of directors.

The Risk Management Committee holds at least two meetings every year. The recommendations made by the Risk Management Committee will be submitted to the board of directors for the final decision.

Senior Management

The following table contains certain information about each of our senior executive officers.

Name	Position	Starting Date	Expiration Date	Number and Percentage of Shares held as of November 30, 2024[(1)]
Yuan-Mou Su	Chief Executive Officer	March 1, 2020	Unlimited term	90,000 (<0.1%)
Yoshitaka Kinoshita	Deputy Chief Executive Officer	February 18, 2021	Unlimited term	-
Hsin-Lung Yang	President	June 1, 2022	Unlimited term	99,362 (<0.1%)

Name	Position	Starting Date	Expiration Date	Number and Percentage of Shares held as of November 30, 2024[(1)]
Jian-Liang Su	Vice President	July 5, 2022	Unlimited term	-
Kuang-Lun Lin............................	Vice President	March 1, 2018	Unlimited term	843 (<0.1%)
Yu-Sung Cheng...........................	Vice President	October 14, 2019	Unlimited term	25,000 (<0.1%)
Hsiu-Fen Lai	Vice President, Chief Financial Officer and Spokesperson, and Corporate Governance Officer	August 1, 2020	Unlimited term	75,000 (<0.1%)
Jing-Shiang Tseng........................	Vice President	November 1, 2024	Unlimited term	10,000 (<0.1%)
Wei-Chan Hsu.............................	Chief Technology Officer	August 1, 2020	Unlimited term	-
Hsiang-Yun Fan	President of headquarters functions	August 1, 2024	Unlimited term	392,463 (<0.1%)
Hui-Chun Lai	Chief Accounting Officer	November 1, 2024	Unlimited term	10 (<0.1%)

(1) Representing shareholding information available on the MOPS.

Yuan-Mou Su, aged 70, was appointed as our chief executive officer on February 6, 2020, effective on March 1, 2020. For a more detailed biography of Mr. Su, see "Our Management—Directors".

Yoshitaka Kinoshita, aged 66, has served as our deputy chief executive officer since 2021. He is also the president of Nuvoton Technology Holdings Japan, and director of Nuvoton Technology Corporation Japan and Nuvoton Technology Singapore Pte. Ltd. Mr. Kinoshita received a Master of Electrical Engineering from Toyohashi University of Technology (Japan).

Hsin-Lung Yang, aged 57, has served as our president since 2022. He is also the chairman of Nuvoton Technology Corporation America, director of Nuvoton Electronics Technology (H.K.) Limited, director of Nuvoton Electronics Technology (Shanghai) Limited, director of Nuvoton Electronics Technology (Shenzhen) Limited, chairman of Nuvoton Technology Israel Ltd., director of Nuvoton Tec. India Private Ltd., representative director of Nuvoton Technology Korea Limited, and director of Nuvoton Technology Corporation Japan. Mr. Yang received a Master of Computer Science from National Tsing Hua University.

Jian-Liang Su, aged 47, has served as our vice president since 2022. He is also a director of Nuvoton Technology Corp. America (NTCA) and Nuvoton Technology Israel Ltd. (NTIL). Mr. Su received a Master's degree in Electronics from National Taiwan University.

Kuang-Lun Lin, aged 59, has served as our vice president since 2018. Mr. Lin received a Master of Physics from National Tsing Hua University.

Yu-Sung Cheng, aged 59, has served as our vice president since 2019. He is also a director of Nuvoton Electronics Technology (H.K.) Limited and Nuvoton Technology Singapore Pte. Ltd. Mr. Cheng received a Bachelor's degree in Electronic Engineering from Tamkang University.

Hsiu-Fen Lai, aged 57, has served as our vice president, chief financial officer and spokesperson, and corporate governance officer since 2020. She is also a director of Nuvoton Technology Korea Limited, Nuvoton Technology Holdings Japan, Nuvoton Technology Corporation Japan, Nuvoton Technology Corp. America, Song Yong Investment Corporation, Nuvoton Electronics Technology (H.K.) Limited, Winbond Technology (Nanjing) Co., Ltd. and Nuvoton Electronics Technology (Shenzhen) Limited. Ms. Lai received a Master of Business Administration from University of Southern California, a Master of Laws from National Chengchi University and a Bachelor of Finance from National Taiwan University.

Jing-Shiang Tseng, aged 56, has served as our vice president since 2024. Mr. Tseng received a Master of Computer Science from National Tsing Hua University.

Wei-Chan Hsu, aged 69, has served as our chief technology officer since 2020. Mr. Hsu received a Ph.D. in Physics from University of Illinois at Urbana-Champaign and a Bachelor of Science in Electrical Engineering from National Taiwan University.

Hsiang-Yun Fan, aged 58, has served as our president of headquarters functions since 2024. Mr. Fan received a Master of Business Administration from National Chung Cheng University.

Hui-Chun Lai, aged 44, has served as our chief accounting officer since 2024. Ms. Lai received a Master of Accounting from National Taipei University and a Bachelor of Accounting from National Taiwan University.

PRINCIPAL SHAREHOLDERS

The following table sets forth our ten largest shareholders as of August 4, 2024:

Ranking	Shareholder	Number of Shares	Percentage of Shares
1	Winbond Electronics Corporation	214,954,635	51.21%
2	Fubon Life Insurance Co., Ltd.	19,118,000	4.55%
3	Yuanta/P-shares Taiwan Dividend Plus ETF	17,396,018	4.14%
4	New System Labor Pension Fund	10,108,102	2.41%
5	Chin Xin Investment Co., Ltd.	5,440,219	1.30%
6	Cathay Life Insurance Co., Ltd.	3,800,000	0.91%
7	JPMorgan Chase Bank, Taipei Branch, entrusted to hold securities for J.P. Morgan Securities Ltd. investment account.	2,887,816	0.69%
8	Old System Labor Pension Fund	2,401,100	0.57%
9	Standard Chartered iShares iShares Robotics and Artificial Intelligence Multisector	1,660,000	0.40%
10	Capital TIP Customized Taiwan Semiconductor Dividend Yield Exchange Traded Fund	1,585,000	0.38%

Each of our Common Shares has one vote, and none of our shareholders has any different voting rights. As of August 4, 2024, 94.26% of our Common Shares, represented by 395,665,667 Common Shares, were held by shareholders in Taiwan, with the remaining 5.74% of our Common Shares, represented by 24,099,601 Common Shares were held by foreign entities or individuals.

As of September 30, 2024, our directors and executive officers, together with members of their immediate families, owned of record 224,984,943 Common Shares, or approximately 53.60% of our total issued Shares. As of September 30, 2024, our directors and executive officers held no outstanding options in respect of the Common Shares.

CHANGES IN ISSUED SHARE CAPITAL

According to our Articles of Incorporation, we have may have one class of preferred shares and one class of common shares, which are our Common Shares. As of the September 30, 2024, our authorized share capital was NT$5,000,000,000, and our paid-in share capital was NT$4,197,652,680, divided into 419,765,268 Common Shares with a par value of NT$10.00 per share. There are no Common Shares issuable upon exercise of options within 60 days of the date of the offering memorandum. All issued Common Shares are in registered form.

The following table sets forth the changes in the Company's issued share capital as at the dates indicated:

Date	Type of issue	Number of Shares issued	Number of Shares Outstanding
		(in thousands)	*(in thousands)*
March 2021..........	Conversion of Convertible Bonds	12,431,985	388,393,556
June 2021.............	Conversion of Convertible Bonds	2,280,090	390,673,646
September 2021 ...	Conversion of Convertible Bonds	19,369,054	410,042,700
December 2021....	Conversion of Convertible Bonds	7,162,362	417,210,062
March 2022..........	Conversion of Convertible Bonds	2,555,206	419,765,268

TRANSACTIONS WITH RELATED PARTIES

From time to time, we have engaged in a variety of transactions with our related parties. Our internal policy on transactions with affiliates is that they must be conducted on terms that are substantially the same as those for comparable transactions with non-affiliates on an arm's-length basis. For a list of all of our related party transactions presented on a consolidated basis, see note 32 to our consolidated financial statements as of and for the years ended December 31, 2021 and 2022 and as of and for the years ended December 31, 2022 and 2023 and note 32 to our consolidated financial statements as of and for the nine months ended September 30, 2023 and 2024. The transactions between our subsidiaries and us were eliminated during the consolidation process.

Sales and Purchases of Goods

In 2021, 2022, 2023 and for the nine months ended September 30, 2023 and 2024, we sold goods, such as IC, to our related parties in the aggregate amount of NT$4,122.1 million, NT$3,908.2 million, NT$241.9 million, NT$196.8 million and NT$83.3 million, respectively.

In 2021, 2022, 2023 and for the nine months ended September 30, 2023 and 2024, we purchased goods, primarily foundry out wafer, from our related parties in the aggregate amount of NT$6,802.9 million, NT$4,796.8 million, NT$3,919.5 million, NT$3,001.1 million and NT$2,779.3 million, respectively, among which the amount of transactions with Tower Partners Semiconductor Co., Ltd. ("**TPSCo.**"), a joint venture between Nuvoton Technology Corporation Japan ("**NTCJ**") and Tower Semiconductor Ltd. in which NTCJ holds 49%, was NT$6,319.1 million, NT$4,597.8 million, NT$3,822.3 million, NT$2,937.6 million, and NT$2,663.6 million, respectively.

Manufacturing Expenses

In 2021, 2022, 2023 and for the nine months ended September 30, 2023 and 2024, we paid manufacturing expenses to our related parties in the aggregate of NT$2,412.3 million, NT$2,960.6 million, NT$4,045.9 million, NT$2,974.2 million, and NT$2,641.9 million, respectively, among which the amount of transactions with TPSCo. was NT$2,037.1 million, NT$1,883.3 million, NT$1,865.9 million, NT$1,414.1 million and NT$1,279.0 million, respectively.

Operating Expenses

In 2021, 2022, 2023 and for the nine months ended September 30, 2023 and 2024, we paid operating expenses to our related parties in the aggregate of NT$543.5 million, NT$778.4 million, NT$648.2 million, NT$464.7 million, and NT$477.5 million, respectively.

Receivables and Payables

Due to our transactions with our related parties, we generated certain receivables and payables.

As of December 31, 2021, 2022, 2023 and September 30, 2023 and 2024, our accounts receivable from related parties amounted to NT$656.7 million, NT$768.7 million, NT$29.5 million, NT$42.4 million and NT$2.2 million, respectively.

As of December 31, 2021, 2022, 2023 and September 30, 2023 and 2024, our accounts payable to related parties amounted to NT$466.7 million, NT$747.7 million, NT$778.2 million, NT$921.6 million and NT$923.2 million, respectively.

As of December 31, 2021, 2022, 2023 and September 30, 2023 and 2024, our other receivables due from our related parties amounted to NT$281.6 million, NT$62.5 million, NT$48.4 million, NT$48.8 million and NT$44.1 million, respectively.

As of December 31, 2021, 2022, 2023 and September 30, 2023 and 2024, our other payables due to our related parties amounted to NT$259.1 million, NT$426.9 million, NT$559.7 million, NT$591.1 million and NT$609.3 million, respectively.

DESCRIPTION OF OUR SHARE CAPITAL

Set forth below is a summary of information relating to our share capital including brief summaries of the relevant provisions of our Articles of Incorporation, the ROC Securities and Exchange Act and the ROC Company Act, all as currently in effect.

General

As of September 30, 2024, our authorized share capital was NT$5,000,000,000, and our paid-in share capital was NT$4,197,652,680, divided into 419,765,268 Common Shares with a par value of NT$10.00 per share. Under our Articles of Incorporation, we are also authorized to issue one class of preferred shares. As of the date of this offering memorandum, no preferred shares have been issued or are outstanding. Any change in the authorized share capital of a public company limited by shares, such as us, requires an amendment to our Articles of Incorporation (which requires approval at a shareholders' meeting) and the approval of the Hsinchu Science Park Bureau of the National Science and Technology Council.

Authorized but unissued shares may also be issued at such times and, subject to the provisions of the applicable laws and the approval of, or registration with, the Hsinchu Science Park Bureau of the National Science and Technology Council and the FSC, upon terms that our board of directors may determine.

Dividends and Distributions

Dividend payments and distributions are generally governed by the ROC Company Act as well as our Articles of Incorporation.

Except in limited circumstances, we are not permitted to distribute dividends or make other distributions to shareholders for any year in which we do not have current or retained earnings (excluding reserves). Pursuant to our Articles of Incorporation, as amended at the shareholders' meeting held on June 2, 2022, before we can distribute a dividend or make any distribution to shareholders from profits, we must pay all outstanding taxes, apply our profits to losses incurred in previous years, and set aside 10% of our annual net income as legal reserve, unless the legal reserve amounts to our paid-in capital. In addition, we may set aside a special reserve in accordance with applicable laws and regulations. Any remaining profits plus accumulated retained earnings, unless special reserve is made pursuant to relevant laws and regulations, shall be distributed as dividends to the holders of the preferred shares, followed by dividends to the holders of the Common Shares.

In addition to permitting dividends to be paid out of net income, if we do not have losses, the ROC Company Act permits that we can make distributions in cash or in the form of additional Common Shares to our shareholders from the legal reserve and capital surplus of premium from issuing shares and earnings from gifts received. However, the portion payable out of our legal reserve is limited to the portion that the accumulated legal reserve exceeds 25% of our paid-in capital.

Our Articles of Incorporation provide that upon the final settlement of accounts, if there is any surplus profit (meaning the net profit before tax) we shall set aside no less than 1% of the surplus profit as employees' remuneration, and no more than 1% of the surplus profit as the directors' remuneration; provided that, if we have accumulated losses, we shall reserve an amount thereof for making up the losses. Employees' remuneration may be in the form of cash or shares. Employees (including those of our controlling companies or subsidiaries) entitled to such remuneration shall meet certain requirements, where such requirements shall be determined by the board of directors.

Our Articles of Incorporation further provide that our net profit after tax shall be distributed in the following manner:

- making up accumulated losses;
- setting aside a 10% legal reserve (unless the legal reserve amounts to our paid-in capital); and

- setting aside the special reserve in accordance with ROC laws and regulations.

The remaining earnings along with the undistributed earnings at the beginning of the period are considered as accumulated distributable earnings. In accordance with our dividend policy, the proposal of earnings appropriation is prepared by our board of directors and resolved by the shareholders, provided that our board of directors is authorized to distribute cash dividends upon resolution by a majority vote at a board meeting attended by two-thirds or more of the directors.

Preemptive Rights

According to the ROC Company Act, when a company issues new common shares for cash, 10% to 15% of the issue must be offered or sold to its employees. In addition, the ROC Securities and Exchange Act and the relevant securities regulations require that, if a public company listed on the TWSE or whose shares are traded on the Taipei Exchange (formerly known as GreTai Securities Market) intends to offer new shares for cash, at least 10% of the issue must be offered or sold to the public, except under certain circumstances or when exempted by the FSC. This percentage can be increased by a resolution passed at a shareholders' meeting, thereby reducing the number of new shares subject to the preemptive rights of existing shareholders. Unless the percentage of shares to be offered or sold to the public is increased by the shareholders, existing shareholders who are listed on the shareholders' register as of the record date have a preemptive right to acquire the remaining 75% to 80% of the issue. The shares not subscribed for by the employees and shareholders at the expiration of the period for the exercise of their rights may be sold to the public or specified persons at the direction of our board of directors. The preemptive rights provisions will not apply to offering of new shares through a private placement approved at a shareholders' meeting.

Meetings of Shareholders

Meetings of our shareholders may be ordinary or extraordinary. Ordinary meetings of our shareholders will generally be held within six months following the end of each fiscal year.

In contrast, extraordinary shareholders' meetings may be convened by resolution of the board of directors or, under certain circumstances, by the shareholders.

Notice in writing of our shareholders' meeting, stating the place, time, date and agenda must be dispatched to each shareholder at least 30 days, in the case of ordinary meetings and at least 15 days, in the case of extraordinary meetings, before the date set for each meeting.

Voting Rights

Our Articles of Incorporation provide that holders of Common Shares have one vote for each share. Except as otherwise provided by applicable laws, a resolution can be adopted by holders of a majority of the Common Shares represented at a shareholders' meeting at which the holders of a majority of all issued and outstanding Common Shares are present. The election of directors (including independent directors) is by means of cumulative voting. Ballots for the election of directors are cast separately from those for the election of independent directors. Our Articles of Incorporation provide that the directors (including independent directors) shall be nominated by adopting the candidate nomination system specified in the ROC Company Act. In an election of directors, the holders of Common Shares shall elect directors from the list of nominated candidates.

In order for us to approve certain major corporate actions, including any amendment to our Articles of Incorporation, entering into, modification or termination of any contracts regarding leasing of all business, outsourcing of operations or joint operations, the dissolution or amalgamation or spin-off, the transfer of the whole or a substantial part of our business or our property, the taking over of a whole of the business or property of any other entity which would have a significant impact on our operations, removal of directors or the distribution of any stock dividend, a meeting of the shareholders must be convened with a quorum of holders of at least two-thirds of all issued and outstanding Common Shares at which the holders of at least a majority of the shares represented at the meeting vote in favor of the resolution.

Alternatively, in the case of a public company, such as us, such a resolution may be adopted by the shareholders' meeting convened with a quorum of holders of at least a majority of all issued and outstanding common shares at which the holder of at least two-thirds of the shares represented at the meeting vote in favor of the resolution.

A shareholder may be represented at an ordinary or extraordinary meeting by proxy if a valid proxy form is delivered to us five days before such meeting.

Shareholders Record Dates

We shall, by giving advance public notice, set a record date and close the register of shareholders for a specified period (60 days, 30 days and 5 days immediately before each ordinary meeting of the shareholders, extraordinary meeting of shareholders and relevant record date, respectively) in order for us to determine the shareholders and pledgees that are entitled to rights pertaining to the shares.

Annual Financial Statements

At least ten days before an annual shareholders' meeting, our annual financial statements will be made available at our principal office in Hsinchu, Taiwan and our share registrar for inspection by the shareholders. According to the regulations of the FSC, we are required to publish our annual and quarterly financial statements on a consolidated basis.

Transfer of Shares

The transfer of shares in registered form is effected by endorsement and delivery of the related share certificates. However, settlement of trading of share of a listed company, such as our Company, generally is carried out on the book-entry system maintained by TDCC. In order to assert shareholder's rights against us, the transferee must have its name and address registered on our register of shareholders. Shareholders are required to file their respective specimen seals, also known as chops, with our share registrar.

Repurchase of Shares by Us

With minor exceptions, we cannot acquire our own shares under the ROC Company Act.

Under the ROC Securities and Exchange Act, we may, by resolution adopted by a majority of our board of directors at a meeting where more than two-thirds of the directors are present, repurchase the shares on the TWSE or by a tender offer in accordance with the procedures prescribed by the FSC for the following purposes:

- for delivery upon conversion of bonds with warrants, preferred shares with warrants, convertible bonds and convertible preferred shares or certificates of warrants issued by us into capital stock;

- to transfer to our employees, or

- if necessary, to maintain our credit and shareholders' equity, provided that the shares so repurchased shall be canceled thereafter.

The total shares repurchased by us may not exceed 10% of our total issued and outstanding shares. In addition, the total cost of the purchased shares may not exceed the aggregate amount of our retained earnings, any premium from share issuance and the realized portion of our capital reserve. Shares repurchased in the first two instances mentioned above are to be transferred to the intended transferees within five years from the repurchase failing which they will be canceled and we are required to complete an amended registration for the cancelation. In the third instance mentioned above, the shares repurchased by us must be canceled, and we shall complete an amended registration for such cancelation within six months after the repurchase. The shares repurchased by us may not be pledged or hypothecated. In addition, we may not exercise any of the shareholder's rights attached to these shares. Our affiliates, as defined in Article 369-1 of the ROC Company Act, directors, managers, shareholders holding more than 10% of our shares and their respective spouses and minor children and nominees, are prohibited from selling the shares until our repurchase period has lapsed.

Liquidation Rights

In the event of our liquidation, the remaining assets after payment of all debts, liquidation expenses and taxes will be distributed pro rata to the holders of preferred shares and then to the holders of Common Shares in accordance with the relevant provisions of applicable laws and our Articles of Incorporation.

Substantial Shareholders and Transfer Restrictions

Our directors, managers and shareholders (each together with his or her spouse, minor children or nominees) holding more than 10% of our shares are required to report to us, on a monthly basis, any changes in their shareholding in our company. The number of shares that they may sell or transfer on the TWSE on any given day is limited by ROC laws. In addition, they may only sell or transfer such shares on the TWSE at least three days after they have filed a notification with the FSC in connection with such sale or transfer, provided that such notification is not required if the number of shares to be sold or transferred does not exceed 10,000. A person who individually or together with other persons (as defined under the FSC regulations) acquires more than 5% of our issued and outstanding shares shall report to the FSC, within ten days from the acquisition date, the acquisition purpose, funding sources and other information required by the FSC.

Rights to Bring Shareholder Suits

Under the ROC Company Act, a shareholder may bring a suit against us in the following events:

- Within 30 days after the date of the shareholders' meeting, any shareholder has the right to annul any resolution adopted at a shareholders' meeting where the procedures or the method of resolution were or was legally defective. However, if the court is of the opinion that such violation is not material and does not affect the result of the resolution, the court may reject or dismiss the shareholder's lawsuit.

- If the substance of a resolution adopted at a shareholders' meeting contradicts any applicable law or regulation or our Articles of Incorporation, a shareholder may bring a suit to determine the validity of such resolution.

Shareholders may bring suit against our directors under the following circumstances:

- Shareholders who have continuously held 1% or more of the total number of issued and outstanding shares for a period of six months or longer may request in writing that an audit committee member institute an action against a director on our behalf. In case the audit committee member fails to institute an action within 30 days after receiving such request, the shareholders may institute an action on our behalf. In the event that shareholders institute an action, a court may, upon application of the defendant, order such shareholders to furnish appropriate security.

- Shareholders holding 3% or more of the total number of issued and outstanding shares may institute an action with a court to remove a director who has materially violated the applicable laws or our Articles of Incorporation or has materially damaged our interests if a resolution for removal on such grounds has first been voted on and rejected by the shareholders and such suit is filed within 30 days of such shareholders' vote.

- In the event that any director, officer or shareholder holding more than 10% of the issued and outstanding shares and their respective spouse and minor children and/or nominees sells shares within six months after the acquisition of such shares, or repurchases the shares within six months after the sale, we may make a claim for recovery of any profits realized from the sale and purchase. If the board of directors fails or fail to make a claim for recovery, any shareholder may request the board of directors to make such claim within 30 days. After such 30-day period, the requesting shareholder will have the right to make a claim for such recovery, and our directors will be jointly and severally liable for damages suffered by us as a result of their failure to exercise the right of claim.

Other Rights of Shareholders

Under the ROC Company Act, dissenting shareholders are entitled to appraisal rights in the event of merger, spin-off and various other major corporate actions. A dissenting shareholder may request us to redeem all of the shares owned by such shareholder at a fair price to be determined by mutual agreement. If an agreement cannot be reached, the valuation will be determined by a court order.

In addition, one or more shareholders who have held more than 3% of our issued and outstanding shares for over a year may require our board of directors to convene an extraordinary shareholders' meeting by sending a written request to the board of directors. Further, shareholders holding over 50% of our issued shares for continuously three months may convene our extraordinary shareholders' meeting by themselves.

The ROC Company Act allows shareholders holding 1% or more of the total issued shares of a company to submit, during the period of time prescribed by the company, one proposal in writing or in electronic form for discussion at the ordinary meeting of shareholders. The ROC Company Act also provides that a company may adopt a nomination procedure for election of directors. If a company wishes to adopt the nomination procedure, it must be stipulated in its articles of incorporation. With such provision in the articles of incorporation of a company, shareholders representing 1% or more of the total issued shares of such company may submit a candidate list along with relevant information and supporting documents to the company within the period prescribed by the company. Our Articles of Incorporation currently offer such nomination procedure.

Share Registrar

With respect to shareholders who have opened book-entry accounts at the TDCC, our register of such shareholders is maintained by the database of TDCC. With respect to shareholders who have not opened TDCC book-entry accounts, our share registrar, CTBC Bank Co., Ltd., maintains the register of our shareholders at its offices located at 5th Floor, No. 83, Sec 1, Chongqing South Road, Taipei, Taiwan, and enters transfers of shares in such register upon presentation of, among other documents, certificates representing the shares transferred.

DESCRIPTION OF THE BONDS

The following summary of the terms and conditions of the Bonds does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the detailed provisions of the Indenture (as defined below), including the definitions of certain terms therein. In the event of any inconsistency between the following summary and the provisions of the Indenture, the provisions of the Indenture shall prevail.

The Bonds are being sold outside the United States in reliance on Regulation S and will be available for purchase in the denominations specified in this Offering Memorandum only in book-entry form as beneficial interests in the Global Certificate (as defined below). Your rights as a holder of a beneficial interest in the Global Certificate will be subject to the rules and procedures of Euroclear or Clearstream.

The Bonds are to be issued under an indenture, to be dated as of January 21, 2025 (the “Indenture”), between Nuvoton Technology Corporation (the “Issuer” or the “Company”) and Citicorp International Limited, in its capacity as trustee (the “Trustee”). The following summary of certain provisions of the Bonds and the Indenture does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the provisions of the Bonds and Indenture, including the definitions of certain terms therein. Whenever particular Sections or defined terms of the Indenture not otherwise defined herein are referred to, such Sections or defined terms are incorporated herein by reference. Copies of the Indenture will be available for inspection by any Holder (as defined below) on or after the Closing Date (as defined below) at the office of the Trustee on any weekday (excluding public holidays) at all reasonable times during normal office hours (being between 9.00 a.m. (Hong Kong time) and 3.00 p.m. (Hong Kong time)) upon prior written request and satisfactory proof of holding to the satisfaction of the Trustee.

General

Except in certain limited circumstances, the Bonds will only be issued in book-entry form.

The Bonds will be issued on or about January 21, 2025 (the “Closing Date”) as direct, unconditional, unsecured and unsubordinated obligations of the Issuer limited in aggregate principal amount to US$150,000,000 and will be redeemed on January 21, 2030 (the “Maturity Date”) unless earlier redeemed, repurchased and canceled or converted pursuant to the terms thereof and of the Indenture.

The Bonds will not bear interest.

Each Bond will be convertible into the Common Shares (as defined below), subject to compliance with certain conditions and procedures (see *“— Conversion — Procedures; Conversion Notice; Taxes and Duties*” below), at the Holder’s election on any Business Day (as defined below) during the period (the “Conversion Period”) commencing on April 22, 2025 (the next day immediately after the end of a three-month period following the Closing Date) and ending at the close of business in the location of the Conversion Agent (as defined below) (i) on January 11, 2030 (the tenth (10th) day prior to the Maturity Date) or (ii) on the fifth (5th) Business Day prior to the applicable Purchase Date of such Bond or date fixed for redemption (other than the Maturity Date) of such Bond pursuant to a notice of redemption given by the Issuer in accordance with the provisions of the Indenture. The Conversion Period shall not include any Closed Period (as defined below).

The principal of and other amounts on the Bonds will be payable in US Dollars by the Issuer pursuant to the Indenture, and the Bonds may be presented for registration of transfer or conversion, at the office or agency of the Issuer maintained for such purpose located at c/o Citibank, N.A., Dublin Branch, 1 North Wall Quay, Dublin 1, Ireland (being the office of Citibank, N.A., London Branch acting as paying agent (the “Paying Agent”), as conversion agent (the “Conversion Agent”) and as transfer agent (the “Transfer Agent”) with regard to the Bonds).

The Issuer reserves the right, subject to the provisions of the Indenture and the applicable Paying Agent and Registrar Appointment Letter, at any time to vary or terminate the appointment of any Paying Agent and to appoint further or other Paying Agents. Notice of any such termination or appointment and of any changes in the specified offices of the Paying Agents will be given promptly by the Issuer to the Holders (and other applicable parties) in accordance with the notice provisions of the Indenture as described below under “— *Notices*”.

The Bonds will be issued only in fully registered form, without interest coupons, in minimum denominations of US$200,000 per Bond or in any integral multiples thereof. See "— *Book Entry; Delivery and Form*" below. No service charge will be payable for any registration of transfer or exchange of the Bonds, for the conversion thereof or for the charges of the Paying Agents in connection therewith, but the Issuer may require payment by a Holder of a sum sufficient to cover any transfer or stamp tax or other similar governmental charge payable in connection therewith.

The Issuer and its Affiliates (as defined below) may at any time, subject to applicable law, purchase the Bonds in the open market, or otherwise, at any price. The Bonds which are purchased by the Issuer (including purchase in the open market), early redeemed, repurchased and repaid when due, converted or sold back by the Holders will be canceled and will not be re-issued. A Bond does not cease to be outstanding because any of the Issuer's Affiliates holds such Bond; provided, however, any Bonds owned by any Affiliate of the Issuer will be deemed not to be outstanding in determining whether the Holders of the requisite principal amount of Bonds have given or concurred in any request, demand, authorization, direction, notice, consent or waiver under the Indenture.

Book Entry; Delivery and Form

The Bonds will only be represented by a global certificate in fully registered book-entry form (the "Global Bond") and will be deposited with a common depositary (the "Common Depositary") for Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream") and registered in the name of a nominee of the Common Depositary. If (i) at any time, the Common Depositary advises the Issuer in writing that it is unwilling or unable to continue as a depository for the Global Bond and a successor depository is not appointed within 90 days, (ii) either Euroclear or Clearstream or any alternative clearing system on behalf of which the Bonds evidenced by the Global Bond may be held is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so, or (iii) an Event of Default has occurred and is continuing with respect to the Bonds and the Trustee notifies the Issuer in writing that any of the Bonds have become immediately due and payable pursuant to the Indenture, and, in the case of (iii) above, if the Holders so request, the Issuer shall issue individual certificated bonds in registered form in exchange for the Global Bond in any authorized denominations and in an aggregate principal amount equal to the principal amount of the Global Bond. The Bonds will have minimum denominations of US$200,000 or in any integral multiples thereof.

The Bonds are not issuable in bearer form.

Ranking

The Bonds will (i) be direct, unconditional, unsecured and unsubordinated obligations of the Issuer, (ii) rank *pari passu* without any preference or priority among themselves and with all other direct, unconditional, unsecured and unsubordinated Debt (as defined below) of the Issuer now or hereafter outstanding (except to the extent that such Debt (x) ranks above such obligation solely by reason of Liens (as defined below) permitted under the Indenture or (y) is preferred by mandatory provisions of law), and (iii) be senior in right of payment to all Debts of the Issuer that is expressed to be subordinated in right of payment to the Bonds.

The Bonds will be effectively subordinated to all secured obligations but subject to the negative pledge as described in "*Certain Covenants — Negative Pledge*" of the Issuer with respect to claims against the assets securing such obligations ("Secured Debt"). As of September 30, 2024, the Issuer had outstanding Secured Debt of approximately NT$1,022,580,000.

Sinking Fund

The Bonds will not be entitled to the benefit of a sinking fund.

Transfer of Certificated Bonds and Delivery of New Certificated Bonds

In the event Certificated Bonds (as defined below) are issued, the following provisions will apply:

(i) Transfer of Certificated Bonds

A Certificated Bond may be transferred upon the surrender at the office of the Registrar or at the office of the Transfer Agent of the Certificated Bonds to be transferred, together with the form of transfer endorsed thereon (the "Form of Transfer") duly completed and executed and any other evidence that such registrar or transfer agent may reasonably require. In the case of a transfer of only part of a holding of Certificated Bonds, a new Certificated Bond shall be issued to the transferee in respect of the part transferred and a further new Certificated Bond in respect of the balance of the holding not transferred shall be issued to the transferor. The Form of Transfer will be available at the specified office of the Transfer Agent.

(ii) Delivery of New Certificated Bonds

Each new Certificated Bond shall be available for delivery upon receipt by the Transfer Agent at its specified office of the relevant Certificated Bond and the Form of Transfer. Delivery of the new Certificated Bonds shall be made at the specified office of the Transfer Agent to whom the relevant Certificated Bond and the Form of Transfer shall have been surrendered or delivered or, at the option of the Holder making such delivery or surrender as aforesaid and as specified in the relevant Form of Transfer or otherwise in writing, be sent by uninsured post at the risk of the Holder entitled to the new Certificated Bond to such address as may be so specified, unless such Holder requests otherwise and pays in advance to the Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify.

(iii) Formalities Free from Charge

Transfers of the Certificated Bonds will be effected without charge by or on behalf of the Issuer or any Transfer Agent, but only upon confirmation of payment (or the giving of such indemnity and/or security and/or pre-funding as such Transfer Agent may require in respect) of any tax or other governmental charges which may be imposed in relation thereto.

(iv) Restricted Transfer Periods

No Holder may require the transfer of a Certificated Bond to be registered (i) during the period of 15 days preceding a Redemption Date (as defined below), (ii) after such Bond has been selected by the Issuer or the Bondholder for redemption, pursuant to the terms of the Indenture or (iii) after such Holder has exercised its Conversion Right (as defined below).

Payments

All amounts due under, and all claims arising out of or pursuant to, the Bonds and/or the Indenture from or against the Issuer shall be payable and settled in US Dollars only.

Interest

The Bonds will not bear interest.

In any case where the date of the payment of the principal of the Bonds or the date fixed for redemption of the Bonds is not a Business Day (as defined below), then payment of such principal or the Early Redemption Amount (as defined below) shall be made on the next succeeding Business Day, with the same force and effect as if made on the Maturity Date or the date fixed for redemption, as the case may be, and no interest shall accrue for the period after such date.

Additional Amounts

All payments of the principal of and other amounts on the Bonds and all deliveries of Common Shares (as defined below) made on conversion of the Bonds are to be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or other governmental charges ("Taxes") imposed, levied, collected, withheld or assessed by or within the ROC or any other jurisdiction in which the Issuer is organized or resident for tax purposes or from which any payment on the Bonds is made (or any political subdivision or Taxing Authority (as defined below) thereof or therein), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Issuer will pay such additional amounts on the Bonds (all such additional amounts being referred to herein as "Additional Amounts") as will result in receipt by the Holder of each Bond of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable for or on account of:

(i) any Taxes that would not have been imposed but for:

(A) the existence of any present or former connection between the Holder of such Bond and the ROC or any other jurisdiction in which the Issuer is organized or resident for tax purposes, other than merely holding such Bond or receiving payments or enforcing rights thereunder, including such Holder being or having been a national, domiciliary or resident of or treated as a resident thereof or being or having been present or engaged in a trade or business therein or having or having had a permanent establishment therein;

(B) the presentation of such Bond (if presentation is required) more than 30 days after the later of the date on which the payment of the principal of or other amounts on such Bond became due and payable pursuant to the terms thereof or the date that such payment was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Bond for payment on any date within such 30 day period; or

(C) the presentation of such Bond (if presentation is required) for payment in the ROC, unless such Bond could not have been presented for payment elsewhere;

(ii) any estate, inheritance, gift, sale, transfer, stamp, personal property or similar tax, assessment or other governmental charge; or

(iii) any combination of Taxes referred to in the preceding clauses (i) and (ii).

The Issuer will not pay Additional Amounts if the registered Holder of the Bond is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that the beneficiary, partner or settler with respect to such fiduciary, partnership or person, or the beneficial owner of that payment, would not have been entitled to the Additional Amounts if it had been the registered Holder of the Bonds.

Whenever there is mentioned, in any context, (i) the payment of the principal of and other amounts on any Bond, or (ii) the delivery of Common Shares or cash payments (if any) on conversion of any Bond, such mention shall be deemed to include the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable with respect thereto.

Subject to certain exceptions, the Issuer will pay any present or future stamp, court or documentary taxes, or any other excise or property taxes, charges or similar levies which arise in any jurisdiction from the issue, initial delivery or registration of the Bonds or any other document or instrument referred to herein, excluding any such taxes, charges or similar levies imposed by any jurisdiction outside of the ROC (except those resulting from or required to be paid in connection with, the enforcement of the Bonds or any other document or instrument following the occurrence of any Event of Default with respect to the Bonds) and excluding those payable upon issue and delivery of Bonds to the order of a person other than a Holder.

Neither the Trustee nor any Agent shall be responsible for paying any Additional Amounts or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, the Holders or any other person to pay such Additional Amounts or be responsible to provide any notice or information in relation to the Bonds in connection with payment of such tax, duty, charges, assessments, withholding or other payment imposed by or in any jurisdiction.

The Paying Agent and the Trustee will make payments free of withholdings or deductions on account of taxes unless required by applicable law. If such a deduction or withholding is required, the Paying Agent or the Trustee will not be obligated to pay any Additional Amount to the recipient unless such an Additional Amount is received by the Paying Agent or the Trustee.

Redemption of the Bonds

Redemption for Taxation Reasons

The Bonds may be redeemed, in whole but not in part (subject to the provision of the paragraph below), at the option of the Issuer, at any time, upon giving not less than 30 nor more than 60 days' written notice to the Holders (which notice shall be irrevocable) and to the Trustee and Agents, at the Settlement Equivalent of the applicable Early Redemption Amount on the Redemption Date (as defined below), if the Issuer determines and certifies to the Trustee in an officer's certificate immediately prior to the giving of such notice that, as a result of any change in, or amendment to the laws (including any regulations or rulings promulgated thereunder) of the ROC or such other jurisdiction in which the Issuer is then organized or resident for tax purposes (or any political subdivision or Taxing Authority thereof or therein), affecting taxation, or any change in official position regarding the application, interpretation or administration of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction), which change, amendment, application, interpretation or administration is proposed and becomes effective on or after the Closing Date (or, in the case of any jurisdiction other than the ROC, the date (if later than the Closing Date) on which the Issuer first becomes organized or resident for tax purposes in or subject to such other jurisdiction) with respect to any payment due or to become due on the Bonds, the Issuer is required to pay Additional Amounts in connection therewith and such requirement to pay Additional Amounts cannot be avoided by the taking of reasonable measures by the Issuer; provided that such right cannot be exercised earlier than 45 days prior to the first date on which the Issuer would be obligated to make an Additional Amounts payment with respect to all or substantially all of the outstanding Bonds were a payment then due. Prior to the giving of any such notice of redemption, the Issuer is required to deliver to the Trustee and Agents (i) an officer's certificate stating that such change or amendment has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Issuer taking reasonable measures and (ii) an opinion of counsel or written advice of a qualified tax expert that the circumstances referred to in the preceding sentence exist as a result of such change, amendment, application, interpretation or administration. The Trustee and Agents shall be entitled (but shall not be obliged) to accept and rely conclusively upon such certificates and opinions (without further investigation or enquiry and without liability to any Holder, the Issuer or any other person) described in clauses (i) and (ii) of the preceding sentence as sufficient evidence of the satisfaction of the conditions precedent described above, in which event, the same shall be conclusive and binding on the Holders. The Trustee and Agents shall be protected and will not be responsible for any loss occasioned by accepting and acting in reliance on such certificate and/or opinion, and is not obligated to investigate or verify any information in such certificate or opinion.

Notwithstanding the foregoing, if the Issuer has given a redemption notice for taxation reasons in accordance with the paragraph above and if the outstanding principal amount of the Bonds at the time when such redemption notice is given is greater than 10% of the aggregate principal amount of the Bonds as of the Closing Date, each Holder of the Bonds will have the right to elect, and the redemption notice will state that each Holder will have the right to elect, that all or a portion of its Bonds should not be redeemed. Upon the exercise of such right by the Holder, the provisions set forth in "— *Additional Amounts*" will not apply to any payment in respect of such Bonds that is due after the relevant Redemption Date, and such payment will be made subject to the deduction of any ROC tax (or tax of such other jurisdiction in which the Issuer is then organized or resident for tax purposes) required to be withheld or deducted. To exercise such right the Holder must give notice to the Issuer in the manner set out in the Indenture no later than 15 days prior to the relevant Redemption Date.

Redemption at the Option of the Issuer

At any time after January 21, 2028 and prior to the Maturity Date, the Issuer may, on not less than 30 nor more than 60 days' written notice to the Holders (which notice shall be irrevocable) and to the Trustee and the Agents, redeem the Bonds, in whole or in part, at the Settlement Equivalent of the applicable Early Redemption Amount; provided, however, that no such redemption may be made unless:

(1) the Closing Price of the Common Shares for 20 out of the 30 consecutive Trading Days (the "Calculation Period") immediately prior to the date on which notice of such redemption is given, is at least 130% of the quotient of the Early Redemption Amount divided by US$200,000, and then multiplied by the Conversion Price (as defined below); and

(2) the applicable Redemption Date does not fall within a Closed Period (as defined below).

If there shall occur an event giving rise to a change in the Conversion Price during any Calculation Period, appropriate adjustments for the relevant days, determined by an opinion of an Independent Investment Bank, shall be made for the purpose of calculating the Closing Price for such days. Notice of any such adjustments in the Conversion Price will be given promptly by the Issuer to the Trustee and the Agents.

Notwithstanding the foregoing, the Issuer may redeem the Bonds, in whole but not in part, at any time, on not less than 30 nor more than 60 days' notice, at the Settlement Equivalent of the applicable Early Redemption Amount if more than 90% in principal amount of the Bonds originally issued has been redeemed, repurchased and canceled or converted; provided that the applicable Redemption Date does not fall within a Closed Period (as defined below).

Notice of any such redemption will be given by the Issuer to the Holders (and other applicable parties) in accordance with the notice provisions of the Indenture as described below under "— Notices".

Redemption at Maturity

Unless the Bonds have been previously redeemed, repurchased and canceled or converted, the Issuer will redeem the Bonds on the Maturity Date at the Settlement Equivalent of a redemption price equal to 108.03% of the outstanding principal amount thereof. The Bonds may be redeemed prior to the Maturity Date only as described herein.

Redemption Procedures

Payment of the relevant redemption price for a Certificated Bond is conditioned upon delivery of such Bond (together with necessary endorsements) to any Paying Agent. Payment of the relevant redemption price for any Bond will be made on the Redemption Date or, if such Bond is a Certificated Bond and has not been so delivered on or prior to the Redemption Date, at the time of delivery of such Bond. If the Paying Agent holds, in accordance with the terms of the Indenture, cash sufficient to pay the relevant redemption price of such Bond on the Redemption Date, then, immediately after such Redemption Date, such Bond will cease to be outstanding, whether or not such Bond is delivered to a Paying Agent, and all other rights of the Holder shall terminate (other than the right to receive the relevant redemption price).

In the case of any redemption other than on the Maturity Date, notice of redemption to each Holder shall specify the outstanding principal amount of each Bond held by such holder to be redeemed, the Redemption Date, the price at which such Bonds will be redeemed and the place or places of payment and that payment will be made upon presentation and surrender of the Bonds to be redeemed. Such notice shall also specify the Conversion Price then in effect and the date on which the right to convert such Bonds or the portions thereof to be redeemed will expire. Neither the Trustee nor any of the Agents shall be responsible for monitoring or taking any steps to ascertain whether any of the circumstances mentioned above has occurred or for calculating or verifying the calculations of any amount payable under any notice of redemption hereunder and none of them shall be liable to the Holders or the Issuer or any other person for not doing so.

Repurchase of the Bonds

Repurchase at the Option of the Holder

Unless the Bonds have been previously redeemed, repurchased and canceled or converted, each Holder shall have the right (the "Holder's Put Right"), at such Holder's option, to require the Issuer to repurchase, in whole or in part (being US$200,000 in principal amount or any integral multiples thereof), such Holder's Bonds, on January 21, 2028 (the "Bondholder's Put Option Date") at a price equal to the Settlement Equivalent of 104.74% of the principal amount in US Dollars with respect to such Holder's Bonds to be repurchased (the "Holder's Put Price").

Repurchase in the Event of Delisting

In the event that the Common Shares cease to be listed or admitted to trading on the TWSE (a "Delisting") each Holder shall have the right (the "Delisting Put Right"), at such Holder's option to require the Issuer to repurchase, in whole or in part (being US$200,000 in principal amount or any integral multiples thereof), such Holder's Bonds on the date set by the Issuer for such repurchase (the "Delisting Put Date"), which shall not be less than 30 nor more than 60 days following the date on which the Trustee sends to each Holder a notice after receiving relevant information from the Issuer regarding the Delisting referred to under "— *Repurchase Procedures*" below at the Settlement Equivalent of the applicable Early Redemption Amount with respect to such Holder's Bonds to be repurchased on the Delisting Put Date (the "Delisting Put Price").

Repurchase in the Event of Change of Control

If a Change of Control (as defined below) occurs with respect to the Issuer, each Holder shall have the right (the "Change of Control Put Right"), at such Holder's option, to require the Issuer to repurchase, in whole or in part (being US$200,000 in principal amount or any integral multiples thereof), such Holder's Bonds on the date set by the Issuer for such repurchase (the "Change of Control Put Date"), which shall be not less than 30 nor more than 60 days following the date on which the Issuer notifies the Trustee and the Paying Agent in writing of the Change of Control, at the Settlement Equivalent of the applicable Early Redemption Amount with respect to such Holder's Bonds to be repurchased on the Change of Control Put Date (the "Change of Control Put Price").

Repurchase Procedures

Not less than 30 nor more than 60 days prior to the Bondholder's Put Option Date and not less than 30 nor more than 60 days promptly after becoming aware of a Delisting or Change of Control, the Issuer will provide sufficient information to the Trustee and the Paying Agent in sufficient time (including such notice to be provided to Holders) to permit the Trustee and the Paying Agent to provide to each Holder a notice regarding such Holder's Put Right, Delisting Put Right or Change of Control Put Right, as the case may be, which notice shall state, as appropriate:

(A) the Bondholder's Put Option Date, the Delisting Put Date or the Change of Control Put Date, as the case may be (each, a "Purchase Date");

(B) in the case of a Delisting, the date of such Delisting and, briefly, the events causing such Delisting;

(C) in the case of a Change of Control, the date of such Change of Control and, briefly, the events causing such Change of Control;

(D) the date by which the Holder Purchase Notice (as defined below) must be given;

(E) the Holder's Put Price, the Delisting Put Price or the Change of Control Put Price, as the case may be, and the method by which such amount will be paid;

(F) the names and addresses of all Paying Agents;

(G) briefly, the Conversion Right (as defined below) of the Holders and the then current Conversion Price and the date on which the right to convert such Bond will expire;

(H) the procedures that Holders must follow and the requirements that Holders must satisfy in order to exercise their repurchase rights and/or Conversion Right; and

(I) that a Holder Purchase Notice, once validly given, may not be withdrawn.

To exercise its right to require the Issuer to repurchase its Bonds, the Holder must deliver a written irrevocable notice of the exercise of such right (a "Holder Purchase Notice") to any Paying Agent on any Business Day prior to the close of business at the location of such Paying Agent on such day and which day is not less than ten (10) Business Days prior to the Purchase Date.

Payment of the Holder's Put Price upon exercise of the Holder's Put Right, Delisting Put Price upon exercise of the Delisting Put Right or Change of Control Put Price upon exercise of the Change of Control Put Right for any Certificated Bond for which a Holder Purchase Notice has been delivered is conditioned upon delivery of such Certificated Bond (together with any necessary endorsements) to any Paying Agent on any Business Day together with the delivery of such Holder Purchase Notice and will be made promptly following the later of the Purchase Date and the time of delivery of such Certificated Bond. If the Paying Agent holds on the Purchase Date money sufficient to pay the Holder's Put Price, Delisting Put Price or the Change of Control Put Price, as the case may be, of Bonds for which Holder Purchase Notices have been delivered in accordance with the provisions of the Indenture upon exercise of such right, then, whether or not such Bond is delivered to the Paying Agent, on and after such Purchase Date, (i) such Bond will cease to be outstanding, (ii) such Bond will be deemed paid, and (iii) all other rights of the Holder shall terminate (other than the right to receive the Holder's Put Price, the Delisting Put Price or the Change of Control Put Price, as the case may be).

Neither the Trustee nor any Agent shall be required to monitor or to take any steps to ascertain whether a Change of Control, Delisting or any event which could lead to a Change of Control or Delisting has occurred or may occur and each of them shall be entitled to assume that no such event has occurred until it has received written notice to the contrary from the Issuer and none of them shall have any obligation or duty to verify the accuracy, completeness, content, validity and/or genuineness of any documents in relation to or in connection with a Change of Control or Delisting and none of them shall be liable to the Holders, the Issuer or any other person for any loss arising from their not doing any of the foregoing.

Certain Definitions

Set forth below is a summary of certain of the defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for the full definition of all such terms, as well as any other capitalized terms used herein for which no definition is provided.

"*Affiliate*" means, with respect to any Person (the "Specified Person"), (i) any Person other than the Specified Person directly or indirectly controlling, controlled by or under direct or indirect common control with, the Specified Person or (ii) any Person who is a director or executive officer (A) of the Specified Person, (B) of any Subsidiary of such Specified Person or (C) of any Person described in clause (i) above. For purposes of this definition, the term "control" when used with respect to any Person means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or by contract or otherwise.

"*Agents*" means the Registrar, Paying Agent, Transfer Agent and Conversion Agent; an "**Agent**" means any of them.

"*Business Day*" means any day except a Saturday, Sunday or other day on which commercial banks in Taipei, Hong Kong, London and the City of New York (or, if applicable, in the city where the relevant Paying Agent is located) are authorized by law to close or are otherwise not open for business.

"*Capital Stock*" means, with respect to any Person, any and all shares, ownership interests, participation or other equivalents (however designated), including all common stock and all preferred stock, of such Person.

"*Certificated Bonds*" means the individual certificated Bonds executed and delivered by the Issuer and authenticated by or to the order of the Trustee or the Registrar, which may be delivered in exchange for the Global Bond in certain circumstances.

"*Change of Control*" occurs when:

(1) any Person or Persons (as defined below) acting together acquires Control of the Issuer if such Person or Persons does not or do not have, and would not be deemed to have, Control of the Issuer on the Closing Date; or

(2) the Issuer consolidates with or merges into or sells or transfers all or substantially all of the Issuer's assets to any other Person, unless the consolidation, merger, sale or transfer will not result in the other Person or Persons acquiring Control over the Issuer or any successor entity.

"*Closing Price*" means for any Trading Day (a) with respect to the Common Shares, the closing price of the Common Shares on the TWSE on such day or, if no reported sales take place on such day, the average of the reported closing bid and offered prices, in either case as reported by the TWSE for such day as furnished by an Independent Investment Bank, and (b) with respect to Capital Stock of the Issuer (other than Common Shares), the closing price for such Capital Stock (other than Common Shares) on the Selected Exchange (as defined under "Trading Day" below); provided that for the purpose of determining the Closing Price used in "— *Redemption at the Option of the Issuer*" above for all Trading Days on or between the ex-rights or ex-dividends date and the record date for the determination of the shareholders entitled to receive such rights or dividends, the Closing Price shall be adjusted upwards to include the value of such rights or dividends.

"*Common Shares*" means shares of the common stock of the Issuer, par value NT$10.0 per share.

"*Control*" means (i) the right to appoint and/or remove all or the majority of the members of the Issuer's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise; or (ii) the acquisition or control of more than 50% of the voting rights of the issued share capital of the Issuer.

"*Conversion Price*" means the initial conversion price of NT$118.68 per Common Share set forth on the cover of this Offering Memorandum, subject to adjustment in the manner provided in "— *Conversion — Adjustments to the Conversion Price*" below.

"*Debt*" means, with respect to any Person at any date, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (iv) all obligations of such Person as lessee which are capitalized in accordance with the generally accepted accounting principles applicable to such Person, (v) all Debt secured by a Lien on any asset of such Person, whether or not such Debt is otherwise an obligation of such Person, (vi) all obligations of such Person to purchase securities or other property that arise out of or in connection with the sale of the same or substantially similar securities or property, (vii) all non-contingent obligations of such Person to reimburse any bank or other Person in respect of amounts paid under a letter of credit or similar instrument and (viii) all Debt of others guaranteed by such Person.

"*Default*" means any condition or event which, with the giving of notice or lapse of time or both, would become an Event of Default (as defined below).

"*Early Redemption Amount*" means, for each US$200,000 in principal amount of the Bonds, the amount calculated in accordance with the following formula, rounded (if necessary) to two decimal places with 0.005 being rounded upwards:

$$\text{Early Redemption Amount} = I \times (1 + r/2)^{d/180}$$

where:

I = Issue price (100% of principal amount) of the Bonds.

r = 1.55% expressed as a decimal.

d = number of days from, and including, January 21, 2025 to, but excluding, the date for redemption, calculated on the basis of a 360-day year consisting of 12 months of 30 days each, and in the case of an incomplete month, the actual number of days elapsed.

Semi-Annual Date	**Early Redemption Amount (in US Dollars)**
July 21, 2025	$201,550.00
January 21, 2026	$203,112.01
July 21, 2026	$204,686.13
January 21, 2027	$206,272.45
July 21, 2027	$207,871.06
January 21, 2028	$209,482.06
July 21, 2028	$211,105.55
January 21, 2029	$212,741.61
July 21, 2029	$214,390.36

"*Fixed Exchange Rate*" means the fixed rate of US$1.00=NT$32.917.

"*FSC*" means the Financial Supervisory Commission of the ROC.

"*Holder*", "*holder*" and "*Bondholder*" in relation to a Bond means the person in whose name a Bond is registered in the Bond register.

"*Independent Investment Bank*" means (i) an independent investment bank of international repute or (ii) leading independent securities company or bank in the ROC (in each case of (i) and (ii), acting as an expert) selected by the Issuer at the expense of the Issuer and notified in writing to the Trustee and the Agents.

"*Lien*" means, with respect to any property or asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such property or asset, including, without limitation, the right of a vendor, lessor or similar party under any conditional sales agreement, capital lease or other title retention agreement relating to such property or asset, and any other right of or arrangement with any creditor to have its claims satisfied out of any property or assets, or the proceeds therefrom prior to any general creditor of the owner thereof.

"*Market Value*" means (i) in the case of Common Shares, the average of the Closing Prices of the Common Shares for the most recent 30 Trading Days, (ii) in the case of Capital Stock (other than Common Shares) which is listed on the Selected Exchange, the average of the Closing Prices of such Capital Stock (other than Common Shares) for the most recent 30 Trading Days and (iii) in the case the market value cannot be determined pursuant to the procedures above, the market value determined by an opinion of an Independent Investment Bank.

"*NT Dollars*" *or "N.T. dollars"* or "*NT$*" means the lawful currency for the time being of the ROC.

"*Person*" means any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organization, trust, state or agency of a state (in each case whether or not being a separate legal entity); provided that in the context of a Change of Control, a Person does not include the Issuer's board of directors or any other governing board and does not include the Issuer's wholly-owned direct or indirect Subsidiaries.

"*Prevailing Rate*" for each Rate Calculation Date, means a rate determined by the Issuer in good faith as follows:

(a) the fixing rate at 11:00 a.m., expressed as the number of NT Dollars per one US Dollar, quoted by Taipei Forex Inc.;

(b) if no such rate is available under sub-paragraph (a), the prevailing rate determined by the Issuer in good faith on the basis of quotations provided by the Reference Dealers of the specified exchange rate for the Rate Calculation Date as obtained in accordance with the provisions below; and

(c) if fewer than two quotations are provided under sub-paragraph (b), the exchange rate for the Rate Calculation Date as shall be determined by an Independent Investment Bank in good faith.

In determining the prevailing rate under sub-paragraph (b), the Issuer will request the Taipei office of each of the Reference Dealers to provide a quotation of what the specified screen rate would have been had it been published, reported or available for the Rate Calculation Date, based upon each Reference Dealer's experience in the foreign exchange market for NT Dollars and general activity in such market on the Rate Calculation Date. The quotations used to determine the Prevailing Rate for a Rate Calculation Date will be determined in each case for such Rate Calculation Date, and will be requested at 3:30 p.m. (Taipei time) on such Rate Calculation Date or as soon as practicable after it is determined that the specified screen rate was not available.

If four quotations are provided, the rate for a Rate Calculation Date will be the arithmetic mean of the rates, without regard to the rates having the highest and lowest value. For this purpose, if more than one quotation has the same highest value or lowest value, then the rate of only one of such quotations shall be disregarded. If two or three quotations are provided, the rate for a Rate Calculation Date will be the arithmetic mean of the rates provided.

As soon as practicable and no later than one Business Day after the Prevailing Rate has been determined, the Issuer will notify the Trustee and Agents in writing of the Prevailing Rate and the applicable Settlement Equivalent on the Rate Calculation Date.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of determining the Prevailing Rate, whether by the Reference Dealers (or any of them), the Issuer or the Independent Investment Bank, will (in the absence of fraud, willful default or gross negligence) be binding on the Issuer and all Bondholders, and for administrative purpose only (without assuming any liability) on the Trustee and Agents.

"*Principal Subsidiary*" means any consolidated Subsidiary (1) whose revenues, as shown by the latest audited accounts (consolidated in the case of a company which itself has subsidiaries) of such Subsidiary, are at least 15%of the consolidated revenues as shown in the latest audited consolidated accounts of the Issuer or (2) whose total assets, as shown in the latest audited accounts (consolidated in the case of a company which itself has subsidiaries) of such Subsidiary are at least 15% of the consolidated total assets of the Issuer as shown in the latest audited consolidated accounts of the Issuer, including any such Subsidiary as may be acquired or formed from time to time during the term of the Bonds; provided, however, for the purposes of calculation of consolidated assets of the Issuer under (2) only, the interests of the minority shareholders of the Issuer and of its consolidated Subsidiaries shall be excluded, and "*Principal Subsidiaries*" means those companies collectively. An officer's certificate delivered to Trustee and Holders stating that in the Issuer's opinion, a consolidated Subsidiary is or is not or was or was not at a specified date a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties.

"*Purchase Date*" has the meaning specified under the caption "— Repurchase Procedures" above.

"*Rate Calculation Date*" means the day which is five Business Days before the due date of the relevant amount.

"*Redemption Date*" means, with respect to any Bond, (i) the date fixed for redemption of such Bond pursuant to a notice of redemption given by the Issuer in accordance with the provisions of the Indenture; or (ii) the Maturity Date of such Bond if such Bond has not been redeemed, repurchased and canceled or converted in accordance with its terms prior to the Maturity Date.

"*Reference Dealers*" means four leading dealers engaged in the foreign exchange market of the relevant currency selected by the Issuer.

"*Settlement Equivalent*" for the relevant Rate Calculation Date in respect of any US Dollar-denominated amount payable in respect of the Bonds, means such US Dollar amount converted into NT Dollar amount using the Fixed Exchange Rate, and then converted back to US Dollar amount using the applicable Prevailing Rate on such date.

"*Securities Act*" means the United States Securities Act of 1933, as amended.

"*Subsidiary*" means, with respect to any Person, (a) any entity which is controlled or of which more than 50% of its Capital Stock is owned directly or indirectly by such Person, or (b) any entity which at any time has its accounts consolidated with those of that Person or which, under the law, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such Person from time to time, should have its accounts consolidated with those of that Person.

"*Taxing Authority*" means any government or political subdivision or any authority or agency thereof, having the legal power and authority to levy a mandatorily payable charge, assessment or tax.

"*Trading Day*" means (a) with respect to the Common Shares, a day when the TWSE is open for business, *provided*, *however*, if no transaction price or closing bid and offered prices are reported by the TWSE in respect of the Common Shares for one or more Trading Days, such day or days will be disregarded in any relevant calculation and will be deemed not to have existed when ascertaining any period of consecutive Trading Days and (b) with respect to Capital Stock of the Issuer (other than Common Shares), a day on which any securities exchange or quotation system selected by the Issuer and notified to the Paying Agent for this purpose (the "Selected Exchange") on which shares of such Capital Stock (other than Common Shares) are quoted or traded is open for trading or quotation; *provided*, *however*, if no bid price is reported by the Selected Exchange in respect of such Capital Stock (other than Common Shares) for one or more Trading Days, such day or days will be disregarded in any relevant calculation and will be deemed not to have existed when ascertaining any period of consecutive Trading Days.

"*TWSE*" means the Taiwan Stock Exchange Corporation.

"*US Dollars*", "*U.S. Dollars*" or "*US$*" means the lawful currency for the time being of the United States of America.

Certain Covenants

Negative Pledge

So long as any Bond remains outstanding, the Issuer shall not, and shall procure that none of its Principal Subsidiaries will, create or permit to subsist any Lien on any of its or, as the case may be, such Principal Subsidiary's, property, assets or revenues, present or future, to secure for the benefit of the holders of any International Investment Securities (as defined below) (i) payment of any sum owing in respect of any such International Investment Securities, (ii) any payment under any guarantee of any such International Investment Securities or (iii) any payment under any indemnity or other like obligation relating to any such International Investment Securities, unless contemporaneously therewith effective provision is made to secure the Bonds (a) equally and ratably with such International Investment Securities with a similar Lien on the same property, assets or revenues securing such International Investment Securities for so long as such International Investment Securities are secured by such Lien or (b) with such other security, guarantee, indemnity or other arrangement as shall be approved by registered Holders holding not less than 50% of the principal amount of the outstanding Bonds.

As used herein, "International Investment Securities" means bonds, debentures, notes or other similar investment securities of the Issuer or any other person evidencing indebtedness, with a maturity of not less than one year from the issue date thereof, or any guarantees thereof, which (i) either (A) are by their terms payable, or confer a right to receive payment, in any currency other than NT Dollars or (B) are denominated in NT Dollars and more than 50% of the aggregate principal amount thereof is initially distributed outside the ROC by or with the consent of the Issuer and (ii) are for the time being, or are intended to be or capable of being, quoted, listed, dealt in or traded on any stock exchange or over-the-counter or other securities market outside the ROC.

Consolidation, Amalgamation or Merger

The Issuer shall not consolidate with, merge or amalgamate into or transfer or convey all or substantially all of its properties and assets to, any Person (the consummation of any such event, a "Merger"), unless:

(i) the corporation formed by such Merger or the Person that acquired such properties and assets shall expressly assume, by an indenture supplemental to the Indenture, all obligations of the Issuer under the Indenture and the performance of every covenant and agreement applicable to it contained therein;

(ii) immediately after giving effect to any such Merger, no Default or Event of Default shall have occurred or be continuing or would result therefrom;

(iii) the Issuer at least 20 Business Days prior to the Merger has delivered to the Trustee an officer's certificate stating that such Merger complies with the provisions of the Indenture relating to this matter and that all conditions precedent therein provided for or relating to such Merger have been complied with;

(iv) the corporation formed by such Merger, or the Person that acquired such properties and assets, shall expressly agree to (A) indemnify each holder of a Bond against any tax, assessment or governmental charge payable by withholding or deduction thereafter imposed on such holder solely as a consequence of such Merger with respect to the payment of principal of and other amounts on the Bonds and (B) if organized under the laws of a jurisdiction other than the ROC, deliver a substitute undertaking to the Trustee to pay any additional amounts as may be necessary in order that the net amounts received by the holders of the Bonds, after any withholding or deduction of any such tax, assessment or other governmental charge shall equal the respective amounts of the principal of and Additional Amounts on the Bonds, which would have been receivable in respect of the Bonds in the absence of such Merger. No successor corporation or other Person shall have the right to redeem the Bonds unless the Issuer would have been entitled to redeem the Bonds pursuant to the Indenture in the absence of the Merger; and

(v) the Issuer shall as soon as practicable on or prior to the Merger, deliver to the Trustee an opinion satisfactory to the Trustee of counsel(s) of recognized standing that the condition in paragraph (i) above has been satisfied.

In the event of any such Merger, the provisions described under "— *Additional Amounts*" and "— *Redemption for Taxation Reasons*" above will be applicable to the corporation formed by such Merger or the Person acquiring such properties and assets as appropriate, and any reference to the Issuer shall be read to include such successor person.

Conversion

Conversion Right

Each Holder will have the right (the "Conversion Right") during the Conversion Period to convert its Bonds (being US$200,000 in principal amount or any integral multiples thereof), at the option of such converting Holder, upon delivery of an irrevocable notice (the "Conversion Notice") at the office of the Conversion Agent, on any Business Day at all reasonable times during normal office hours (being between 9.00 a.m. and 3.00 p.m. (London time)) at the location of the Conversion Agent to which such Conversion Notice is delivered, into Common Shares; *provided*, *however*, that the Conversion Right during any Closed Period shall be suspended and the Conversion Period shall not include any such Closed Period. "Closed Period" means (i) the 60-day period immediately prior to the date of any of the Company's general shareholders' meetings; (ii) the 30-day period immediately prior to the date of any of the Company's extraordinary shareholders' meetings; (iii) the period from the fifteenth business day in the ROC prior to the record date for the determination of the shareholders entitled to the receipt of dividends, subscription of new Common Shares due to capital increase or other benefits and bonuses to such record date; (iv) the period from the record date of any capital reduction to the day immediately preceding the date on which the Common Shares resume trading after such capital reduction; (v) the period from the commencement of the suspension of the conversion (subscription) in respect of the change of par value of the Common Shares to the day immediately preceding the date on which the reissued Common Shares resume trading after such change of par value of the Common Shares; and (vi) such other periods during which the Company may be required to close its stock transfer books under the ROC laws and regulations as well as the rules of the TWSE applicable from time to time. The Issuer shall procure that Holders (and other applicable parties) are given at least 7 days' but not more than 60 days' prior notice of any Closed Period in accordance with the provisions of the Indenture.

The number of Common Shares to be issued upon conversion will be determined by dividing the aggregate principal amount of all the Bonds to be converted by such Holder (translated into NT Dollars at the Fixed Exchange Rate) by the Conversion Price in effect on the Conversion Date (as defined below). Fractions of Common Shares will not be issued on conversion, and the Issuer will pay in US Dollars for any fraction of a Common Share not issued as aforesaid, net of remittance fee and processing fees, rounding to one US Dollar with US$0.50 being rounded upwards.

The Conversion Price shall at all times be subject to Anti-dilution Adjustment (as defined below). The Issuer shall not take any action that would reduce the Conversion Price below the par value of the Common Shares (currently NT$10.0 per share), unless, under applicable law then in effect, the Bonds could be converted at such reduced Conversion Price into legally issued, fully-paid and non-assessable Common Shares.

Restrictions on Shareholdings by PRC Persons

Under current ROC laws, regulations and policy, a PRC person is not permitted to convert the Bonds and to register as a shareholder of the Issuer unless (i) it is a PRC qualified domestic institutional investor ("QDII"), which will hold less than 10% of the Issuer's issued shares after conversion of the Bonds, or (ii) it otherwise obtains the approval of the Department of Investment Review (formerly Investment Commission) of the MOEA if all the business items of the Company are within the positive list promulgated by the ROC government from time to time and it will hold 10% or more (or other threshold required by the regulators) of the Issuer's issued shares after conversion of the Bonds. In addition, there are restrictions on the amount remitted to the ROC for investments by QDIIs, separately and jointly. Accordingly, the qualification criteria for a PRC person to make investment and the investment threshold imposed by the FSC and the TWSE might cause a Bondholder who is a PRC person to be unable to convert and hold the Common Shares issuable upon conversion of the Bonds. Under current ROC laws, "PRC person" means (i) an individual holding a passport issued by the PRC, a resident of any area of the PRC under the effective control or jurisdiction of the PRC (but not including a special administrative region of the PRC such as Hong Kong and Macau, if so excluded by applicable laws of the ROC), (ii) any agency or instrumentality of the PRC, and (iii) any corporation, partnership or other entity organized under the laws of any such area, or in countries outside of the ROC or PRC that is directly or indirectly controlled by, or directly or indirectly having more than 30% of its capital owned by, or beneficially owned by any such person, resident, agency, instrumentality, corporation, partnership or entity.

ROC Procedures for Foreign Persons Holding Common Shares

Under current ROC law, a non-ROC converting Holder who is not a PRC person, before exercising the Conversion Right, is required to register with the TWSE for making investments in the ROC securities market. Such non-ROC converting Holder is also required to appoint a local agent in the ROC which meets the qualifications that are set from time to time by the FSC to open a securities trading account with a local brokerage firm and a bank *account, to pay ROC taxes, remit funds, exercise shareholders' rights and perform such other functions as may be designated by such Holder upon conversion. In addition, such non-ROC converting Holder must also appoint a custodian in the ROC to hold the securities and any cash proceeds for safekeeping, to make confirmation, settle trades and report all relevant information. Furthermore, such non-ROC converting Holder is required to appoint an agent ("Tax Guarantor") in the ROC, which meets the qualifications set from time to time by the Ministry of Finance of the ROC for filing tax returns and making tax payments on their behalf .Without meeting such requirements, such non-ROC converting Holder would not be able to hold or sell or otherwise transfer Common Shares into which the Bonds may be converted on the TWSE or otherwise. For more details, see "Appendix B — Foreign Investment and Exchange Controls in the ROC.*

Delivery of Common Shares upon Conversion

Upon a converting Holder exercising its Conversion Right, the Issuer shall as promptly as practicable issue Common Shares upon conversion of Bonds in accordance with the ROC law.

The Issuer's delivery to the Bondholder of the number of Common Shares into which the Bonds are convertible, together with any cash payment for any fraction of Common Shares, will be deemed to satisfy the Issuer's obligation to pay the principal of and other amounts on such Bonds.

See "*Risk Factors — Risks Relating to the Bonds and the Shares — A liquid market for the Bonds may not develop, and the market for our Shares may not be liquid.*"

Procedures; Conversion Notice; Taxes and Duties

In order to effect a conversion, each Holder must complete, execute and deliver at such Holder's expense during the Conversion Period to the office of the Conversion Agent on any Business Day at all reasonable times during normal office hours (being between 9.00 a.m. and 3.00 p.m. (London time)) at the location of the Conversion Agent, a Conversion Notice, in the form then obtainable from the office of the Conversion Agent, together, in the case of Certificated Bonds, with the certificate representing the Bonds to be converted, and any certificates and other documents as may be required under applicable law and any expenses or other payments required to be paid by the Holder pursuant to the terms of the Indenture. The Conversion Notice shall contain, inter alia, an appointment of a local agent by such converting Holder and the name and address of such local agent and information relating to such Holder's Foreign Investor Investment I.D. or QDII Investment I.D. (if required) and TDCC account number.

Upon receipt of such Conversion Notices, the Conversion Agent shall have not more than one full Business Day to process and transmit such Conversion Notices to the Issuer.

A Conversion Notice once so delivered may not be withdrawn without the consent in writing of the Issuer. Holders who deposit a Conversion Notice during a Closed Period will not be permitted to convert their Bonds until the first Business Day which is a Trading Day following the last day of that Closed Period which (if all other conditions to conversion have been fulfilled) will be the Conversion Date for such Bonds unless such date shall fall after the expiry of the Conversion Period. If the Conversion Date in respect of the exercise of any Conversion Right is postponed as a result of the foregoing provision to a date that falls after the expiry of the Conversion Period, such Conversion Date shall be deemed to be the final day of such Conversion Period. Such Holders shall not be registered as holders of Common Shares until the Conversion Date. The price at which such Bonds will be converted will be the Conversion Price in effect on the Conversion Date.

As conditions precedent to conversion, the Holder must confirm to the Issuer that all stamp, issue, registration and similar taxes and duties (if any) arising on conversion in the country in which the Bond is deposited for conversion, or payable in any jurisdiction consequent upon the issue and delivery of Common Shares or any other property or cash upon conversion to or to the order of a person other than the converting Bondholder have been paid to the relevant authority. Except as aforesaid, the Issuer will pay the expenses arising in the ROC on the issue of Common Shares on conversion of Bonds and all charges of the Conversion Agent in connection therewith as provided in the Indenture. The date on which any Bond and the Conversion Notice (in duplicate) relating thereto, together with any certificates and other documents as may be required under applicable law, are duly deposited with the Conversion Agent without any omission or error to the satisfaction of the Issuer and the payments, if any, required to be paid by the Bondholder are made is hereinafter referred to as the "Deposit Date". The "Conversion Date" applicable to a Bond shall mean the next Business Day following the Deposit Date (or the first Business Day which is a Trading Day following the last day of a Closed Period if the related Conversion Notice was deposited during such Closed Period), which day must be a Trading Day and must fall within the Conversion Period. The Holder must therefore satisfy all such conditions on or before the Business Day prior to the end of the Conversion Period.

With effect from the opening of business in the ROC on the Conversion Date, the Issuer will deem the person designated in the Conversion Notice as the person in whose name the Common Shares to be issued upon such conversion are to be registered as the holder of record of the number of Common Shares (disregarding any retroactive adjustment of the Conversion Price referred to below prior to the time such retroactive adjustment shall have become effective), and at such time the rights of such converting Holder as a Holder with respect to the Bonds deposited for conversion shall cease.

On the Conversion Date, the Issuer will register the converting Holder (or its designee) in the Issuer's register of shareholders as the owner of the number of Common Shares to be issued upon conversion of such Bonds and, subject to any applicable limitations then imposed by ROC laws and regulations, according to the request made in the relevant Conversion Notice, procure that, as soon as practicable, and in any event within five Trading Days from the Conversion Date (subject to changes to ROC laws and regulations), there be delivered to the local agent appointed by the converting Holder through book-entry system of TDCC or through physical delivery of a certificate or certificates for the relevant Common Shares, registered in the name specified for that purpose in the relevant Conversion Notice, together with any other property or cash required to be delivered upon conversion and such assignments and other documents (if any) as may be required by law to effect the delivery thereof.

Adjustments to the Conversion Price

Anti-dilution. The Conversion Price will be subject to adjustment ("Anti-dilution Adjustment") in the circumstances described below:

(i) If the Issuer shall issue Common Shares as a dividend in Common Shares or make a free distribution or bonus issue of Common Shares which is treated as a capitalization issue for accounting purposes (including but not limited to capitalization of retained earnings or capital reserves), then the Conversion Price in effect on the record date for the determination of the shareholders entitled to receive such dividend and/or distribution shall be adjusted in accordance with the following formula:

$$NCP = OCP \times {}^{N}\!/_{(N+n)}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Common Shares outstanding on the day before the record date for the determination of shareholders entitled to receive such dividend and/or distribution.

n = the number of Common Shares to be distributed to the shareholders as a dividend and/or distribution.

(ii) If the Issuer shall (a) subdivide its outstanding Common Shares, (b) combine its outstanding Common Shares into a smaller number of Common Shares, or (c) re-classify any of its Common Shares into other securities of the Issuer, then the Conversion Price shall be appropriately adjusted so that the Holder, in respect of the Conversion Date which occurs after the coming into effect of the adjustment described in this subsection (ii), shall be entitled to receive the number of Common Shares and/or other securities of the Issuer which it would have held or have been entitled to receive after the happening of any of the events described above had such Bond been converted immediately prior to the happening of such event (or, if the Issuer has fixed a prior record date for the determination of the shareholders entitled to receive any such securities issued upon any such subdivision, combination or reclassification, immediately prior to such record date), but without prejudice to the effect of any other adjustment to the Conversion Price made with effect from the date of the happening of such event (or such record date) or any time thereafter.

(iii) If the Issuer shall grant, issue or offer to the holders of Common Shares rights entitling them to subscribe for or purchase Common Shares, which expression shall include those Common Shares which are required to be offered to employees and persons other than shareholders in connection with such grant, issue or offer, at a consideration per Common Share receivable by the Issuer which is fixed:

(a) on or prior to the record date mentioned below and is less than the Market Value per Common Share on such record date; or

(b) after the record date mentioned below and is less than the Market Value per Common Share on the date the Issuer fixes the said consideration,

then the Conversion Price in effect (in the case of (a) above) on the record date for the determination of the shareholders entitled to receive such rights or (in the case of (b) above) on the date the Issuer fixes the said consideration shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \left[{}^{(N+v)}\big/_{(N+n)}\right]$$

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

N = the number of Common Shares outstanding (in the case of (a) above) on the day before such record date or (in the case of (b) above) on the date the Issuer fixes the said consideration.

n = the number of Common Shares to be issued in connection with such rights issue at the said consideration.

v = the number of Common Shares which the aggregate consideration receivable by the Issuer would purchase at such Market Value specified in (a) or, as the case may be, (b) above.

Subject as provided below, such adjustment shall become effective immediately after the latest date for the submission of applications of such Common Shares by shareholders entitled to the same pursuant to such rights or (if later) immediately after the Issuer fixes the said consideration but retroactively to the record date mentioned above.

For the avoidance of doubt, if, in connection with a grant, issue or offer to the holders of Common Shares of rights entitling them to subscribe for or purchase Common Shares, any Common Shares which are not subscribed for or purchased by the persons entitled thereto are purchased by other persons after the latest date for the submission of applications for such Common Shares, an adjustment shall be made to the Conversion Price in accordance with the above provisions which shall become effective immediately after the date the Issuer receives the consideration in full, from such other persons but retroactively to the record date mentioned above.

If, in connection with a grant, issue or offer to the holders of Common Shares of rights entitling them to subscribe for or purchase Common Shares, any such Common Shares which are not subscribed for or purchased by such other persons as referred to above or by the persons entitled thereto (or persons to whom shareholders have transferred such rights) who have submitted applications for such Common Shares as referred to above are offered to and/or subscribed by others, no further adjustment shall be made to the Conversion Price by reason of such offer and/or subscription.

(iv) If the Issuer shall grant, issue or offer to the holders of Common Shares warrants entitling them to subscribe for or purchase Common Shares at a consideration per Common Share receivable by the Issuer which is fixed:

(a) on or prior to the record date for the determination of the shareholders entitled to receive such warrants and is less than the Market Value per Common Share at such record date; or

(b) after the record date mentioned above and is less than the Market Value per Common Share on the date the Issuer fixes the said consideration,

then the Conversion Price in effect (in a case within (a) above) on the record date for the determination of the shareholders entitled to receive such warrants or (in a case within (b) above) on the date the Issuer fixes the said consideration shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \left[{}^{(N+v)}\!/_{(N+n)}\right]$$

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

N = the number of Common Shares outstanding (in the case of (a) above) on the day before such record date or (in the case of (b) above) on the date the Issuer fixes the said consideration.

n = the number of Common Shares initially to be issued upon exercise of such warrants at the said consideration where no applications by shareholders entitled to such warrants are required. Where applications by shareholders entitled to such warrants are required, n equals the number of such Common Shares that equals (A) the number of warrants which underwriters have agreed to underwrite as referred to below or, as the case may be, and (B) the number of warrants for which applications are received from shareholders as referred to below except to the extent already adjusted for under (A).

v = the number of Common Shares which the aggregate consideration receivable by the Issuer would purchase at such Market Value per Common Share specified in (a) or, as the case may be, (b) above.

Subject as provided below, such adjustment shall become effective, where applications by shareholders entitled to the same are required as aforesaid, immediately after the latest date for the submission of such applications or (if later) immediately after the Issuer fixes the said consideration but retroactively to the record date mentioned above.

If, in connection with a grant, issue or offer to the holders of Common Shares of warrants entitling them to subscribe for or purchase Common Shares where applications by shareholders entitled to the same are required, any warrants which are not subscribed for or purchased by the shareholders entitled thereto are purchased by other persons after the latest date for the submission of applications for such warrants, an adjustment shall be made to the Conversion Price in accordance with the above provisions which shall become effective immediately after the date the Issuer receives the consideration in full, from such other persons but retroactively to the record date mentioned above.

If, in connection with a grant, issue or offer to the holders of Common Shares of warrants entitling them to subscribe for or purchase Common Shares where applications by shareholders entitled to the same are required, any such warrants which are not subscribed for or purchased by such other persons as referred to above or by the shareholders entitled thereto (or persons to whom shareholders have transferred the right to purchase such warrants) who have submitted applications for such warrants as referred to above are offered to and/or subscribed by others, no further adjustment shall be made to the Conversion Price by reason of such offer and/or subscription.

(v) In case the Issuer or any Subsidiary of the Issuer shall distribute to all holders of Common Shares, any shares of Capital Stock of the Issuer other than Common Shares, evidences of indebtedness or other assets (other than cash distributions described below) of the Issuer, or rights or warrants to subscribe for or purchase any Capital Stock of the Issuer (other than Common Shares) at less than the Market Value of such indebtedness, assets or Capital Stock, determined as of the date on which the board of directors of the Issuer approves such distribution (the "Grant Date"), then in each such case the Conversion Price shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \left[{}^{(M - fmv)}/_{M}\right]$$

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

M = the Market Value per Common Share on the record date for the determination of shareholders entitled to receive such distribution.

fmv = the Fair Market Value on the Grant Date (as determined by an independent financial institution selected by the Issuer, at the expense of the Issuer and promptly notified in writing to the Trustee) of the portion of Capital Stock other than Common Shares, evidences of indebtedness or other assets so distributed applicable to one Common Share less any consideration payable for the same by the relevant Shareholder.

(vi) In case the Issuer shall, by dividend or otherwise, distribute to all holders of Common Shares cash then, in such case, the Conversion Price shall be adjusted downward, not upward (with such adjustment to be effective on the record date for the determination of the shareholders entitled to receive such distribution) in accordance with the following formula and rounded to the nearest cent of a NT Dollar;

$$NCP = OCP \times \left[1 - \left({}^{C}/_{M}\right)\right]$$

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

C = the amount of cash so distributed applicable to one Common Share.

M = the Market Value per Common Share on such record date.

If such dividend or distribution is not so paid or made, the Conversion Price shall again be adjusted to be the Conversion Price which would then be in effect if such dividend or distribution had not been approved.

(vii) (a) If the Issuer shall reduce its share capital other than by means of canceling any Common Shares repurchased for the purpose of holding such Common Shares in treasury and does not distribute any cash in connection with such share capital reduction, then the Conversion Price in effect on the record date of such capital reduction shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \left(N/n\right)$$

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

N = the number of Common Shares outstanding immediately prior to such capital reduction.

n = the number of Common Shares outstanding immediately after such capital reduction.

(b) If the Issuer shall reduce its share capital other than by means of canceling any Common Shares repurchased for the purpose of holding such Common Shares in treasury and shall distribute cash in connection with such share capital reduction, the Conversion Price then in effect on the record date of such capital reduction shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \left(1 - C/c\right) \times \left(N/n\right)$$

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

N and n have the meanings ascribed thereto in clause (a) of this subsection above.

C = the amount of cash distributed per Common Share.

c = the Closing Price on the last Trading Day prior to the reissuance of shares.

For the avoidance of doubt, no adjustment to the Conversion Price under this subsection will be required if the Issuer cancels any Common Shares repurchased for the purpose of holding such Common Shares in treasury.

(c) Effective date of adjustment: Such adjustment shall become effective immediately on the record date of such capital reduction.

(viii) In case a tender or exchange offer made by the Issuer or any Subsidiary of the Issuer for all or any portion of the Common Shares shall expire and such tender or exchange offer shall involve the payment by the Issuer or such Subsidiary of consideration per Common Share having a Fair Market Value (as determined by an independent financial institution selected by the Issuer, at the expense of the Issuer and promptly notified in writing to the Trustee) at the last time (the "Expiration Date") tenders or exchanges could have been made pursuant to such tender or exchange offer (as it shall have been amended) that exceeds the Market Value per Common Share, as of the Expiration Date, the Conversion Price shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \left[(N \times M) / (a + [(N - n) \times M])\right]$$

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

N = the number of Common Shares outstanding (including any tendered or exchanged Common Shares) at the close of business on the Expiration Date.

M = Market Value per Common Share as of the Expiration Date.

a = the Fair Market Value of the aggregate consideration payable to the holders of Common Shares based on the acceptance (up to a maximum specified in the terms of the tender or exchange offer) of all Common Shares validly tendered or exchanged and not withdrawn as of the Expiration Date (the Common Shares deemed so accepted up to any such maximum, being referred to as the "Purchased Shares").

n = the number of Purchased Shares.

such reduction to become retroactively effective immediately prior to the opening of business on the day following the Expiration Date.

If the Issuer is obligated to purchase Common Shares pursuant to any such tender or exchange offer, but the Issuer is permanently prevented by applicable law from effecting any such purchase or all such purchases are rescinded, the Conversion Price shall again be adjusted to be the Conversion Price which would then be in effect if such tender or exchange offer had not been made.

(ix) In case the Issuer issues Common Shares (other than (A) Common Shares issued upon conversion or exchange of any convertible or exchangeable securities (including the Bonds) issued by the Issuer; (B) Common Shares issued upon exercise of any rights or warrants granted, offered or issued by the Issuer; (C) issuance of employee stock bonus; or (D) Common Shares issued in any of the circumstances described in subsections (i) and (ii)) or the Issuer or any Subsidiary of the Issuer shall issue any securities initially convertible into or exchangeable for Common Shares at a price per Common Share less than the Market Value per Common Share determined as of the date on which the board of directors or shareholders' meeting of the Issuer or such Subsidiary, if applicable, approves such issuance, the Conversion Price in effect immediately prior to the date of issue of such Common Shares or convertible or exchangeable securities shall be adjusted and become effective in accordance with the following formula:

$$NCP = OCP \times \left[{}^{(N+v)}\!\big/_{(N+n)}\right]$$

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

N = the number of Common Shares outstanding on the date immediately prior to issuance of such Common Shares or initially convertible or exchangeable securities.

n = the number of Common Shares issued or issuable upon conversion or exchange of such initially convertible or exchangeable securities.

v = the number of Common Shares which the aggregate consideration issue price of the total amount of Common Shares would purchase at Market Value; in the case of convertible or exchangeable securities, the number of Common Shares which the conversion price or exchange price of the newly issued securities multiplied by "n" would purchase at Market Value; provided that if the new Common Shares are issued by the Issuer to exchange for the total outstanding shares of an entity to be consolidated with, merged or amalgamated into the Issuer, such "aggregate consideration issue price of the total amount of Common Shares" shall mean the aggregate amount of the fair value per common share of such entity multiplied by "n" and further multiplied by the applicable share swap ratio under such consolidation, merger or amalgamation. The fair value per common share of such entity shall be the net asset value per share of such entity based on the latest audited or reviewed financial statements of such entity prior to the record date set for such consolidation, merger or amalgamation, times the share swap ratio.

If the conversion or exchange right of any such convertible or exchangeable securities expires prior to exercise, the Conversion Price shall be readjusted to reflect the actual securities converted or exchanged.

(x) In case the Issuer reissues the Common Shares to change the par value of the Common Shares, then the Conversion Price shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \left({}^{N}\!/_{n}\right)$$

where:

NCP and OCP have the meanings ascribed thereto in subsection (a) above.

N = the number of Common Shares outstanding immediately prior to such change of par value of the Common Shares.

n = the number of Common Shares outstanding immediately after such change of par value of the Common Shares.

Such adjustment shall become effective immediately on the record date for exchanging the Common Shares with new par value for the Common Shares with original par value.

(xi) If the Issuer shall declare a dividend in, or make a free distribution or bonus issue of, Common Shares which dividend, issue or distribution is to be paid or made to shareholders as of a record date which is also:

A. the record date for the issue of any rights or warrants which requires an adjustment of the Conversion Price pursuant to subsections (iii) or (iv) above;

B. the day immediately before the date of issue of any securities convertible into or exchangeable for Common Shares which requires an adjustment of the Conversion Price pursuant to subsection (ix) above;

C. the day immediately before the date of a distribution which requires an adjustment of the Conversion Price pursuant to subsection (v) above;

D. the record date for distribution of cash which requires an adjustment of the Conversion Price pursuant to subsection (vi) above;

E. the record date of capital reduction which requires an adjustment of the Conversion Price pursuant to subsection (vii) above;

F. the record date for exchanging the Common Share with new par value for the Common Shares with original par value which requires an adjustment of the Conversion Price pursuant to subsection (x) above;

G. the Expiration Date with respect to any tender or exchange offer which requires an adjustment to the Conversion Price pursuant to subsection (viii) above; or

H. the relevant date for an analogous event or circumstance which requires an adjustment to the Conversion Price;

then (except where such dividend, bonus issue or free distribution gives rise to a retroactive adjustment of the Conversion Price under subsections (i) or (ii) above) no adjustment of the Conversion Price in respect of such dividend, bonus issue or free distribution shall be made under the relevant subsections, but in lieu thereof an adjustment shall be made (A) under subsections (iii), (iv), (ix) or (x) above, as applicable, by including in the denominator of the fraction described therein the aggregate number of Common Shares to be issued pursuant to such dividend, bonus issue or free distribution and (B) under subsections (v), (vi), (vii) and (viii) above, as applicable, by multiplying the Conversion Price after the adjustment under such subsections by a fraction the numerator of which is the number of Common Shares outstanding on the record date and the denominator of which is the sum of such number of Common Shares outstanding and the aggregate number of Common Shares to be issued pursuant to such dividends, bonus issue or free distribution.

(xii) In case of a Merger of the Issuer, each Bond then outstanding shall, without the consent of any Bondholders, become convertible only into the kind and amount of securities, cash and other property receivable upon such Merger by a holder of the number of Common Shares, into which such Bonds could have been converted immediately prior to such Merger. The corporation formed by such Merger or the Person that acquired such properties and assets shall enter into a supplemental indenture with the Trustee to provide for the continuation of the Conversion Rights to continue after such Merger and such supplemental indenture shall provide for adjustments to the Conversion Price which shall be as nearly equivalent as practicable to the adjustments provided in the Indenture *provided* that where there has been a Change of Control pursuant to such a Merger, a Holder may exercise its Change of Control Put Right as set forth in "— *Repurchase in the Event of Change of Control.*"

If any event or circumstance analogous to the events and circumstances described in subsections (i) through (x) occur, the Conversion Price shall be adjusted as set forth in the analogous subsection in the Indenture.

Provisions Applicable to All Conversions and Adjustments of Conversion Price

No adjustment of the Conversion Price will be required to be made until cumulative adjustments, required to be made in the circumstances set forth above, amount to 1.0% or more of the Conversion Price as last adjusted. However, any adjustment, required to be made in the circumstances set forth above, which is not made because of failure to meet the 1.0% threshold, will be carried forward. Except as otherwise described below, the Conversion Price may at any time be reduced by the Issuer.

The Issuer will not take any action which would reduce the Conversion Price per Common Share below the par value of the Common Shares (currently NT$10.0 per share), unless, under applicable law then in effect, the Bonds could be converted at such reduced Conversion Price into legally issued, fully-paid and non-assessable Common Shares.

All calculations relating to conversion, including adjustments of the Conversion Price, will be made to the lower 0.001 of a share of securities or other property or nearest NT$0.01, as the case may be.

Whenever the Conversion Price is adjusted, the Issuer will promptly file with the Agent an officer's certificate setting forth the date on which such adjustment became effective, the Conversion Price after such adjustment and prior to such adjustment and setting forth a brief statement of the facts requiring such adjustment. Promptly after receipt of such certificate, a notice of such adjustment of the Conversion Price setting forth the adjusted Conversion Price, the Conversion Price prior to such adjustment, a brief statement of the facts requiring such adjustment and the date on which such adjustment became effective shall be given by the Issuer and disseminated by the Payment Agent to the Holders.

Events of Default; Notice and Waiver

The Indenture provides that, if one or more of the following events or conditions (each an "Event of Default") shall have occurred, the Trustee at its sole and absolute discretion may, or if so requested in writing by Holders of not less than 25% in aggregate principal amount of the Bonds then outstanding (subject to the Trustee being indemnified and/or secured and/or prefunded to its satisfaction), declare the Bonds to be immediately due and payable at the Settlement Equivalent of the Early Redemption Amount, Additional Amounts, if any, and other amounts. In the case of certain events of bankruptcy or insolvency, the Bonds shall automatically become and be immediately due and payable at the Settlement Equivalent of the Early Redemption Amount, Additional Amounts, if any, and other amounts. Under certain circumstances, the Holders of a majority in aggregate principal amount of the outstanding Bonds may rescind any such acceleration with respect to the Bonds and its consequences.

Under the Indenture, Events of Default include:

(i) default in payment of the principal of or premium (if any) on any Bond, as and when the same becomes due and payable, and continuance of such default for three Business Days;

(ii) default in the payment of Additional Amounts upon any Bond as and when the same becomes due and payable, and continuance of such default for five Business Days;

(iii) failure by the Issuer to deliver the Common Shares as and when such Common Shares are required to be delivered following conversion of a Bond, and continuance of such default for five Trading Days;

(iv) failure on the part of the Issuer duly to observe or perform any of the covenants or agreements provided in the Bonds or the Indenture (other than those referred to in clauses (i), (ii) or (iii) above) which failure cannot be remedied or, if such failure can be remedied, is not remedied within 30 days after the date on which written notice thereof requiring the Issuer to remedy the same shall have been given to the Issuer by the Trustee acting on the written instructions of the Holders of 25% or more in aggregate principal amount of the Bonds then outstanding;

(v) there shall have been entered against the Issuer or any of its Principal Subsidiaries a final judgment, decree or order by a court of competent jurisdiction for the payment of money in excess of US$20 million with respect to the Issuer or any of its Principal Subsidiaries (or its equivalent in any other currency or currencies) and 30 days shall have passed since the entry of the order without it being bonded, satisfied, discharged or stayed;

(vi) (A) the Issuer or any of its Principal Subsidiaries shall fail to make any payment with respect to present or future Debt (other than the Bonds) in an aggregate principal amount in excess of US$20 million with respect to the Issuer or any of its Principal Subsidiaries (or its equivalent in any other currency or currencies) when and as the same shall become due and payable, if such failure shall continue for more than the period of grace, if any, originally applicable thereto or (B) the Issuer or any of its Principal Subsidiaries shall fail to perform or observe any covenant or agreement to be performed or observed by the Issuer or any of its Principal Subsidiaries contained in any agreement or instrument evidencing Debt (other than the Bonds) in an aggregate principal amount in excess of US$20 million with respect to the Issuer or any of its Principal Subsidiaries (or its equivalent in any other currency or currencies) and such failure results in the acceleration of the maturity of any amount owing thereunder;

(vii) a decree or order by a court having jurisdiction shall have been entered under any applicable bankruptcy, insolvency, reorganization or other similar law (A) adjudging the Issuer or any of its Principal Subsidiaries as bankrupt or insolvent, or approving as properly filed a petition seeking reorganization of the Issuer or any of its Principal Subsidiaries or (B) appointing a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of the Issuer or any of its Principal Subsidiaries or of its property or (C) ordering the winding up or liquidation of the affairs of the Issuer or any of its Principal Subsidiaries and in any such case such decree or order shall have continued undischarged and unstayed for a period of 60 days; or

(viii) the Issuer or any of its Principal Subsidiaries shall voluntarily commence proceedings to be adjudicated a bankrupt or insolvent, or shall consent to the filing of a bankruptcy or insolvency proceeding against it, or shall file a petition or answer or consent seeking reorganization under any applicable bankruptcy, insolvency, reorganization or other similar law or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of it or its property, or shall make an assignment for the benefit of creditors.

If an Event of Default shall have occurred and be continuing, interest shall accrue on the overdue sum at the rate of 3.55% per annum from the due date and ending on the date on which payment is made to the Holders in respect thereof (both dates inclusive). Such default interest shall accrue on the basis of the actual number of days elapsed and a 360-day year consisting of 12 months of 30 days each.

The Holders of a majority in aggregate principal amount of the outstanding Bonds may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee; *provided* that the Trustee may refuse to follow any direction that conflicts with any law or the Indenture or is unduly prejudicial to the rights of other Bondholders (it being understood that the Trustee shall have no duty to ascertain whether or not such actions or forbearances are unduly prejudicial to such holders) or would involve the Trustee in personal liability. The Trustee may also refuse to perform any duty, exercise any right or power, extend or risk its own funds or otherwise incur any financial liability, unless it receives indemnity and/or security and/or pre-funding satisfactory to it against any loss, liability or expense. No Holder will have the right to pursue any remedy with respect to the Indenture or the Bonds, unless:

(i) such Holder shall have previously given the Trustee written notice of a continuing Event of Default;

(ii) the Holders of at least 25% in aggregate principal amount of the outstanding Bonds shall have made a written request to the Trustee to pursue such remedy;

(iii) such Holder or Holders shall have offered to the Trustee security and/or indemnity and/or prefunding against any loss, liability or expense satisfactory to it;

(iv) the Trustee shall have failed to comply with the request within 60 days after receipt of such notice, request and offer of security and/or indemnity and/or prefunding; and

(v) the Holders of a majority in aggregate principal amount of the outstanding Bonds shall not have given the Trustee a direction inconsistent with such request within 60 days after receipt of such request.

The right of any Holder (i) to receive payment of the principal of and other amounts on the Bonds, Additional Amounts, the Holder's Put Price upon exercise of the Holder's Put Right, the Delisting Put Price upon exercise of the Delisting Put Right or the Change of Control Put Price upon exercise of the Change of Control Put Right, or to receive Common Shares on or after any Redemption Date, Purchase Date or Conversion Date, as the case may be, (ii) to convert its Bonds or (iii) to bring suit for the enforcement of any such right, shall not be materially impaired or materially adversely affected without such Holder's consent.

The Holders of a majority in aggregate principal amount of Bonds at the time outstanding may waive any existing Default and its consequences, except (i) any default in any payment on the Bonds, (ii) any default with respect to the Conversion Rights of Holders or (iii) any default with respect to certain covenants or provisions in the Indenture which may not be modified without the consent of the Holder as described in "— *Meeting of Bondholders; Modification and Waiver*" below. When a Default is waived, it is deemed cured and shall cease to exist, but no such waiver shall extend to any subsequent or other Default or impair any consequent right.

The Trustee and the Agents shall not be required to take any steps to monitor or ascertain whether an Event of Default or any event which could lead to the occurrence of an Event of Default has occurred or may occur, and will not be responsible to Holders or any other person for any loss arising from any failure by it to do so. The Trustee or the Agents shall be entitled to assume that no such event has occurred and that the Issuer is performing all its obligations under the Indenture and the Bonds until they have received written notice to the contrary from the Issuer. The Trustee is entitled to rely conclusively on any opinion of counsel or officer's certificate regarding whether an Event of Default has occurred.

The Issuer will be required to furnish to the Trustee annually, and within 14 days after any request of the Trustee, a officer's certificate concerning the performance and observance of its obligations under the Bonds or the Indenture (on which the Trustee may rely conclusively on as to such compliance and shall not be liable to any Bondholder or any other person for such reliance). In addition, the Issuer is required to file immediately with the Trustee upon occurrence of any occurrence of such Default or Event of Default or within 14 days following the Trustee's request, an officer's certificate, specifying each such default and the nature and status thereof.

Prescription

Claims in respect of payment of the principal of or other amounts on the Bonds will be prescribed unless made within a period of six years from the relevant due date of payment in respect thereof.

Under ROC laws, claims in respect of the payment of (a) principal and (b) interest (inclusive of redemption premium) would become unenforceable after 15 years and 5 years, respectively from the relevant due date of payment in respect thereof.

Meeting of Bondholders; Modification and Waiver

The Indenture contains provisions for convening meetings of the Holders to consider any matter affecting their interests, including the approval of certain amendments or modifications of the Bonds or the provisions of the Indenture upon either the written consent of the Holders of a majority in aggregate principal amount of the outstanding Bonds or the approval at a meeting of the Holders duly called by persons entitled to vote a majority in principal amount of the outstanding Bonds. The quorum at any such meeting shall be two or more persons entitled to vote a majority in principal amount of the outstanding Bonds.

Modifications and amendments of the Indenture or the Bonds may be made by the Issuer and the Trustee with the written consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Bonds; *provided* that no such modification or amendment may, without the consent of the Holders of not less than 75% in aggregate principal amount of the outstanding Bonds:

(i) change the Maturity Date of the principal of any Bond;

(ii) reduce the principal of or premium or other amounts on any Bond or increase the then current Conversion Price (except as required by the anti-dilution provisions of the Indenture);

(iii) change the place or currency of payment of the principal of or other amounts on any Bond or the method of calculating any such payment;

(iv) impair the right to institute suit for the enforcement of any payment on or after the Maturity Date (or, in the case of a redemption, on or after the Redemption Date) of any Bond;

(v) alter the obligations of the Issuer under "— *Certain Covenants — Negative Pledge*", "— *Certain Covenants — Consolidation, Amalgamation or Merger*" or "— *Additional Amounts*" above;

(vi) materially adversely affect the Conversion Right, the Holder's Put Right, the Delisting Put Right or the Change of Control Put Right;

(vii) change the Bondholder's Put Option Date;

(viii) modify the obligations of the Issuer to maintain an office or agency (including without limitation the Paying Agent, the Conversion Agent or the Transfer Agent);

(ix) reduce the above-stated percentage of outstanding Bonds the consent of whose Holders is necessary to modify or amend the Indenture;

(x) reduce the percentage or aggregate principal amount of outstanding Bonds the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain Defaults;

(xi) modify any of the percentage voting and quorum provisions described under "*—Meeting of Bondholders; Modification and Waiver*"; or

(xii) release the Issuer from any obligation under the Indenture other than in accordance with the provisions of the Indenture, or amend or modify any provision relating to such release in a manner that materially adversely affects the rights of the Holders.

Neither the Issuer nor any of its Subsidiaries will, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Bonds, unless such consideration is offered to be paid or agreed to be paid to all Holders that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or amendment.

Without the consent of any Holder, the Issuer together with the Trustee may amend the Indenture to:

(i) cure any ambiguity, defect, manifest errors or inconsistency in the Indenture or the Bonds;

(ii) provide for the assumption of the Issuer's obligations under the Bonds and the Indenture by the surviving Person in a Merger effected in accordance with the provisions of the Indenture described under "*—Certain Covenants — Consolidation, Amalgamation or Merger*" above;

(iii) make any other change that does not materially adversely affect the rights of any Holder;

(iv) make any change necessary to comply with applicable ROC laws and regulations; or

(v) add to the covenants or obligations of the Issuer under the Indenture or decrease the Conversion Price at the discretion of the Issuer or surrender any right, power or option conferred by the Indenture on the Issuer.

Notices

Whenever the Indenture provides for notice to be given to Holders, such notice will be validly given (except as otherwise expressly provided) if in writing and sent to each Holder entitled thereto, at such Holder's last address as it appears on the Bond register. Any such notice shall be deemed to have been given on the seventh day after being so sent. Notwithstanding the foregoing, so long as the Bonds are represented by the Global Bonds and the Global Bonds are held on behalf of Euroclear and Clearstream, notice to Holders may be given by delivery of the relevant notice to Euroclear and Clearstream or their successor clearing systems for communication by them to entitled accountholders in substitution for notification as required by the foregoing sentence.

Concerning the Trustee

Citicorp International Limited has been appointed as Trustee under the Indenture and as registrar (the "Registrar") with regard to the Bonds, and Citibank, N.A., London Branch has been appointed as Paying Agent, as Conversion Agent and as Transfer Agent with regard to the Bonds. The Indenture provides that, prior to the occurrence of an Event of Default, the Trustee will not be liable except for the performance of such duties as are specifically set forth in such Indenture, and no implied covenant, duty or obligation shall be read into the Indenture, the Bonds or any documents to which the Trustee is a party against the Trustee. If an Event of Default has occurred and is continuing, the Trustee will be obligated to use the same degree of care and skill as a prudent person in its exercise of the rights and powers vested in it under the Indenture. The Trustee will not be responsible for any loss, liability, cost, claim, actions, demand, expense or inconvenience which may result from their exercise or non-exercise of any rights or powers conferred under the Indenture for the benefit of the Holders. Whenever in the Indenture, the Bonds or by law, the Trustee shall have discretion or permissive power it may decline to exercise the same in the absence of approval by the Holders. In the exercise of its duties, the Trustee shall not be responsible for the verification of the accuracy or completeness of any certification submitted to it by the Issuer and is entitled to rely exclusively and conclusively on the certification contained therein, and take action based on the information contained in, the certification or legal opinion. Notwithstanding anything described herein, the Trustee has no duty to monitor the performance or compliance of the Issuer in the fulfillment of its obligations under the Indenture and the Bonds. Furthermore, the Trustee shall not be deemed to have any actual or constructive knowledge of any Default or Event of Default unless it has been actually notified in writing of such event.

The Trustee shall not be responsible for the performance by the Issuer or any other person appointed by the Issuer in relation to the Bonds and, unless notified in writing to the contrary, shall assume that the same are being duly performed. The Trustee shall not be liable to any Holders or any other person for any action taken by the Holders or the Trustee in accordance with the instructions of the Holders. The Trustee is entitled to rely conclusively on all instructions, notices, declarations and certifications or any translations thereof received pursuant to the Indenture or the Bonds without investigating or being responsible for the accuracy, authenticity and validity of these instructions, notices, declarations and certifications or any translations thereof.

Neither the Trustee nor the Agents will be responsible for making calculations or for verifying calculations performed by the Issuer or any other persons unless otherwise specified in the Indenture, or have a duty to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection thereto, and shall not be liable to the Holders or any other person for not doing so.

The Trustee or any of the Agents may become the owner or pledgee of the Bonds with the same rights it would have if it were not the Trustee or an Agent and may otherwise deal with the Issuer and receive, collect, hold and retain collections from the Issuer with the same rights it would have if it were not the Trustee or an Agent. The Trustee and entities associated with the Trustee shall be permitted to engage in business and other contractual relationships with the Issuer and its Affiliates and Subsidiaries and profit therefrom, without having to account for such profits. The Trustee shall have no liability merely by virtue of the existence of any such relationship other than by reason of its gross negligence or willful misconduct.

The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Indenture or to institute, conduct or defend any litigation under this Indenture or in relation to this Indenture or the Bonds unless at the request, order or direction of any of the Holders pursuant to the provisions of this Indenture, unless such Holders shall have instructed the Trustee in writing and offered to the Trustee security and/or indemnity and/or pre-funding satisfactory to the Trustee in its sole discretion against the costs, expenses and liabilities which may be incurred therein or thereby. Each Holder shall be solely responsible for making its own independent appraisal of and investigation into all risks arising under or in connection with the Indenture, and the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer, and the Trustee shall not at any time have any responsibility for the same and each Holder shall not rely on the Trustee in respect thereof.

Pursuant to the terms of the Indenture and the Bonds, the Issuer will reimburse the Trustee and the Agents for all properly incurred expenses, and advances properly made, by the Trustee and each predecessor Trustee except to the extent that any such expense was as a result of the Trustee's gross negligence or willful default.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Issuer to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee and its associated entities are permitted to engage in other transactions with the Issuer and its Affiliates and shall not be obligated to account for any profits therefrom. Without prejudice to the foregoing, the Trustee is permitted to deal (whether on their own or their customers' account) in, or advise on, securities of such other customers and that such dealing or giving of advice will not constitute a conflict of interest for the purposes of the Bonds or the Indenture.

Disclosure Obligations

The Indenture provides that the Issuer may have certain disclosure obligations and reporting obligations under ROC law if:

(i) the person to be registered as a shareholder of the Issuer is a "related party" of the Issuer under the Regulations Governing the Preparation of Financial Report by Securities Issuers of the ROC and such person beneficially owns Common Shares converted from the Bonds; or

(ii) the person to be registered as a shareholder owns Common Shares issued upon conversion of the Bonds and the Common Shares so issued on conversion exceed 10% of the total number of Common Shares expected to be issued upon conversion of the Bonds based on the conversion price at the time of issue of the Bonds.

Due to these obligations, if so instructed by the Issuer, the Conversion Agent may ask the converting Holders to disclose the name of the person to be registered as the shareholder and to provide proof of identity and genuineness of any signature and other information and documents before it will convert the Bonds. The conversion of Bonds may be delayed until the Conversion Agent receives the requested information and satisfactory evidence of the compliance with all laws and regulations by the Holders. The information the Holder is required to provide may include the name and nationality of the person to be registered as a shareholder of the Issuer and the total number of Common Shares such person is converting or has converted in the past.

Governing Law and Jurisdiction

The Indenture and the Bonds are governed by, and shall be construed in accordance with, the laws of the State of New York without giving effect to applicable principles of conflicts of law to the extent that the application of the law of another jurisdiction would be required thereby. In relation to any legal action or proceedings arising out of or in connection with the Indenture and the Bonds, the Issuer has in the Indenture irrevocably and unconditionally submitted to the non-exclusive jurisdiction of the New York State and United States Federal courts located in the Borough of Manhattan, The City of New York. The Issuer has appointed Cogency Global Inc., now located at 122 East 42nd Street, 18th Floor, New York, NY 10168, as its agent for service of process.

Bondholders should note that exercise of a Conversion Right is subject not only to the provisions of the Indenture but also to the applicable ROC laws and regulations.

TAXATION

The following is a summary addresses the principal ROC tax consequences of the ownership and disposition of the Bonds or the Common Shares to a Non-ROC Resident Individual or Non-ROC Resident Entity (each a "**Non-ROC Holder**"). As used in the preceding sentence, a "**Non-ROC Resident Individual**" is a foreign national individual who owns the Bonds or the Common Shares and does not reside in the ROC for 183 days or more during any calendar year, and a "Non-ROC Resident Entity" is a corporation or a non-corporate body that owns the Bonds or the Common Shares and is organized under the laws of a jurisdiction other than the ROC and has no fixed place of business or business agent in the ROC.

You should consult your tax advisors concerning the ROC tax consequences of owning the Bonds or Common Shares and the laws of any relevant taxing jurisdiction to which you are subject.

Bonds

Possible Interest Payments

Payments of interest or premium (if any ever becomes payable on the Bonds) to a Non-ROC Holder constitute interest income derived from the ROC and, therefore, are subject to ROC withholding tax at a rate of 15% at the time of payment unless a lower withholding rate is provided under a tax treaty between the ROC and the jurisdiction where the Non-ROC Holder is a resident. The Company has agreed to pay Additional Amounts in respect of such withholding tax on the payments of interest or premium. See "Description of the Bonds — Additional Amounts".

Sale

The sale of convertible bonds which were issued and offered by ROC companies outside of the ROC is not subject to ROC securities transaction tax according to a tax directive issued by the ROC Ministry of Finance dated March 23, 2010. Accordingly, the sale of the Bonds will not be subject to the securities transaction tax.

Gains from the sale of property in the ROC are generally subject to ROC income tax. However, under current ROC law, capital gains in transactions of corporate bonds issued by ROC companies are exempt from income tax. This exemption applies to capital gains derived from the sale of the Bonds.

Conversion into Common Shares

The conversion of the Bonds into Common Shares is not subject to ROC tax. However, securities transaction tax, gift tax and/or income tax may be imposed in relation to the converting holder's designation of other person to be the holder of Common Shares upon conversion of the Bonds.

Common Shares

Dividends on the Common Shares

Dividends (whether in cash or Common Shares) distributed by the Company out of retained earnings and paid out to Non-ROC Holders of Common Shares are normally subject to ROC income tax collected by way of withholding at the time of distribution. The current rate of withholding for Non-ROC Holders of Common Shares is 21% of the amount of the distribution, unless a lower withholding rate is provided under a tax treaty between the ROC and the jurisdiction where the Non-ROC Holder is a resident.

Distributions of stock dividends declared by the Company out of capital reserves are not subject to withholding tax, except under limited circumstances.

In accordance with the ROC Income Tax Act, a 5% retained earnings tax will be imposed on a company for its after-tax earnings generated after January 1, 1998 which are not distributed in the following year. The retained earnings tax so paid will further reduce the retained earnings available for future distribution.

Preemptive Rights

Distributions of statutory subscription rights for the Common Shares in compliance with the ROC Company Act are not subject to ROC tax. Proceeds derived from sales of statutory subscription rights evidenced by securities are subject to securities transactions tax, currently at the rate of 0.3% of the gross amount received. Non-ROC Holders are exempt from income tax on any capital gains from such sales. However, proceeds derived from sales of statutory subscription rights which are not evidenced by securities are subject to income tax at the rate of 20% of the gains realized. Subject to compliance with ROC law, the Company has the sole discretion to determine whether statutory subscription rights shall be evidenced by the issuances of securities.

Sale

Under current ROC law, Non-ROC Holders are exempt from income tax on any capital gains generated from the sale of Common Shares.

The ROC Government imposes a securities transaction tax that will apply to sales of the Common Shares. The transaction tax, which is payable by the seller, is levied on sales of Common Shares at the rate of 0.3% of the gross amount received.

Estate Tax and Gift Tax

ROC estate tax is payable on any property within the ROC of a deceased Non-ROC Resident Individual, and ROC gift tax is payable on any property within the ROC donated by a Non-ROC Resident Individual. Estate tax and gift tax are currently imposed at progressive rates of 10%, 15% and 20%. Under ROC estate and gift tax laws, the Bonds and Common Shares are deemed located in the ROC without regard to the location of the owner.

Tax Treaty

At present, the ROC has double tax treaties with Indonesia, Singapore, New Zealand, Australia, South Africa, Gambia, Senegal, Sweden, Eswatini, Malaysia, North Macedonia, the Netherlands, Belgium, Denmark, the UK, Vietnam, Israel, Paraguay, Hungary, France, India, Slovakia, Switzerland, Germany, Thailand, Kiribati, Luxembourg, Austria, Italy, Japan, Canada, Poland, Czech Republic, Saudi Arabia and South Korea. These tax treaties may provide a reduced withholding tax rate on interests and dividends paid with respect to bonds or shares in ROC companies.

TRANSFER RESTRICTIONS

Transfer Restrictions on the Bonds

Because of the following restrictions, we encourage you to consult a legal counsel prior to making any offer, resale, pledge or other transfer of the Bonds or the Common Shares issuable upon conversion of the Bonds.

The Bonds may not be offered or sold directly or indirectly in the ROC. The Bonds and the Common Shares issuable upon conversion of the Bonds have not been registered under the Securities Act and the Bonds may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Bonds are being offered and sold only outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act.

Except in certain limited circumstances, interests in the Bonds may only be held through interests in the Global Bond. Such interests in the Global Bond will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream and their respective direct and indirect participants.

Each purchaser of the Bonds, by accepting delivery of the Bonds, will be deemed to have acknowledged and represented to and agreed as follows (terms used herein that are defined in Regulation S are used as defined therein):

1. the Bonds and the Common Shares issuable upon conversion of the Bonds have not been and are not expected to be registered under the Securities Act or with any securities regulatory authority of any state of the United States and are subject to significant restrictions on transfer;

2. it is purchasing such Bonds outside the United States in an offshore transaction meeting the requirements of Regulation S;

3. it agrees (or if it is a broker-dealer, its customer has confirmed to it that such customer agrees) that it (or such customer) will not offer, sell, pledge or otherwise transfer such Bonds except as permitted by the applicable legend set forth in paragraph (4) below;

4. it understands that the Regulation S Global Bond and any physical certificate evidencing the Bonds will bear a legend to the following effect, unless the Company determines otherwise in compliance with applicable law, and that it will observe the restrictions contained therein:

THE ZERO COUPON CONVERTIBLE BONDS DUE 2030 (THE “BONDS”) AND THE COMMON SHARES ISSUABLE UPON CONVERSION OF THE BONDS HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ALL APPLICABLE SECURITIES LAWS. EACH HOLDER AND BENEFICIAL OWNER, BY ITS ACCEPTANCE OF THE BONDS EVIDENCED HEREBY, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS;

5. it understands that the Bonds will be represented initially by a Global Bond; and

6. we, the Trustee, the Initial Purchaser and its affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Each purchaser of Bonds that may wish to resell any Bonds pursuant to Regulations S is advised that approval in-principle has been received for the listing and quotation of the Bonds on the SGX-ST. The SGX-ST is a “designated offshore securities market” (within the meaning of Regulation S) and accordingly, a resale transaction could be effected in, on or through the facilities of such exchange in reliance upon the safe harbor provided by Rule 904 of Regulation S, subject to compliance with the conditions of Rule 904.

PLAN OF DISTRIBUTION

UBS AG Hong Kong Branch is the sole bookrunner and the Initial Purchaser of this offering.

Subject to the terms and conditions stated in a purchase agreement, dated as of January 9, 2025, entered into between the Company and the Initial Purchaser (the "**Purchase Agreement**"), the Initial Purchaser have agreed to purchase, and the Company has agreed to sell to that Initial Purchaser, the following principal amounts of the Bonds:

Initial Purchaser	Principal Amount
UBS AG Hong Kong Branch	US$150,000,000
Total	US$150,000,000

The Purchase Agreement provides that the obligations of the Initial Purchaser to purchase the Bonds included in this offering are subject to certain conditions, including receipt of certain legal opinions, and entitles the Initial Purchaser to terminate it in certain circumstances prior to payment being made to the Company.

The Initial Purchaser or its affiliates may purchase the Bonds for their own account and enter into transactions, including (a) credit derivatives including asset swaps, repackaging and credit default swaps relating to the Bonds and/or the Company's securities or (b) equity derivatives and stock loan transactions relating to the Common Shares at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counter-parties and separately from any existing sale or resale of the Bonds to which this offering memorandum relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds). The Initial Purchaser or its affiliates may purchase Bonds and be allocated Bonds for asset management and/or proprietary purposes and not with a view to distribution. The Initial Purchaser or any of its affiliates is not expected to disclose such transactions or the extent of any such investment, except as required by any legal or regulatory obligation to do so. These transactions may involve a substantial portion of the Bonds.

The Bonds and the Common Shares (to be delivered upon conversion of the Bonds) have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "Transfer Restrictions." The Bonds will not be offered or sold directly or indirectly in the ROC, or to, or for the account or benefit of, any ROC person.

Approval in-principle has been received for the listing and quotation of the Bonds on the SGX-ST. However, the Company cannot assure you that the prices at which the Bonds will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the Bonds will develop and continue after this offering.

For a period of 90 days following the Closing Date, without the prior written consent of the Initial Purchaser, the Company will not, nor will any person acting on its behalf, (a) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any Common Shares or any securities convertible into or exercisable or exchangeable for Common Shares (collectively, the "**Lock-up Securities**"), (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Lock-up Securities or (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction described in clause (a), (b) or (c) above is to be settled by delivery of any Lock-up Securities, in cash or otherwise, other than the Bonds to be sold in this offering and the Common Shares issuable upon conversion of the Bonds, or (d) offer to, agree to or announce any intention to engage in any such transaction described in clause (a), (b) or (c) above other than the sale of the Bonds offered hereby. Notwithstanding the foregoing, the Company may (i) issue or declare stock dividends consistent with past practice; and (ii) implement stock splits.

The Initial Purchaser has performed commercial banking, investment banking and advisory services for us from time to time for which it has received customary fees and reimbursement of expenses. The Initial Purchaser may, from time to time, engage in transactions with and perform services for us in the ordinary course of its business for which it may receive customary fees and reimbursement of expenses.

Pursuant to the purchase agreement, the Company has agreed to indemnify the Initial Purchaser against certain losses and liabilities or to contribute to payments that the Initial Purchaser may be required to make in respect thereof.

The Bonds are being sold outside of the United States to non-U.S. persons in reliance on Regulation S.

Restriction on related party subscription under ROC law

The Bonds may not be offered or sold directly or indirectly in the ROC, or to, or for the account or benefit of, any ROC person.

Under applicable ROC laws and regulations, the Company and the Initial Purchaser are prohibited from offering and selling the Bonds to the "related parties" as set forth in the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the persons as specified in Section 36 of the ROC Securities Association Rules Governing Underwriting and Resale of Securities by Securities Firms. Therefore, each subscriber or purchaser of the Bonds described in this offering memorandum will be deemed to have acknowledged and represented to us and the Initial Purchaser that he, she or it is not: (a) a related party to the Company, (b) a business entity that is invested by us using equity method in the Company's accounting reporting, (c) a business entity that invests in the Company and uses equity method in its accounting reporting, (d) a company whose chairperson of the board or president is the same as that of the Company or is the spouse thereof, (e) a foundation with one-third or more of its total paid-in fund donated by the Company, (f) our director, president, vice-president, assistant vice president, and other department head under the immediate supervision by the Company's president, (g) a spouse of the Company's director or president, (h) a director or employee of any member of the underwriting syndicate or a spouse thereto, and (i) a person subscribing for the Bonds on behalf of or for the benefit of any person set forth in items (b) to (h) above.

Notice to Capital Market Intermediaries and Prospective Investors Pursuant to Paragraph 21 of the Code – Important Notice to CMIs (including Private Banks)

This notice to CMIs (including Private Banks) is a summary of certain obligations the Code imposes on CMIs, which require the attention and cooperation of other CMIs (including Private Banks). Certain CMIs may also be acting as OCs for this Offering and are subject to additional requirements under the Code.

Paragraph 21.3.3(c) of the Code requires that a CMI should take all reasonable steps to identify whether its investor clients may have any associations with the Issuer, a CMI or a company in the same group of companies as the CMI and provide sufficient information to the OC to enable it to assess whether orders placed by these investors may negatively impact the price discovery process.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the Code as having an Association with the Issuer, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the Bonds. In addition, Private Banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer or any CMI (including its group companies) and inform the Initial Purchaser accordingly.

CMIs are informed that the marketing and investor targeting strategy for this Offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions and any MiFID II product governance language (if applicable) set out elsewhere in this offering memorandum.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the Bonds (except for omnibus orders where underlying investor information should be provided to the OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place “X-orders” into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including Private Banks as the case may be) in the order book and book messages.

CMIs (including Private Banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer. In addition, CMIs (including Private Banks) should not enter into arrangements which may result in prospective investors paying different prices for the Bonds.

The Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, the Initial Purchaser in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the Bonds, Private Banks should disclose, at the same time, if such order is placed other than on a “principal” basis (whereby it is deploying its own balance sheet for onward selling to investors). Private Banks who do not provide such disclosure are hereby deemed to be placing their order on such a “principal” basis. Private Banks who disclose that they are placing their order other than on a "principal" basis (i.e. they are acting as an agent) should note that such order may be considered to be an omnibus order pursuant to the Code. Private Banks should be aware that if any of their group companies is a CMI of this Offering, placing an order on a “principal” basis may require the Initial Purchaser to apply the “proprietary orders” of the Code to such order and will require the Initial Purchaser to apply the “rebates” requirements of the Code (if applicable) to such order.

In relation to omnibus orders, when submitting such orders, CMIs (including Private Banks) are requested to provide the following underlying investor information, preferably in Excel Workbook format, in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including Private Banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to the OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to the OCs. By submitting an order and providing such information to the OCs, each CMI (including Private Banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by the OCs and/or any other third parties as may be required by the Code, including to the Issuer, relevant regulators and/or any other third parties as may be required by the Code, for the purpose of complying with the Code, during the bookbuilding process for the Offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in the Offering. The Initial Purchaser may be asked to demonstrate compliance with its obligations under the Code, and may request other CMIs (including Private Banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including Private Banks) are required to provide the relevant Initial Purchaser with such evidence within the timeline requested.

Notice to prospective investors in the European Economic Area

The Initial Purchaser has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds which are the subject of the offering contemplated by this offering memorandum to any retail investor in the EEA. For the purposes of this provision, the expression "**retail investor**" means a person who is one (or more) of the following: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Notice to prospective investors in the United Kingdom

Each of the Initial Purchaser has represented and agreed that: (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or the sale of the Bonds in circumstances in which section 21(1) of the FSMA does not apply to us; and (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Bonds in, from or otherwise involving the UK.

Each of the Initial Purchaser has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds which are the subject of the offering contemplated by this offering memorandum to any retail investor in the UK. For the purposes of this provision: the expression "**retail investor**" means a person who is one (or more) of the following: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

Notice to prospective investors in Hong Kong

The securities may not be offered or sold in Hong Kong by means of any document other than (a) to "**professional investors**" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and no advertisement, invitation or document relating to the securities may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "**professional investors**" within the meaning of the SFO and any rules made thereunder.

Notice to prospective investors in Japan

The securities offered in this offering memorandum have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948) (as amended) (the "**FIEA**"). Accordingly, the securities have not been offered or sold and will not be offered or sold, directly or indirectly, in Japan or to, or for the account of, any resident of Japan, or to others for re-offering or re-sale, directly or indirectly in Japan or to, for the benefit of, any resident of Japan, except pursuant to any exemption from the registration requirements of the FIEA and otherwise in compliance with the FIEA and other applicable provisions of Japanese laws, regulations and governmental guidelines. As used in this paragraph, "**resident of Japan**" means any person residing in Japan, including any corporation or other entity organized under the laws of Japan.

Notice to prospective investors in Singapore

Each dealer has acknowledged that this offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each dealer has represented and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, the offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore (the "**SFA**")) pursuant to Section 274 of the SFA, or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 of Singapore.

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds may not be circulated or distributed, nor may the Bonds be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 of Singapore.

Investors should note that there may be restrictions on the secondary sale of the Securities under Section 276 of the SFA.

Any reference to the SFA is a reference to the Securities and Futures Act 2001 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term or provision as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Notice to prospective investors in the PRC

This offering memorandum is not intended to constitute a public offer of the Bonds, whether by way of sale or subscription, in the PRC. The Bonds are not being offered and may not be offered or sold, directly or indirectly, in the PRC to or for the benefit of, legal or natural persons of the PRC other than to QDIIs in the PRC. Pursuant to the Measures for the Administration of Overseas Securities Investment by Qualified Domestic Institutional Investors, with the exception of QDIIs in the PRC, the Bonds may, subject to the laws and regulations of the relevant jurisdictions, only be offered or sold to non-PRC natural or legal persons in any country other than the PRC.

SUMMARY OF CERTAIN MATERIAL DIFFERENCES BETWEEN TAIWAN IFRS AND IFRS

Our financial statements are prepared and presented in accordance with Taiwan IFRS, which differs in certain material respects from IFRS. Certain material differences between Taiwan IFRS applicable to us and IFRS are summarized below. The summary should not be taken as inclusive of all Taiwan IFRS/IFRS differences. Additionally, no attempt has been made to quantify all differences or identify all disclosure, presentation or classification differences that would affect the manner in which events and transactions are presented in the financial statements or notes thereto. Further, no attempt has been made to identify future differences between Taiwan IFRS and IFRS as a result of prescribed changes in accounting standards. Regulatory bodies that promulgate Taiwan IFRS and IFRS have significant projects ongoing that could affect future comparisons such as this one.

If we were to prepare a complete reconciliation between Taiwan IFRS and IFRS additional accounting and disclosure differences might have come to our attention.

Subject	Taiwan IFRS	IFRSs
Tax on undistributed earnings	Under Taiwan IFRS, companies in the ROC are subject to 10% surtax on profits earned and retained since December 31, 1997. If the retained profits are distributed to the shareholders in the fiscal year following the year of earnings, the surtax could be avoided. If the earnings are not fully distributed to the shareholders, surtax is recorded as income tax expenses in the fiscal year when a shareholders' decision on distribution is made. In addition, starting from 2018, the rate of the corporate surtax applicable to the unappropriated earnings is reduced from 10% to 5%.	Under IFRS, current and deferred tax assets and liabilities are measured at the tax rate applicable to the undistributed profits. Consequently, tax on undistributed earnings should be accrued during the period in which the earnings arise and adjusted to the extent of the distributions approved by the shareholders in the following year.
Disclosure of goodwill from business combinations.................	Taiwan IFRS requires additional disclosure if there is a significant difference between the actual operation conditions after a business combination and the expected benefits at the acquisition date.	Under IFRS, there is no such additional disclosure required as Taiwan IFRS.
Disclosure of related party transactions.................................	Taiwan IFRS requires additional disclosure of the names of the related parties and the relationships with whom the company has significant transactions. If the transaction amount or balance with a specific related party is 10% or more of the company's respective total transaction amount or balance, such transactions should be separately disclosed by the name of each related party. Furthermore, Taiwan IFRS also stipulates that other companies or institutions of which the chairman of the company's board of directors or president serves as the chairman of the board of directors or the president of the	Under IFRS, in considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form. However, there is no such additional disclosure required as Taiwan IFRS.

company or its subsidiaries, or is the spouse or second immediate family member of the chairman of the company's board of directors or president of the company or its subsidiaries, are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists.

The information set forth above does not in any way attempt to quantify the effects of the aforementioned differences between Taiwan IFRS and IFRS and the impact that such differences would have on net income or a shareholder's equity under IFRS.

LEGAL MATTERS

Certain legal matters with respect to the Bonds will be passed upon for us by Lee and Li, Attorneys-at-Law as to ROC law, Jingtian & Gongcheng as to PRC law, Miura & Partners as to Japanese law and Allen & Gledhill LLP as to Singaporean law and for the Initial Purchaser by Sullivan & Cromwell (Hong Kong) LLP as to U.S. Federal and New York law.

INDEPENDENT AUDITORS

The consolidated financial statements as of and for the years ended December 31, 2021, 2022 and 2023 included in this offering memorandum have been audited by Deloitte & Touche, independent auditors, to the extent and for the periods indicated in their report appearing herein. Such reports express an unqualified opinion on the financial statements. Deloitte & Touche is located at 20th Floor, Taipei Nan Shan Plaza, No. 100, Songren Rd., Xinyi District, Taipei 110016, Taiwan. Deloitte & Touche is a member of the Taiwan CPA Association.

With respect to the unaudited consolidated financial information as of and for the nine months ended September 30, 2023 and 2024 included in this offering memorandum, Deloitte & Touche, independent auditors, have reported that they have applied limited procedures in accordance with the Standards on Review Engagements of the Republic of China 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" for a review of such information. However, the separate review report included in this offering memorandum states that they did not audit and do not express an opinion on such financial statements. Accordingly, the degree of reliance on their report on such financial statements should be restricted in light of the limited nature of the review procedures applied.

GENERAL INFORMATION

We are incorporated as a company limited by shares in the ROC on April 9, 2008 and commenced business in July 2008. Our registered office is located at No. 4, Creation Rd. III, Hsinchu Science Park, Hsinchu City 300, Taiwan, ROC. As of September 30, 2024, our authorized share capital registered with the Hsinchu Science Park Bureau of the National Science and Technology Council was NT$5,000,000,000, and our paid-in share capital was NT$4,197,652,680, divided into 419,765,268 Common Shares with a par value of NT$10.00 per share. Winbond is our controlling shareholder. Our Legal Entity Identifier is 25490081WZAX02O6MB63.

The Bonds have been accepted for clearance and settlement by Euroclear and Clearstream. Relevant trading information is set forth below.

	ISIN	Common Code
Bonds...	XS2972955608	297295560

Approval in-principle has been received for the listing and quotation of the Bonds on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any statements made, opinions expressed or reports contained in this offering memorandum.

The Company has obtained all necessary consents, approvals and authorizations in connection with the issue of the Bonds, including the approvals of the CBC and the FSC, which have been duly obtained on December 9, 2024 and December 31, 2024, respectively, and are, and will be on the Closing Date, in full force and effect.

The issue of the Bonds was authorized by the resolutions of the Company's board of directors passed on November 20, 2024.

Except as disclosed, there has been no significant change in the Company's financial or trading position since September 30, 2024 or any material adverse change in the Company's financial position or prospects since September 30, 2024.

Neither the Company nor any of its subsidiaries is involved in any litigation or arbitration proceedings which may have, or have had during the period recently preceding the date of this offering memorandum, a material adverse effect on the Company's financial position, nor, so far as the Company or any of its subsidiaries is aware, are any such proceedings pending or threatened except as may be otherwise disclosed or referred to herein.

No company in which the Company has a direct or indirect holding of more than 50% of capital or issued shares holds any Common Shares.

Copies (and certified English translations where the documents are not in English) of the following documents may be inspected, free of charge, at the specified offices of the Company, so long as the Bonds remain outstanding:

- the Company's Articles of Incorporation;
- the Indenture relating to the Bonds;
- the Purchase Agreement relating to the Bonds;
- this offering memorandum; and
- any supplements to this offering memorandum.

Trades for the Bonds on the SGX-ST will be cleared through Clearstream and Euroclear in accordance with their respective rules and operating procedures.

For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Company will appoint and maintain a paying agent in Singapore, where the Bonds may be presented or surrendered for payment or redemption, in the event that the Global Bonds is exchanged for individual definitive Bonds. In addition, in the event that any of the Global Bonds is exchanged for individual definitive Bonds, announcement of such exchange will be made by the Company or on its behalf through the SGX-ST. Such announcement will include all material information with respect to the delivery of the individual definitive Bonds, including details of the paying agent in Singapore. For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Bonds will be traded on the SGX-ST in a minimum board lot size of US$200,000.

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Audited Consolidated Financial Statements for the Years Ended December 31, 2021 and 2022

Audited Consolidated Financial Statements for the Years Ended December 31, 2022 and 2023

Unaudited Consolidated Financial Statements for the Nine Months Ended September 30, 2023 and 2024

Nuvoton Technology Corporation and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2022 and 2021 and Independent Auditors’ Report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The entities that are required to be included in the combined financial statements of Nuvoton Technology Corporation as of and for the year ended December 31, 2022, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, "Consolidated Financial Statements". In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Nuvoton Technology Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

NUVOTON TECHNOLOGY CORPORATION

By

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YUAN-MOU SU
Chairman

February 14, 2023

Deloitte.

勤業眾信

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Nuvoton Technology Corporation

Opinion

We have audited the accompanying consolidated financial statements of Nuvoton Technology Corporation and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matter

Key audit matter is this matter that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. This matter were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Occurrence of Sales Revenues

Revenue from the sale of goods is recognized when the customer received the goods and bear the risk. We performed an analytical procedure on the sales revenue in 2022, and some kind of products have relatively high gross margins and certain percentage of annual sales, which has an material impact of the financial report. Therefore, we choose the occurrence of those products sales revenue as a key audit matter for the year ended December 31, 2022. Refer to Note 4 to the consolidated financial statements for the Group’s revenue recognition policies.

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

Other Matter

We have also audited the parent company only financial statements of Nuvoton Technology Corporation as of and for the years ended December 31, 2022 and 2021 on which we have issued an unmodified opinion.

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

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

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

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

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2022 and are therefore the key audit matter. We describe this matter in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Shu Lin Liu

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 14, 2023

<u>*Notice to Readers*</u>

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

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

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	2022		2021	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 10,398,185	28	$ 9,699,031	28
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	2,894	-	1,631	-
Accounts receivable, net (Notes 4 and 8)	3,610,131	10	3,514,424	10
Accounts receivable from related parties, net (Notes 4, 8 and 32)	768,711	2	656,738	2
Financial lease receivable - current (Notes 4, 9 and 32)	96,731	-	-	-
Other receivables (Notes 10 and 32)	327,265	1	930,548	3
Inventories (Notes 4 and 11)	8,458,827	23	6,859,466	20
Other current assets	452,383	1	338,614	1
Total current assets	24,115,127	65	22,000,452	64
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	121,775	-	69,200	-
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 12)	1,234,748	3	2,676,174	8
Investments accounted for using equity method (Notes 4 and 13)	1,710,869	5	-	-
Property, plant and equipment (Notes 4, 14, 32 and 33)	5,764,085	16	5,248,513	15
Right-of-use assets (Notes 4, 15 and 32)	623,867	2	1,197,613	4
Investment properties (Notes 4, 16 and 33)	1,798,160	5	2,005,598	6
Intangible assets (Notes 4 and 17)	722,757	2	983,329	3
Deferred tax assets (Notes 4 and 26)	198,727	1	89,019	-
Refundable deposits (Notes 6, 32 and 33)	337,862	1	134,187	-
Finance lease receivables - non-current (Notes 4, 9 and 32)	123,451	-	-	-
Other non-current assets	100,312	-	4,305	-
Total non-current assets	12,736,613	35	12,407,938	36
TOTAL	$ 36,851,740	100	$ 34,408,390	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 18 and 33)	$ 1,069,040	3	$ -	-
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	7,412	-	-	-
Notes payable	-	-	38,753	-
Accounts payable	2,401,020	7	2,634,376	8
Accounts payable to related parties (Note 32)	747,717	2	466,673	1
Other payables (Notes 20 and 32)	4,464,260	12	4,795,770	14
Current tax liabilities (Notes 4 and 26)	712,005	2	402,369	1
Provisions - current (Note 21)	132,473	-	532,948	2
Lease liabilities - current (Notes 4, 15 and 32)	169,896	1	247,308	1
Long-term borrowings, current portion (Notes 18 and 33)	71,429	-	-	-
Other current liabilities	1,192,434	3	700,791	2
Total current liabilities	10,967,686	30	9,818,988	29
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 18 and 33)	1,428,571	4	1,500,000	4
Provisions - non-current (Note 21)	2,491,287	7	2,729,353	8
Deferred tax liabilities (Notes 4 and 26)	13,209	-	36,583	-
Lease liabilities - non-current (Notes 4, 15 and 32)	491,363	1	1,118,284	3
Net defined benefit liabilities - non-current (Notes 4 and 22)	1,492,573	4	1,641,861	5
Guarantee deposits (Notes 4, 23 and 32)	2,351,028	6	1,962,242	6
Other non-current liabilities	50,085	-	46,389	-
Total non-current liabilities	8,318,116	22	9,034,712	26
Total liabilities	19,285,802	52	18,853,700	55
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share capital (Note 24)	4,197,653	11	4,172,101	12
Certificates of bond-to-stock conversion (Note 24)	-	-	25,552	-
Capital surplus (Note 24)	6,871,827	19	6,871,811	20
Retained earnings (Note 24)				
Legal reserve	958,560	3	655,515	2
Unappropriated earnings	6,248,877	17	3,763,192	11
Exchange differences on translation of financial statements of foreign operations (Notes 4 and 24)	(1,005,611)	(3)	(1,044,941)	(3)
Unrealized gains (losses) on financial assets at fair value through other comprehensive income (Notes 4 and 24)	294,632	1	1,111,460	3
Total equity	17,565,938	48	15,554,690	45
TOTAL	$ 36,851,740	100	$ 34,408,390	100

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

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 25 and 32)	$ 41,872,426	100	$ 41,455,957	100
OPERATING COST (Notes 11, 27 and 32)	24,378,097	58	24,599,840	59
GROSS PROFIT	17,494,329	42	16,856,117	41
OPERATING EXPENSES (Notes 27 and 32)				
Selling expenses	1,162,124	3	1,185,131	3
General and administrative expenses	2,749,443	6	2,884,137	7
Research and development expenses	9,104,501	22	9,451,500	23
Expected credit loss	352	-	8,206	-
Total operating expenses	13,016,420	31	13,528,974	33
PROFIT FROM OPERATIONS	4,477,909	11	3,327,143	8
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 32)				
Finance costs	(35,230)	-	(68,915)	-
Share of profit (loss) of associates	126,861	-	-	-
Interest income	89,583	-	30,007	-
Dividend income	80,422	-	67,845	-
Other gains and losses	50,404	-	62,617	-
Gains (losses) on disposal of property, plant and equipment	304,132	1	134,893	1
Foreign exchange gains (losses)	143,614	-	(24,204)	-
Gains (losses) on financial assets at fair value through profit or loss	(130,675)	-	16,110	-
Total non-operating income and expenses	629,111	1	218,353	1
PROFIT BEFORE INCOME TAX	5,107,020	12	3,545,496	9
INCOME TAX EXPENSE (Notes 4 and 26)	(886,247)	(2)	(604,744)	(2)
NET PROFIT FOR THE YEAR	4,220,773	10	2,940,752	7

(Continued)

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE INCOME (LOSS) (Note 24)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 22)	$ 109,511	-	$ (48,395)	-
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	(253,744)	-	980,490	2
Income tax related to items that will not be reclassified subsequently to profit or loss	(5,812)	-	-	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	39,330	-	(916,589)	(2)
Other comprehensive income (loss) for the year, net of income tax	(110,715)	-	15,506	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 4,110,058	10	$ 2,956,258	7
EARNINGS PER SHARE (Notes 4 and 28)				
From continuing operations				
Basic	$ 10.06		$ 7.27	
Diluted	$ 9.99		$ 6.99	

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

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company							
				Retained Earnings		Other Equity		
	Ordinary Share	Certificates of Bond-to-stock Conversion	Capital Surplus	Legal Reserve	Unappropriated Earnings	Exchange Differences on Translation of Financial Statements of Foreign Operations	Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income	Total Equity
BALANCE AT JANUARY 1, 2021	$ 3,759,616	$ 124,320	$ 5,796,731	$ 596,905	$ 1,103,083	$ (128,352)	$ 269,065	$ 11,521,368
Appropriation of 2020 earnings (Note 24)								
Legal reserve	-	-	-	58,610	(58,610)	-	-	-
Cash dividends	-	-	-	-	(311,733)	-	-	(311,733)
Total appropriation earnings	-	-	-	58,610	(370,343)	-	-	(311,733)
Net profit for the year ended December 31, 2021	-	-	-	-	2,940,752	-	-	2,940,752
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	(48,395)	(916,589)	980,490	15,506
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	2,892,357	(916,589)	980,490	2,956,258
Convertible bonds converted to ordinary shares (Note 19)	412,485	(98,768)	884,833	-	-	-	-	1,198,550
Dividends from claims extinguished by prescriptions	-	-	10	-	-	-	-	10
Disposal of investments in equity instruments designated as at fair value through other comprehensive income (Notes 12and 24)	-	-	-	-	138,095	-	(138,095)	-
Disposal of subsidiaries (Note 29)	-	-	190,237	-	-	-	-	190,237
BALANCE AT DECEMBER 31, 2021	4,172,101	25,552	6,871,811	655,515	3,763,192	(1,044,941)	1,111,460	15,554,690
Appropriation of 2021 earnings (Note 24)								
Legal reserve	-	-	-	303,045	(303,045)	-	-	-
Cash dividends	-	-	-	-	(2,098,826)	-	-	(2,098,826)
Total appropriation earnings	-	-	-	303,045	(2,401,871)	-	-	(2,098,826)
Net profit for the year ended December 31, 2022	-	-	-	-	4,220,773	-	-	4,220,773
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	103,699	39,330	(253,744)	(110,715)
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	4,324,472	39,330	(253,744)	4,110,058
Convertible bonds converted to ordinary shares (Note 19)	25,552	(25,552)	-	-	-	-	-	-
Dividends from claims extinguished by prescriptions	-	-	16	-	-	-	-	16
Disposal of investments in equity instruments designated as at fair value through other comprehensive income (Notes 12 and 24)	-	-	-	-	563,084	-	(563,084)	-
BALANCE AT DECEMBER 31, 2022	$ 4,197,653	$ -	$ 6,871,827	$ 958,560	$ 6,248,877	$ (1,005,611)	$ 294,632	$ 17,565,938

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

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 5,107,020	$ 3,545,496
Adjustments for:		
Depreciation expense	1,039,876	1,089,508
Amortization expense	291,785	240,739
Expected credit loss recognized on accounts receivable	352	8,206
Finance costs	35,230	68,915
Interest income	(89,583)	(30,007)
Dividend income	(80,422)	(67,845)
Share of (profit) loss of associates	(126,861)	-
Gains on disposal of property, plant and equipment	(304,132)	(134,893)
Gain on lease modification	(110,866)	-
Other gains and losses	(90)	4,803
Changes in operating assets and liabilities		
(Increase) decrease in financial assets at fair value through profit or loss	(1,426)	(7,627)
(Increase) decrease in accounts receivable	(180,029)	577,125
(Increase) decrease in accounts receivable from related parties	(111,973)	(566,161)
(Increase) decrease in other receivables	480,595	265,280
(Increase) decrease in inventories	(1,599,361)	(649,170)
(Increase) decrease in other current assets	(113,769)	(95,441)
(Increase) decrease in other non-current assets	(96,007)	(3,977)
(Increase) decrease in notes payable	(38,753)	(327,117)
Increase (decrease) in accounts payable	(233,356)	(21,059)
Increase (decrease) in accounts payable to related parties	281,044	(358,443)
Increase (decrease) in other payables	(52,249)	916,119
Increase (decrease) in provisions	(407,467)	(316,438)
Increase (decrease) in other current liabilities	313,262	334,810
Increase (decrease) in net defined benefit liabilities	(2,193)	2,013
Increase (decrease) in other non-current liabilities	3,696	(572)
Cash flows generated from operations	4,004,323	4,474,264
Interest received	86,735	26,321
Interest paid	(33,826)	(64,963)
Income tax paid	(715,976)	(393,035)
Dividend received	80,422	67,845
Net cash flows generated from (used in) operating activities	3,421,678	4,110,432
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	235,166
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	1,000	4,500
Acquisition of financial assets at fair value through profit or loss	(45,000)	(69,763)
Acquisition of investments accounted for using equity method	(358,772)	-

(Continued)

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	2022	2021
Acquisition of subsidiaries	$ -	$ (77,934)
Proceeds from disposal of subsidiaries	-	59,593
Decrease in payable for investment	(362,643)	-
(Increase) decrease in finance lease receivables	71,848	-
Decrease in other receivables - time deposits	128,267	13,008
Acquisition of property, plant and equipment	(1,351,626)	(514,503)
Proceeds from disposal of property, plant and equipment	314,662	898,872
Acquisition of intangible assets	(374,144)	(308,239)
Proceeds from intangible assets	356	-
(Increase) decrease in refundable deposits paid	(188,382)	517,310
Net cash flows generated from (used in) investing activities	(2,164,434)	758,010
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	1,069,040	452,550
Repayment of short-term borrowings	-	(2,242,449)
Proceeds from guarantee deposits received	433,932	1,892,669
Repayments of the principal portion of lease liabilities	(225,233)	(285,811)
Dividends paid to owners of the Company	(2,098,826)	(311,733)
Net cash flows generated from (used in) financing activities	(821,087)	(494,774)
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	262,997	(556,370)
NET INCREASE IN CASH AND CASH EQUIVALENTS	699,154	3,817,298
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	9,699,031	5,881,733
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 10,398,185	$ 9,699,031

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

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

For the specialization and division of labor and the reinforcement of core competitive ability, the Company's parent company, Winbond Electronics Corporation (WEC), spun off its Logic IC business into the Company on July 1, 2008 in accordance with the Business Mergers and Acquisitions Act and the Company commenced business in July 2008. WEC held both approximately 51% of the ownership interest in the Company as of December 31, 2022 and 2021.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's Board of Directors and authorized for issue on February 14, 2023.

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

a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financing Reporting Interpretation Committee (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

   The initial application of the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Group's accounting policies.

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

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

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

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

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

As of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a material impact on the Group's financial position and financial performance.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

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

Basis of Consolidation

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

Subsidiary included in the consolidated financial statements:

Investor	Investee	Main Business	Percentage of Ownership (%) December 31 2022	2021
The Company	Nuvoton Electronics Technology (H.K.) Limited ("NTHK")	Sales of semiconductor	100	100
	Marketplace Management Limited ("MML")	Investment holding	100	100
	Nuvoton Investment Holding Ltd. ("NIH")	Investment holding	100	100
	Song Yong Investment Corporation ("SYI")	Investment holding	100	100
	Nuvoton Technology India Private Limited ("NTIPL")	Design, sales and after-sales service of semiconductor	100	100
	Nuvoton Technology Corporation America ("NTCA")	Design, sales and after-sales service of semiconductor	100	100
	Nuvoton Technology Holdings Japan ("NTHJ")	Investment holding	100	100
	Nuvoton Technology Singapore Pte. Ltd ("NTSG")	Design, sales and after-sales service of semiconductor	100	100
	Nuvoton Technology Korea Limited ("NTKL")	Design, sales and after-sales service of semiconductor	100	100
NTHK	Nuvoton Electronics Technology (Shenzhen) Limited ("NTSZ")	Computer software service (except I.C. design), wholesale business for computer, supplement and software	100	100
MML	Goldbond LLC ("GLLC")	Investment holding	100	100
GLLC	Nuvoton Electronics Technology (Shanghai) Limited ("NTSH")	Provides projects for sale in China and repairing, testing and consulting of software and leasing business	100	100
	Winbond Electronics (Nanjing) Ltd. ("WENJ")	Computer software service (except I.C. design)	100	100
NTSH	Song Zhi Electronics Technology (Suzhou) ("Song Zhi Suzhou")	Provide development of semiconductor and technology, consult service and equipment lease	100	100
NIH	Nuvoton Technology Israel Ltd. ("NTIL")	Design and service of semiconductor	100	100
NTHJ	Nuvoton Technology Corporation Japan ("NTCJ")	Design, sales and after-sales service of semiconductor	100	100
NTCJ	Atfields Manufacturing Technology Corporation ("AMTC")	Design and service of semiconductor	100	100
	Miraxia Edge Technology Corporation ("METC") (Note)	Design and service of semiconductor	-	-

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

Classification of Current and Non-current Assets and Liabilities

Current assets include:

a. Assets held primarily for the purpose of trading;

b. Assets expected to be realized within 12 months after the reporting period; and

c. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

a. Liabilities held primarily for the purpose of trading;

b. Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and

c. Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

Business Combinations

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

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

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

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

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

Foreign Currencies

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

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

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

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

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

Cash Equivalents

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

Financial Instruments

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

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

a. Financial assets

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

   <u>Measurement categories</u>

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

1) Financial asset at FVTPL

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

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

2) Financial assets at amortized cost

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

a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

a) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and

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

3) Investments in equity instruments at FVTOCI

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

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

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

Impairment of financial assets

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

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

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

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

Derecognition of financial assets

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

b. Financial liabilities

1) Subsequent measurement

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

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

2) Derecognition of financial liabilities

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

c. Derivative financial instruments

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

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

d. Convertible bonds

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

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

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

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

Inventories

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

Investments in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The Group uses the equity method to account for its investments in associates and joint ventures.

Under the equity method, investments in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of profit or loss and other comprehensive income of the associate. The Group recognizes the changes in the Group’s share of the equity of associates.

Any excess of the cost of acquisition over the Group's share of net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Company subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus and investments accounted for using the equity method. If the Group's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), recognizing its share of further loss. Additional losses and liabilities are discontinue recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of unrelated parties' interests in the associate.

Property, Plant and Equipment

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

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

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

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

Investment Properties

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

Intangible Assets

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

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

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

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

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

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

Products Guarantee Based on Commitment

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

Guarantee Deposit

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

Revenue Recognition

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

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

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

Leases

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

a. The Group as lessor

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

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

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

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

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

b. The Group as lessee

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

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

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

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

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

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

Taxation

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

a. Current tax

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

b. Deferred tax

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

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Write-down of Inventories

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2022	**2021**
Cash and deposits in banks	$ 10,348,185	$ 9,224,031
Repurchase agreements collateralized by bonds	50,000	475,000
	$ 10,398,185	$ 9,699,031

a. Please refer to Note 33 to the consolidated financial statements for the amount of refundable deposits pledged to secure land leases, customs tariff obligations and borrowings.

b. The Group has time deposits which are not held for the purpose of meeting short-term cash commitments and are reclassified to "other receivables" as follows (Note 10 to the consolidated financial statements):

	December 31	
	2022	**2021**
Time deposits	$ 56,214	$ 184,481

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2022	**2021**
Financial assets - current		
Held for trading		
Foreign exchange forward contracts	$ 2,894	$ 1,631
Financial assets - non-current		
Mandatorily measured at FVTPL		
Domestic and oversea warrants	$ 121,775	$ 69,200
Financial liabilities - current		
Held for trading		
Foreign exchange forward contracts	$ 7,412	$ -

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

	Currency	**Maturity Date**	**Contract Amount (In Thousands)**
December 31, 2022			
Sell forward exchange contracts	USD/NTD	2023.01.06-2023.03.03	USD30,000/NTD915,452
	USD/JPY	2023.01.23-2023.02.21	USD17,400/JPY2,300,582

(Continued)

	Currency	Maturity Date	Contract Amount (In Thousands)
December 31, 2021			
Sell forward exchange contracts	USD/NTD	2022.01.06-2022.01.27	USD18,000/NTD499,871

(Concluded)

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

8. ACCOUNTS RECEIVABLE, NET

	December 31 2022	December 31 2021
Accounts receivable (including related parties)		
At amortized cost		
Gross carrying amount	$ 4,412,957	$ 4,204,016
Less: Allowance for impairment loss	(34,115)	(32,854)
	$ 4,378,842	$ 4,171,162

The average credit period of sales of goods was 30-60 days. No interest was charged on accounts receivable. The Group adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Group annually.

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

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

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

The following table details the loss allowance of accounts receivable (including related parties) based on the Group's provision matrix.

December 31, 2022

	Not Overdue	Overdue under 30 Days	Overdue 31 to 90 Days	Overdue 91 to 180 Days	Over 180 Days	Total
Expected credit loss rate	0.1%-2%	2%	10%	20%	50%	
Gross carrying amount	$ 4,393,253	$ 6,176	$ 1,678	$ 11,850	$ -	$ 4,412,957
Loss allowance (lifetime ECL)	(31,453)	(124)	(168)	(2,370)	-	(34,115)
Amortized cost	$ 4,361,800	$ 6,052	$ 1,510	$ 9,480	$ -	$ 4,378,842

December 31, 2021

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

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

	For the Year Ended December 31	
	2022	2021
Balance at January 1	$ 32,854	$ 25,097
Add: Net remeasurement of loss allowance	352	8,206
Foreign currency exchange gains and losses	909	(449)
Balance at December 31	$ 34,115	$ 32,854

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

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

9. FINANCE LEASE RECEIVABLES

	December 31	
	2022	2021
Undiscounted lease payments		
Year 1	$ 100,135	$ -
Year 2	100,135	-
Year 3	25,034	-
	225,304	-
Less: Unearned finance income	(5,122)	-
Finance lease receivables	$ 220,182	$ -

(Continued)

	December 31	
	2022	2021
Current	$ 96,731	$ -
Non-current	123,451	-
	$ 220,182	$ -

(Concluded)

The average lease term of finance lease receivables recognized by the Group from TPSCo. for the lease of property, plant and equipment and intangible assets is three years. The contract has an average implied interest rate of approximately 1.85% per annum. Refer to Note 32 to the consolidated financial statements for details of finance lease contracts.

10. OTHER RECEIVABLES

	December 31	
	2022	2021
Time deposits (Note 6)	$ 56,214	$ 184,481
Business tax refund receivable	28,436	51,468
Royalty receivable	-	370,327
Technical service receivable	-	136,345
Others	242,615	187,927
	$ 327,265	$ 930,548

11. INVENTORIES

	December 31	
	2022	2021
Raw materials and supplies	$ 574,856	$ 308,639
Work-in-process	6,025,839	4,582,132
Finished goods	1,857,865	1,953,941
Inventories in transit	267	14,754
	$ 8,458,827	$ 6,859,466

The operating cost for the years ended December 31, 2022 and 2021 was NT$24,378,097 thousand and NT$24,599,840 thousand, respectively. The inventory write-downs, obsolescence and abandonment of inventories for the years ended December 31, 2022 and 2021 were NT$201,712 thousand and NT$7,302 thousand, respectively.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in equity instruments at FVTOCI:

	December 31 2022	December 31 2021
Listed shares and emerging market shares		
Nyquest Technology Co., Ltd.	$ 116,985	$ 255,750
Brightek Optoelectronic Co., Ltd.	919	1,933
Unlisted shares		
United Industrial Gases Co., Ltd.	492,800	598,400
Yu-Ji Venture Capital Co., Ltd.	9,844	10,840
Autotalks Ltd. - Preferred E. Share	614,200	553,600
Tower Partners Semiconductor Co., Ltd. ("TPSCo.")	-	1,255,651
Symetrix Corporation - Preferred A. Share	-	-
	$ 1,234,748	$ 2,676,174

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

The Group changed its accounting treatment of investment in TPSCo. to the equity method since April 2022, refer to Note 13 to the consolidated financial statements for related information; accordingly, the related other equity - unrealized gain or loss on financial assets at fair value through other comprehensive income or loss of NT$563,084 thousand was transferred to retained earnings. Refer to Note 24 to the consolidated financial statements for related information.

In January 2021, the Group sold remaining of its shares in Tower Semiconductor Ltd. in order to manage credit concentration risk. The shares sold had a fair value of NT$235,166 thousand. Their related unrealized valuation gain of NT$138,095 thousand was transferred from other equity to retained earnings. Refer to Note 24 to the consolidated financial statements for related information.

The Group recognized dividends of NT$80,422 thousand and NT$67,845 thousand during 2022 and 2021, respectively.

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in Associates

	December 31 2022	December 31 2021
Tower Partners Semiconductor Co., LTD. ("TPSCo.")	$ 1,710,869	$ -

Under the business acquisition agreement, if TPSCo. turns net profit during the period of the effective date of the acquisition (September 1, 2020) to March 31, 2022, the Group is required to pay Panasonic Corporation the net profit based on its ownership share. Thus, the Group has no significant influence over TPSCo. during the period aforementioned. TPSCo. was recognized as non-current financial assets at fair value through other comprehensive income. Starting from April 2022, the Group has been released the restriction and has significant influence over TPSCo., accordingly, TPSCo. has been accounted for under equity method. NTCJ subscribed for 30,919 shares issued in the cash capital increase by TPSCo. in a amount of NT$358,772. As of December 31,2022, NTCJ has held TPSCo.'s 45,619 shares with a direct shareholding of 49%.

The equity method of investment and the Groups' share of profit or loss of the investment was calculated based on the associate's financial statement which has been reviewed by independent auditors for the respective period.

In June 2022, the Group transferred the right-of-use asset contract to TPSCo. The related deferred benefit will be recognized in accordance with the remaining lease term of the contract, refer to Note 32 to the consolidated financial statements.

The investments accounted for using equity method and the shares of profit or loss of these investments for the year ended December 31, 2022 were based on the associates' financial statements audited by independent auditors.

14. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2022	2021
Land	$ 1,890,924	$ 1,918,115
Buildings	1,908,905	1,942,495
Machinery and equipment	1,470,965	1,057,514
Other equipment	276,558	229,092
Construction in progress and prepayments for purchase of equipment	216,733	101,297
	$ 5,764,085	$ 5,248,513

	Land	Buildings	Machinery and Equipment	Other Equipment	Construction in Progress and Prepayments for Purchase of Equipment	Total
Cost						
Balance at January 1, 2022	$ 1,918,115	$ 20,895,264	$ 55,766,204	$ 3,323,174	$ 101,297	$ 82,004,054
Additions	24,667	57,851	143,191	41,909	1,167,048	1,434,666
Disposals	-	(19,722)	(785,157)	(166,385)	-	(971,264)
Reclassified	12,248	131,444	668,033	236,727	(1,048,452)	-
Effects of foreign currency exchange differences	(64,106)	(574,588)	(1,471,454)	(93,972)	(3,160)	(2,207,280)
Balance at December 31, 2022	1,890,924	20,490,249	54,320,817	3,341,453	216,733	80,260,176
Accumulated depreciation and impairment						
Balance at January 1, 2022	-	18,952,769	54,708,690	3,094,082	-	76,755,541
Disposals	-	(19,722)	(775,208)	(93,271)	-	(888,201)
Depreciation expense	-	165,750	388,297	152,655	-	706,702
Reclassified	-	-	(3)	3	-	-
Effects of foreign currency exchange differences	-	(517,453)	(1,471,924)	(88,574)	-	(2,077,951)
Balance at December 31, 2022	-	18,581,344	52,849,852	3,064,895	-	74,496,091
Carrying amounts at December 31, 2022	$ 1,890,924	$ 1,908,905	$ 1,470,965	$ 276,558	$ 216,733	$ 5,764,085

(Continued)

	Land	Buildings	Machinery and Equipment	Other Equipment	Construction in Progress and Prepayments for Purchase of Equipment	Total
Cost						
Balance at January 1, 2021	$ 2,203,639	$ 23,437,689	$ 63,250,171	$ 3,831,256	$ 172,820	$ 92,895,575
Additions	-	35,417	159,336	178,529	78,895	452,177
Business combinations - subsequent adjustment of fair value	-	-	437,628	-	-	437,628
Disposals	-	(13,697)	(1,569,426)	(214,383)	-	(1,797,506)
Disposals of subsidiaries (Reorganization)	-	(9,456)	-	(34,701)	-	(44,157)
Reclassified	-	3,095	116,918	10,830	(130,843)	-
Effects of foreign currency exchange differences	(285,524)	(2,557,784)	(6,628,423)	(448,357)	(19,575)	(9,939,663)
Balance at December 31, 2021	1,918,115	20,895,264	55,766,204	3,323,174	101,297	82,004,054
Accumulated depreciation and impairment						
Balance at January 1, 2021	-	21,063,657	61,675,684	3,574,656	34,471	86,348,468
Disposals	-	(13,650)	(822,206)	(197,671)	-	(1,033,527)
Depreciation expense	-	195,267	354,700	169,364	-	719,331
Disposals of subsidiaries (Reorganization)	-	(7,029)	-	(30,981)	-	(38,010)
Reclassified	-	79	31,168	428	(31,675)	-
Effects of foreign currency exchange differences	-	(2,285,555)	(6,530,656)	(421,714)	(2,796)	(9,240,721)
Balance at December 31, 2021	-	18,952,769	54,708,690	3,094,082	-	76,755,541
Carrying amounts at December 31, 2021	$ 1,918,115	$ 1,942,495	$ 1,057,514	$ 229,092	$ 101,297	$ 5,248,513

(Concluded)

a. Refer to Note 33 to the consolidated financial statements for the amount of property, plant and equipment pledged as collateral for bank borrowings.

b. In the second quarter of 2022, the carrying amount of other equipment disposed under finance leases was NT$72,533 thousand. Refer to Note 32 to the consolidated financial statements for details of finance lease contracts.

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2022	2021
Carrying amounts		
Land	$ 150,211	$ 173,211
Buildings	313,972	246,377
Machinery and equipment	139,758	754,180
Other equipment	19,926	23,845
	$ 623,867	$ 1,197,613

In June 2022, the Group transferred the lease agreement of machinery and equipment which was recorded as right-of-use asset to TPSCo. and generated a lease modification benefit of approximately NT$178,623 thousand. Refer to Note 32 to the consolidated financial statements for related information.

	For the Year Ended December 31	
	2022	**2021**
Additions to right-of-use assets	$ 214,534	$ 36,274
Depreciation for right-of-use assets		
Land	$ 25,170	$ 25,055
Buildings	118,682	102,506
Machinery and equipment	32,999	68,557
Other equipment	17,560	18,869
	$ 194,411	$ 214,987
Income from the subleasing of right-of-use assets (presented in other income)	$ 7,329	$ 7,433

b. Lease liabilities

	December 31	
	2022	**2021**
Carrying amounts		
Current	$ 169,896	$ 247,308
Non-current	$ 491,363	$ 1,118,284

Range of discount rate for lease liabilities was as follows:

	December 31	
	2022	**2021**
Land	1.76%-2.06%	1.76%-2.06%
Buildings	0.14%-3.03%	0.33%-3.75%
Machinery and Equipment	0.48%-0.80%	0.26%-0.80%
Other equipment	0.14%-2.44%	0.44%-3.61%

For the years ended December 31, 2022 and 2021, the interest expense under lease liabilities amounted to $11,857 thousand and $16,769 thousand, respectively.

c. Material lease-in activities and terms

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

The Group leased parcels of land from Taiwan Sugar Corporation under a twenty-year term from October 2014 to September 2034, which is allowed to extend after the expiration of lease. The chairman of the Company, is a joint guarantor of such lease (refer to Note 32 to the consolidated financial statements).

The Group leased some of the offices in the United States, China, Israel, India, Korea and Taiwan, and the lease terms will expire between 2023 and 2026 which can be extended after the expiration of the lease periods.

d. Subleases

Except for what is stated in Notes 9 and 16 to the consolidated financial statements, the Group subleases its right-of-use assets for buildings under operating leases. The maturity analysis of lease payments receivable under operating subleases is as follows:

	December 31	
	2022	2021
Year 1	$ 7,429	$ 7,373
Year 2	5,824	2,080
Year 3	4,041	-
Year 4	-	-
Year 5	-	-
Year 6 onwards	-	-
	$ 17,294	$ 9,453

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

e. Other lease information

	For the Year Ended December 31	
	2022	2021
Expenses relating to short-term leases	$ 161,211	$ 230,634
Total cash outflow for leases	$ (397,940)	$ (533,568)

The Group leases certain buildings, machinery and transportation equipment which qualified as short-term leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease labilities for these leases.

16. INVESTMENT PROPERTIES

	December 31	
	2022	2021
Investment properties, net	$ 1,798,160	$ 2,005,598

The Group acquired investment properties through business combinations in Niigata and Toyama, Japan on September 1, 2020. The fair value of investment properties was NT$2,503,591 thousand on the purchase price allocation report. The Group’s management team evaluated the fair value of investment properties and determined that the fair value of the investment properties had not changed significantly, compared to the fair value of the investment properties as of December 31, 2022 and 2021.

The remaining investment properties are located in Shenzhen, China. As of December 31, 2022 and 2021, the fair value of such investment properties was both approximately NT$200,000 thousand, which used as reference the neighboring area transactions.

	December 31	
	2022	2021
Cost		
Balance at January 1	$ 7,924,196	$ 9,090,968
Disposals	-	(1,176)
Effects of foreign currency exchange differences	(262,074)	(1,165,596)
Balance at December 31	7,662,122	7,924,196
Accumulated depreciation and impairment		
Balance at January 1	5,918,598	6,624,301
Depreciation expense	138,763	155,190
Disposals	-	(1,176)
Effects of foreign currency exchange differences	(193,399)	(859,717)
Balance at December 31	5,863,962	5,918,598
Carrying amount at December 31	$ 1,798,160	$ 2,005,598

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

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

	December 31	
	2022	2021
Year 1	$ 171,129	$ 178,142
Year 2	152,691	155,123
Year 3	149,898	155,123
Year 4	149,898	155,123
Year 5	149,898	155,123
Year 6 on wards	637,067	814,391
	$ 1,410,581	$ 1,613,025

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

Please refer to Note 33 to the consolidated financial statements for the amount of investment properties pledged as collateral for bank borrowings.

17. INTANGIBLE ASSETS

	December 31	
	2022	2021
Deferred technical assets	$ 550,613	$ 600,612
Other intangible assets	172,144	382,717
	$ 722,757	$ 983,329

	Deferred Technical Assets	Other Intangible Assets	Total
Cost			
Balance at January 1, 2022	$ 1,892,805	$ 1,305,198	$ 3,198,003
Additions	170,807	85,079	255,886
Disposals	-	(206,023)	(206,023)
Effects of foreign currency exchange differences	(1,039)	(47,875)	(48,914)
Balance at December 31, 2022	2,062,573	1,136,379	3,198,952
Accumulated amortization and impairment			
Balance at January 1, 2022	1,292,193	922,481	2,214,674
Amortization expense	219,914	71,871	291,785
Disposals	-	(901)	(901)
Effects of foreign currency exchange differences	(147)	(29,216)	(29,363)
Balance at December 31, 2022	1,511,960	964,235	2,476,195
Carrying amounts at December 31, 2022	$ 550,613	$ 172,144	$ 722,757
Cost			
Balance at January 1, 2021	$ 1,640,243	$ 1,360,969	$ 3,001,212
Additions	259,590	210,226	469,816
Disposals	(5,591)	-	(5,591)
Disposals of subsidiaries (reorganization)	-	(98,539)	(98,539)
Effects of foreign currency exchange differences	(1,437)	(167,458)	(168,895)
Balance at December 31, 2021	1,892,805	1,305,198	3,198,003
Accumulated amortization and impairment			
Balance at January 1, 2021	1,102,746	1,095,775	2,198,521
Amortization expense	190,174	50,565	240,739
Disposals	(788)	-	(788)
Disposals of subsidiaries (reorganization)	-	(83,811)	(83,811)
Effects of foreign currency exchange differences	61	(140,048)	(139,987)
Balance at December 31, 2021	1,292,193	922,481	2,214,674
Carrying amounts at December 31, 2021	$ 600,612	$ 382,717	$ 983,329

In the year of 2022, the carrying amount of intangible assets disposed under finance leases was NT$204,857 thousand. Refer to Note 32 to the consolidated financial statements for details of finance lease contracts.

18. BORROWINGS

a. Short-term borrowings

	December 31			
	2022		2021	
	Interest Rate	Amount	Interest Rate	Amount
Secured borrowings				
Chinatrust Commercial Bank Co., Ltd.	1.15%	$ 952,840	-	$ -
Unsecured borrowings				
Chinatrust Commercial Bank Co., Ltd.	1.02%	116,200	-	-
		$ 1,069,040		$ -

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

b. Long-term borrowings

	Period	Interest Rate	December 31 2022	December 31 2021
Unsecured borrowings				
The Export-Import Bank of ROC	2019.09.20-2026.09.21	0.92%-1.34%	$ 500,000	$ 500,000
The Export-Import Bank of ROC	2020.08.25-2027.08.25	0.92%-1.34%	1,000,000	1,000,000
			1,500,000	$ 1,500,000
Less: current portion			(71,429)	
			$ 1,428,571	

The proceeds of the Group’s unsecured loan was use to invest in Autotalks Ltd. and acquire Panasonic’s semiconductor business in Japan.

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

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

19. BONDS PAYABLE

	December 31	
	2022	2021
Unsecured domestic convertible bonds	$ -	$ -

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

a. The conversion price was set at NT$39.9 per share at the time of issuance. When meeting certain criteria, adjustments on the conversion price are made in accordance with the terms and conditions. Since the Company distributed cash dividends in August 2021, the conversion price should be adjusted according to issuance and conversion measures, the conversion price was adjusted to NT$38 since August 22, 2021. All convertible bonds were converted into ordinary shares as of December 31, 2021.

b. After the first three months of the issuance and forty days before the maturity date, if the closing price of the Company’s common shares listed on the Taiwan Stock Exchange exceeds or equals 30% of the conversion price or the outstanding balance of the bonds is less than 10% in principal amount of the bonds originally outstanding for thirty consecutive business days, the Company may redeem the bonds in cash at the principal amount.

c. After the bonds has been issued for over five years, the bondholders may request the Company to redeem the bonds at 106.41% of the principal amount (annual rate of return 1.25%).

d. Except for the bonds that have been redeemed, sold back, converted or bought back by the Company in the market, the principal will be repaid in cash upon maturity at a rate of 109.09% (annual rate of return 1.25% upon maturity).

20. OTHER PAYABLES

	December 31	
	2022	2021
Payable for salaries or employee benefits	$ 1,632,490	$ 1,510,233
Payable for royalties	510,272	538,268
Payable for maintenance	257,092	313,857
Payable for purchase of equipment	151,618	68,578
Payable for software	104,241	61,983
Payable for service	99,345	36,952
Payable for utilities	73,009	207,440
Payable for professional service	52,126	96,124
Payable for investment	-	285,923
Others	1,584,067	1,676,412
	$ 4,464,260	$ 4,795,770

21. PROVISIONS

	December 31	
	2022	2021
Current		
Decommissioning costs	$ 132,473	$ 532,948
Non-current		
Employee benefits	$ 1,485,268	$ 1,537,035
Decommissioning costs	510,815	653,679
Warranties	495,204	538,639
	$ 2,491,287	$ 2,729,353

	De-commissioning Costs	Employee Benefits	Warranties	Total
Balance at January 1, 2022	$ 1,186,627	$ 1,537,035	$ 538,639	$ 3,262,301
Decreased	(475,526)	-	(28,120)	(503,646)
Effects of foreign currency exchange differences	(67,813)	(51,767)	(15,315)	(134,895)
Balance at December 31, 2022	$ 643,288	$ 1,485,268	$ 495,204	$ 2,623,760

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

22. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

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

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

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average of monthly salaries of the 6 months before retirement. In 2022 and 2021, the Company contributed amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee of the Company. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

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

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

	December 31	
	2022	**2021**
Present value of defined benefit obligation	$ 2,744,500	$ 2,851,529
Fair value of plan assets	(1,251,927)	(1,209,668)
Net defined benefit liabilities, non-current	$ 1,492,573	$ 1,641,861

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

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liabilities (Assets)**
Balance at January 1, 2021	$ 2,968,227	$ (1,188,219)	$ 1,780,008
Service cost			
Current service cost	42,231	-	42,231
Net interest expense (income)	16,971	(10,973)	5,998
Recognized in profit or loss	59,202	(10,973)	48,229
Remeasurement			
Actuarial (gain) loss - the discount rate greater (less) than the realized rate of return	-	(9,903)	(9,903)
Actuarial (gain) loss - changes in demographic assumptions	16,877	-	16,877
Actuarial (gain) loss - changes in financial assumptions	44,987	(9,249)	35,738
Actuarial (gain) loss - experience adjustments	26,105	(20,422)	5,683
Recognized in other comprehensive income	87,969	(39,574)	48,395
Contributions from the employer	-	(44,875)	(44,875)
Benefits paid	(76,307)	75,397	(910)
Effect of foreign currency exchange differences	(187,562)	(1,424)	(188,986)
Balance at December 31, 2021	2,851,529	(1,209,668)	1,641,861
Service cost			
Current service cost	51,982	-	51,982
Net interest expense (income)	25,350	(19,333)	6,017
Recognized in profit or loss	77,332	(19,333)	57,999

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Remeasurement			
Actuarial (gain) loss - the discount rate greater (less) than the realized rate of return	$ -	$ (53,296)	$ (53,296)
Actuarial (gain) loss - changes in financial assumptions	(183,608)	21,254	(162,354)
Actuarial (gain) loss - experience adjustments	103,244	2,895	106,139
Recognized in other comprehensive income	(80,364)	(29,147)	(109,511)
Contributions from the employer	-	(53,552)	(53,552)
Benefits paid	(50,369)	49,496	(873)
Effect of foreign currency exchange differences	(53,628)	10,277	(43,351)
Balance at December 31, 2022	$ 2,744,500	$ (1,251,927)	$ 1,492,573

(Concluded)

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

	For the Year Ended December 31	
	2022	2021
Analysis by function		
Operating cost	$ 4,339	$ 4,621
Selling expenses	122	101
General and administrative expenses	13,147	3,266
Research and development expenses	40,391	40,241
	$ 57,999	$ 48,229

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

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets shall not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2022	**2021**
Discount rate(s)	1.25%-2.62%	0.7%-1.48%
Expected rate(s) of salary increase	1.5%-2.5%	1.5%-2.5%

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

	December 31	
	2022	**2021**
Discount rate(s)		
0.25% increase	$ (26,774)	$ (34,009)
0.25% decrease	$ 30,956	$ 38,370
Expected rate(s) of salary increase		
0.25% increase	$ 27,497	$ 35,010
0.25% decrease	$ (24,950)	$ (29,137)

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

	December 31	
	2022	**2021**
Expected contributions to the plans for the next year	$ 100,501	$ 80,551
The average duration of the defined benefit obligation	7.5-11.84 years	8.2-12.15 years

23. GUARANTEE DEPOSITS

	December 31	
	2022	**2021**
Capacity guarantee	$ 2,294,914	$ 1,879,725
Others	56,114	82,517
	$ 2,351,028	$ 1,962,242

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

24. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2022	2021
Shares authorized (in thousands of shares)	500,000	500,000
Shares authorized	$ 5,000,000	$ 5,000,000
Shares issued and fully paid (in thousands of shares)	419,765	417,210
Shares issued and fully paid	$ 4,197,653	$ 4,172,101
Par value (in New Taiwan dollars)	$ 10	$ 10

As of December 31, 2021, the Company has issued 31,372 thousand shares of ordinary shares due to the conversion of unsecured convertible bonds, all ordinary shares issuance has been registered.

As of December 31, 2022 and 2021, the balance of the Company's capital account amounted to NT$4,197,653 thousand and NT$4,172,101 thousand, divided into 419,765 thousand ordinary shares and 417,210 thousand ordinary shares with a par value of NT$10.

b. Capital surplus

	December 31	
	2022	2021
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*		
Additional paid-in capital	$ 5,088,159	$ 5,088,159
Conversion of bonds	1,481,180	1,481,180
Employee share options	13	13
Cash capital increase reserved for employee share options	112,160	112,160
May only be used to offset a deficit		
Overdue dividends unclaimed	78	62
Share of changes in capital surplus of associates or joint ventures (disposals of subsidiaries)	190,237	190,237
	$ 6,871,827	$ 6,871,811

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

c. Retained earnings and dividends policy

The shareholders held their regular meeting on May 29, 2020 and resolved the amendments to the Company's dividend distribution policy in the Company's Articles of Incorporation (the "Articles"). Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. The board of directors shall be authorized to distribute the profit, the legal reserve, and the capital plus in cash upon resolution by a majority vote at a board meeting attended by two-thirds or more of the directors, and shall report the same to the shareholders' meeting. In principle, not less than 10% of the total shareholders' bonus shall be distributed in the form of cash. For the policies on the distribution of employees' compensation and remuneration of directors, refer to employees' compensation and remuneration of directors in Note 27 to the consolidated financial statements.

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

The appropriation of earnings for 2021 and 2020 were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	For Year 2021	**For Year 2020**	**For Year 2021**	**For Year 2020**
Legal reserve	$ 303,045	$ 58,610		
Cash dividends	2,098,826	311,733	$5.00	$0.76
	$ 2,401,871	$ 370,343		

Expect for the cash dividends were distributed by the Company's board meeting on and March 15, 2022 and March 16, 2021, respectively, the rest of the 2022 and 2021 appropriation of earnings were proposed by the Company's board meeting and were resolved by the shareholders regular meeting on June 2, 2022 and August 20, 2021, respectively.

The appropriation of earnings for 2022 was not initiated in the Company's board meeting as of February 14, 2023.

d. Other equity items

1) The exchange differences arising on translation of foreign operations' net assets from its functional currency to the Group's presentation currency (New Taiwan dollar) are recognized directly in other comprehensive income. For the years ended December 31, 2022 and 2021, other comprehensive gain (loss) was NT$39,330 thousand and NT$(916,589) thousand, respectively.

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

	For the Year End December 31	
	2022	**2021**
Balance at January 1	$ 1,111,460	$ 269,065
Recognized for the period	(253,744)	980,490
Cumulative unrealized gains (losses) of equity instruments transferred to retained earnings due to disposal	(563,084)	(138,095)
Balance at December 31	$ 294,632	$ 1,111,460

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.

25. REVENUE

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

26. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

Major components of income tax expense were as follows:

	For the Year Ended December 31	
	2022	**2021**
Current tax		
In respect of the current year	$ 998,789	$ 585,262
Adjustment for prior years' tax	20,540	(440)
Deferred tax		
In respect of the current year	(133,082)	19,922
Income tax expense recognized in profit or loss	$ 886,247	$ 604,744

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

	For the Year Ended December 31	
	2022	**2021**
Income tax expense from continuing operations at the statutory rate	$ 1,262,449	$ 1,016,166
Tax effect of adjustment item		
Permanent differences	68,879	(90,911)
Tax-exempt income	(15,900)	(12,000)
Others	(341,721)	(180,071)
Current income tax	973,707	733,184
Unused investment credits	(108,000)	(128,000)
Adjustment for prior year's income tax	20,540	(440)
Income tax expense recognized in profit or loss	$ 886,247	$ 604,744

c. Current tax assets and liabilities

	December 31	
	2022	**2021**
Tax refund receivables	$ 14,263	$ 51,491
Income tax payables	$ 712,005	$ 402,369

d. Deferred tax assets

	December 31	
	2022	2021
Deferred tax assets		
Allowance for inventory valuation and obsolescence loss and others	$ 198,727	$ 89,019

e. Deferred tax liabilities

	December 31	
	2022	2021
Deferred tax liabilities		
Unrealized valuation gains or losses	$ 13,209	$ 36,583

f. Income tax assessments

The Company's tax returns through 2020 have been examined by the tax authorities.

g. Information about investment credits

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

27. EMPLOYEE BENEFITS EXPENSE, DEPRECIATION AND AMORTIZATION

	For the Year Ended December 31							
	2022				2021			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	Total	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	Total
Employee benefits expense								
Short-term employment benefits	$ 1,229,737	$ 7,371,356	$ -	$ 8,601,093	$ 1,142,560	$ 6,272,281	$ -	$ 7,414,841
Post-employment benefits	44,155	464,481	-	508,636	31,910	411,963	-	443,873
Depreciation	529,043	371,585	139,248	1,039,876	543,284	391,034	155,190	1,089,508
Amortization	5,362	286,423	-	291,785	23,131	217,608	-	240,739

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

The employees' compensation and remuneration of directors for the years ended December 31, 2022 and 2021 were as follows:

	For the Year Ended December 31			
	2022		2021	
	Amount	%	Amount	%
Employees' cash compensation	$ 306,214	6	$ 212,242	6
Remuneration of directors	51,036	1	35,374	1

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

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

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

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

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

28. EARNINGS PER SHARE

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

	For the Year Ended December 31					
	2022			2021		
	Amounts (Numerator) After Income Tax (Attributable to Owners of the Company)	Shares (Denominator) (In Thousands)	Earnings Per Share (NT$) After Income Tax (Attributable to Owners of the Company)	Amounts (Numerator) After Income Tax (Attributable to Owners of the Company)	Shares (Denominator) (In Thousands)	Earnings Per Share (NT$) After Income Tax (Attributable to Owners of the Company)
Basic earnings per share						
Net profit attributed to owners of the Company	$ 4,220,773	419,765	$ 10.06	$ 2,940,752	404,370	$ 7.27
Effect of potentially dilutive ordinary shares						
Employees' compensation	-	2,829		-	1,629	
Convertible bonds	-	-		5,856	15,395	
Diluted earnings per share						
Net profit attributed to owners of the Company	$ 4,220,773	422,594	$ 9.99	$ 2,946,608	421,394	$ 6.99

If the Company offered to settle the compensation or bonuses paid to employees in cash or shares, the Company assumed that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted EPS, as the effect is dilutive. The number of shares used in the computation of diluted EPS is estimated by the amount of compensation divided by the closing price of the potential common shares at the end of the reporting period. Such dilutive effect of the potential shares is included in the computation of diluted EPS until the number of shares to be distributed to employees is resolved in the following year.

29. DISPOSAL OF SUBSIDIARIES

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

a. Consideration received from disposals

	METC
Cash and cash equivalents	$ 357,897

b. Analysis of assets and liabilities on the date control was lost

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

c. Net cash inflow on disposals of subsidiaries

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

30. CAPITAL MANAGEMENT

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

31. FINANCIAL INSTRUMENT

a. Categories of financial instruments

	December 31			
	2022		2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial assets</u>				
Financial assets at amortized cost (Note 1)	$ 15,662,336	$ 15,662,336	$ 14,934,928	$ 14,934,928
Financial assets at FVTPL				
Derivative financial assets	124,669	124,669	70,831	70,831
Financial assets at FVTOCI				
Investment in equity instruments	1,234,748	1,234,748	2,676,174	2,676,174
<u>Financial liabilities</u>				
Financial liabilities at amortized cost (Note 2)	12,533,065	12,533,065	11,397,814	11,397,814
Financial liabilities at FVTPL				
Derivative financial liabilities	7,412	7,412	-	-

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

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

b. Fair value information

1) The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value is observable and the significance in its entirety, which are described as follows:

a) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

c) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2) Fair value measurements recognized in the consolidated balance sheets

a) The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed shares and market shares).

b) The fair value of the financial instruments at fair value through profit or loss is based on Level 2 inputs, either directly or indirectly. The fair value of foreign-currency derivative financial instrument could be determined by reference to the price and discount rate of currency swap quoted by financial institutions. Foreign exchange forward contracts are measured using individual maturity rate to calculate the fair value of each contract.

c) Domestic unlisted equity instruments at FVTOCI were all measured based on Level 3 fair value. Fair values of such equity instruments were determined using discounted cash flow of income approach and comparable listed company approach, by referring to strike price of similar business in active market, implied value multiple of the price and relevant information. Significant unobservable inputs included P/E ratio, value multiple and market liquidity discount. As the discounted cash flow method was used, the discount rate used for the lack of marketability was 29%; which increase by 1% while all the other variables are held constant, the fair value of investments will decrease by $8,651 thousand and $7,797 thousand for the years ended December 31, 2022 and 2021, respectively.

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

	December 31, 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 2,894	$ 121,775	$ 124,669
Financial assets at FVTOCI				
Domestic and overseas listed shares and emerging market shares	$ 117,904	$ -	$ -	$ 117,904
Domestic and overseas unlisted shares	$ -	$ -	$ 1,116,844	$ 1,116,844
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ 7,412	$ -	$ 7,412

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

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

The financial assets measured at Level 3 fair value were financial assets at FVTPL and equity investments classified as financial assets at FVTOCI. Reconciliations for the years ended December 31, 2022 and 2021 were as follows:

	For the Year Ended December 31	
	2022	**2021**
Balance at January 1	$ 2,487,691	$ 1,492,891
Additions	45,000	69,763
Proceeds from capital reduction of investments	(1,000)	(4,500)
Recognized in other comprehensive income	(10,968)	930,100
Recognized in profit or loss	7,575	(563)
Transferred to investments accounted for using the equity method	(1,289,679)	-
Balance at December 31	$ 1,238,619	$ 2,487,691

c. Financial risk management objectives and policies

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

1) Market risk

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

a) Foreign currency risk

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the year are set out in Note 36 to the consolidated financial statements.

The sensitivity analysis included only outstanding foreign currency denominated monetary items at the end of the reporting period and assuming an increase in net income and equity if New Taiwan dollars strengthen by 1% against foreign currencies. For a 1% weakening of New Taiwan dollars against the relevant currency, there would be impact on net income in the amounts of NT$13,042 thousand decrease and NT$9,044 thousand decrease for the years ended December 31, 2022 and 2021, respectively. The amounts used in the 1% weakening of New Taiwan dollars against the relevant currency did not consider the impact of hedge contracts and hedged item.

b) Interest rate risk

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

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

	December 31	
	2022	2021
Cash flow interest rate risk		
Financial assets	$ 8,413	$ 8,413
Financial liabilities	2,569,040	1,500,000

The sensitivity analysis of cash flows based on the Group's exposure to interest rates for fair value of variable-rate non-derivative instruments at the end of the reporting period. If interest rates increased by 1%, the Group's cash outflows for the years ended December 31, 2022 and 2021 would have increased by NT$25,606 thousand and NT$14,916 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss to the Group, to mitigate the risk of financial loss from defaults, the Group has established risk procedures and is continuously assessing the credit risk of each counterparty, sufficient collateral will be obtained when necessary. In this regard, the management of the Group consider that the Group's credit risk was significantly reduced.

3) Liquidity risk

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

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

	December 31, 2022			
	Within 1 Year	1-2 Years	Over 2 Years	Total
Non-derivative financial liabilities				
Non-interest bearing	$ 7,612,997	$ -	$ -	$ 7,612,997
Lease liabilities	180,503	140,228	381,071	701,802
Variable interest rate liabilities	1,140,469	285,714	1,142,857	2,569,040
	$ 8,933,969	$ 425,942	$ 1,523,928	$ 10,883,839

Additional information about the maturity analysis of lease liabilities:

	Less than 2 Years	2-5 Years	Over 5 Years	Total
Non-derivative financial liabilities				
Lease liabilities	$ 320,731	$ 231,766	$ 149,305	$ 701,802

	December 31, 2021			
	Within 1 Year	1-2 Years	Over 2 Years	Total
Non-derivative financial liabilities				
Non-interest bearing	$ 7,935,572	$ -	$ -	$ 7,935,572
Lease liabilities	252,436	214,985	953,845	1,421,266
Variable interest rate liabilities	-	71,429	1,428,571	1,500,000
	$ 8,188,008	$ 286,414	$ 2,382,416	$ 10,856,838

Additional information about the maturity analysis of lease liabilities:

	Less than 2 Years	2-5 Years	Over 5 Years	Total
Non-derivative financial liabilities				
Lease liabilities	$ 467,421	$ 391,026	$ 562,819	$ 1,421,266

d. Transfers of financial assets

Factored accounts receivable that are not yet overdue at December 31, 2022, and 2021 was as follows:

December 31, 2022: None

December 31, 2021

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

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

32. RELATED PARTY TRANSACTIONS

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

Related Party Name	Related Party Categories
Winbond Electronics Corporation (“WEC”)	The Company’s parent
Winbond Electronics (HK) Limited (“WEHK”)	Associate
Winbond Electronics Corporation America (“WECA”)	Associate
Winbond Electronics Corporation Japan (“WECJ”)	Associate

(Continued)

Related Party Name	Related Party Categories
Callisto Holding Limited	Associate
Miraxia Edge Technology Corporation (“METC”)	Associate
TPSCo.	Related party in substance
Winbond Electronics Germany GmbH (“WEG”)	Associate
Nyquest Technology Co., Ltd. (“Nyquest”)	Related party in substance
Walton Advanced Engineering Inc.	Related party in substance
Chin Cherng Construction Co., Ltd.	Related party in substance
United Industrial Gases Co., Ltd.	Related party in substance
Glorystones Corporation	Related party in substance
Waltech Advanced Engineering (Suzhou), Inc. (“Waltech”)	Related party in substance

(Concluded)

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

b. Operating activities

	For the Year Ended December 31	
	2022	2021
1) Operating revenue		
Related party in substance	$ 3,506,494	$ 4,040,228
Associate	401,706	81,846
	$ 3,908,200	$ 4,122,074
2) Purchases of goods		
Associate		
TPSCo.	$ 3,099,787	$ -
Others	9,884	-
Related party in substance		
TPSCo.	1,498,020	6,319,062
Others	-	111,089
Parent company	189,136	372,726
	$ 4,796,827	$ 6,802,877
3) Manufacturing expenses		
Associate		
TPSCo.	$ 1,408,002	$ -
Related party in substance		
TPSCo.	475,284	2,037,130
Waltech	1,076,208	362,342
Others	-	12,194
Parent company	1,088	671
	$ 2,960,582	$ 2,412,337

	For the Year Ended December 31	
	2022	2021
4) Operating expenses		
Associate	$ 578,351	$ 96,922
Related party in substance	124,134	407,498
Parent company	75,958	39,065
	$ 778,443	$ 543,485
5) Dividend income		
Related party in substance		
United Industrial Gases Co., Ltd.	$ 67,118	$ 62,000
Nyquest	13,200	5,775
	$ 80,318	$ 67,775
6) Other income (loss)		
Associate	$ 12,119	$ -
Related party in substance	649	126
	$ 12,768	$ 126

	December 31	
	2022	2021
7) Accounts receivable from related parties		
Related party in substance		
Waltech	$ 684,713	$ 564,244
Others	15,724	75,019
Associate	68,274	17,475
	$ 768,711	$ 656,738
8) Other receivables		
Associate		
TPSCo.	$ 54,318	$ -
Others	7,202	14,359
Related party in substance		
TPSCo.	-	262,957
Others	340	4,241
Parent company	597	-
	$ 62,457	$ 281,557

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

	December 31	
	2022	2021
9) Refundable deposits		
Parent company	$ 1,780	$ 1,780
Related party in substance	1,722	1,722
	$ 3,502	$ 3,502
10) Accounts payable to related parties		
Associate		
TPSCo.	$ 252,642	$ -
Related party in substance		
Waltech	474,247	33,640
TPSCo.	-	396,973
Parent company	20,828	36,060
	$ 747,717	$ 466,673
11) Other payables		
Associate	$ 241,319	$ 53,075
Parent company	48,200	20,466
Related party in substance	137,410	185,529
	$ 426,929	$ 259,070
12) Guarantee deposits		
Parent company	$ 545	$ 545
Related party in substance		
Nyquest	250,594	225,869
	$ 251,139	$ 226,414

The sales and purchase prices and collection and payment terms with related parties were not significantly different from those with third parties. For other related party transactions, price and terms were determined in accordance with mutual agreement.

13) Acquisition of property, plant and equipment

	Acquisition Price For the Year Ended December 31	
	2022	2021
Related party in substance		
Waltech	$ 31,725	$ -
Associate		
TPSCo.	112,128	-
	$ 143,853	$ -

14) Disposal of property, plant and equipment

	Proceeds For the Year Ended December 31		Gain (Loss) on Disposal For the Year Ended December 31	
	2022	2021	2022	2021
Related party in substance				
Waltech	$ -	$ 886,862	$ -	$ 144,679
TPSCo.	-	150	-	117
Associate				
TPSCo.	72,749	-	155	-
	$ 72,749	$ 887,012	$ 155	$ 144,796

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

Please refer to Note 32 (d) to the consolidated financial statements for details of finance lease contracts.

15) Disposal of intangible assets

	Proceeds For the Year Ended December 31		Gain (Loss) on Disposal For the Year Ended December 31	
Related Party Category	2022	2021	2022	2021
Associate				
TPSCo.	$ 204,873	$ -	$ 16	$ -

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

Please refer to Note 32 (d) to the consolidated financial statements for details of finance lease contracts.

c. Lease arrangements - Group is lessee

	December 31	
	2022	2021
1) Lease liabilities		
Parent company	$ 24,245	$ 36,172
Related party in substance	-	11,316
Associate	32,131	-
	$ 56,376	$ 47,488

	For the Year Ended December 31	
	2022	2021
2) Finance costs		
Parent company	$ 312	$ 441
Related party in substance	84	264
Associate	563	122
	$ 959	$ 827

d. Lease arrangements - Group is lessor/sublease arrangements

Sublease arrangements under operating leases

For the years ended December 31, 2022 and 2021, the Group subleases its right-of-use assets to its associate companies WEC, WEHK and TPSCo. under operating leases with lease terms between 1 and 12 years, and the rental is based on similar asset's market rental rates and fixed lease payments are received monthly.

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

	December 31	
Related Party Category	**2022**	**2021**
Associate		
TPSCo.	$ 19,770	$ -
Others	230	237
Related party in substance		
TPSCo.	-	20,459
Parent company	340	67
	$ 20,340	$ 20,763

2) Future lease payment receivables are as follows:

	December 31	
Related Party Category	**2022**	**2021**
Associate		
TPSCo.	$ 1,402,999	$ -
Others	1,830	1,296
Related party in substance		
TPSCo.	-	1,607,021
Parent company	12,151	4,369
	$ 1,416,980	$ 1,612,686

3) Lease income were as follows:

Related Party Category	For the Year Ended December 31 2022	2021
Associate		
TPSCo.	$ 155,271	$ -
Others	1,395	3,133
Related party in substance		
TPSCo.	55,912	237,011
Parent company	4,041	4,198
	$ 216,619	$ 244,342

Lease arrangements under finance leases

The Group leased out equipment and intangible assets to its associate company - TPSCo. under finance leases with lease term of 3 years from the second quarter of 2022. The net investment in leases was NT$277,390 thousand at the inception of the lease and the contract has average implicit interest rate of approximately 1.85% per annum. The rental is based on similar asset's market rental rates and the fixed lease payments JPY107,719 thousand are received quarterly.

As of December 31, 2022, the balance of finance lease receivables was NT$220,182 thousand and no impairment loss was recognized for the year ended December 31, 2022. There was also no gain (loss) on the disposal of equipment and intangible assets. The amount of interest income under finance leases for the year ended December 31, 2022 was NT$3,552 thousand.

e. Disposal of right-of-use assets

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

f. Acquisition of financial assets

December 31,2022

Related Party Category	Project	Number of Shares	Target	Amount Obtained
Associate				
TPSCo.	Investments accounted for using equity method	30,919	TPSCo. Ordinary share	$ 358,772

g. Endorsements and guarantees

Endorsements and guarantees provided by the Group

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

Endorsements and guarantees given by related parties

Related Party Category	**December 31** **2022**	**2021**
Parent company		
Amount endorsed	$ 6,972,000	$ 11,080,076
Amount utilized (reported as secured bank loans)	$ 952,840	$ -

h. Compensation of key management personnel

	For the Year Ended December 31 **2022**	**2021**
Short-term employee benefits	$ 308,890	$ 198,754
Post-employment benefits	3,623	3,479
	$ 312,513	$ 202,233

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

i. Other transactions with related parties

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

33. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	December 31 **2022**	**2021**
Land	$ 1,104,321	$ 1,142,811
Buildings	612,959	702,062
Investment properties	381,219	425,606
Time deposits (accounted as refundable deposits)	107,227	107,168
	$ 2,205,726	$ 2,377,647

34. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

N Company filed a complaint in the U.S. District Court for the District of Delaware on November 24, 2021. The plaintiff alleged that NTCA (not including NTC) infringes one of its patents. N Company applied to withdraw the complaint in February 2022, accordingly, the case was closed.

35. OTHER ITEMS

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

36. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

In January 2023, the Group sold 100% shares of AMTC to the parent company at the price JPY 1,673,000 thousand (NT$394,661 thousand). Since this equity transaction is deemed as a structure reorganization, the difference between consideration received and the carrying amount of the net assets of AMTC during actual disposal was adjusted to increase the capital surplus.

37. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	December 31					
	2022			2021		
	Foreign Currencies (Thousand)	Exchange Rate (Note)	New Taiwan Dollars (Thousand)	Foreign Currencies (Thousand)	Exchange Rate (Note)	New Taiwan Dollars (Thousand)
Financial assets						
Monetary items						
USD	$ 182,038	30.71	$ 5,590,375	$ 99,078	27.68	$ 2,742,470
ILS	9,720	8.7301	84,860	9,584	8.8912	85,210
RMB	5,675	4.4080	25,014	4,100	4.344	17,810
JPY	267,375	0.2324	62,138	561,081	0.2405	134,940
Financial liabilities						
Monetary items						
USD	142,250	30.71	4,368,483	121,847	27.68	3,372,723
ILS	10,532	8.7301	91,949	20,700	8.8912	184,048
RMB	6,602	4.4080	29,102	4,212	4.344	18,296
JPY	56,304	0.2324	13,085	1,516,111	0.2405	278,045

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

For the years ended December 31, 2022 and 2021, realized and unrealized net foreign exchange gains (losses) were NT$143,614 thousand and NT$(24,204) thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the entities in the Group.

38. SEGMENT INFORMATION

a. Basic information about operating segment

1) Classification of operating segments

The Group's reportable segments under IFRS 8 "Operating Segments" were as follows:

a) General IC product segment

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

b) Foundry service segment

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

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

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

b. Segment revenues and operating results

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

	Segment Revenue For the Year Ended December 31		**Segment Profit and Loss For the Year Ended December 31**	
	2022	**2021**	**2022**	**2021**
General IC products	$ 36,745,221	$ 35,610,810	$ 5,722,355	$ 4,953,725
Foundry service	3,368,080	2,515,484	1,863,466	1,140,994
Total of segment revenue	40,113,301	38,126,294	7,585,821	6,094,719
Other revenue	1,759,125	3,329,663	1,103,362	1,552,407
Operating revenue	$ 41,872,426	$ 41,455,957	8,689,183	7,647,126
Unallocated expenditure				
Administrative and supporting expenses			(2,749,443)	(2,884,137)
Sales and other common expenses			(1,461,831)	(1,435,846)
Total operating profit			4,477,909	3,327,143
Finance costs			(35,230)	(68,915)
Interest income			89,583	30,007
Dividend income			80,422	67,845
Other gains and losses			50,404	62,617
Gains (losses) on disposal of property, plant and equipment			304,132	134,893
Foreign exchange gains (losses)			143,614	(24,204)
Gains (losses) on financial instruments at fair value through profit or loss			(130,675)	16,110
Share of profit (loss) of associates			126,861	-
Profit before income tax			$ 5,107,020	$ 3,545,496

c. Geographical information

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

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

	Revenue from External Customers For the Year Ended December 31		Non-current Assets December 31	
	2022	2021	2022	2021
Asia	$ 40,737,361	$ 40,841,489	$ 9,059,215	$ 9,415,636
United States	624,117	388,106	73,417	23,722
Europe	499,827	225,502	-	-
Others	11,111	860	-	-
	$ 41,872,426	$ 41,455,957	$ 9,132,632	$ 9,439,358

d. Information about major customer

Single customers contributing 10% or more to the Group's operating revenue for the years ended December 31, 2022 and 2021 were as follows:

	For the Year Ended December 31			
	2022		2021	
	Amount	%	Amount	%
Customer S	$ 13,740,477	33	$ 13,524,520	33
Customer V	5,684,588	14	5,045,639	12
	$ 19,425,065	47	$ 18,570,159	45

39. ADDITIONAL DISCLOSURE

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

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

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

b. Information on investment in mainland China

1)	The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits (losses) of investee, ending balance, amount received as dividends from the investee, and the limitation on investee.	Table 7
2)	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

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

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Period (Note 2)	Outstanding Endorsement/ Guarantee at the End of the Period (Note 2)	Actual Borrowing Amount (In Thousands of Foreign Currencies)	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
1	The Company	NTCJ	Subsidiary	$ 17,565,938	$ 2,080,810 (JPY 5,650,000) and (US$ 25,000)	$ 2,080,810 (JPY 5,650,000) and (US$ 25,000)	$ 659,040 (JPY 287,980) and (US$ 19,281)	$ -	11.85	$ 17,565,938	Y	N	N

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

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

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

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars and Foreign Currencies)

Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	Shares							
	Yu-Ji Venture Capital Co., Ltd.	The held company as the investee's director	Financial assets at fair value through other comprehensive income	575,000	$ 9,844	5	$ 9,844	
	Brightek Optoelectronic Co., Ltd.	None	〃	34,680	919	-	919	
	United Industrial Gases Co., Ltd.	The held company as the investee's director	〃	8,800,000	492,800	4	492,800	
	Autotalks Ltd. - Preferred E. Share	None	〃	3,932,816	614,200	9	614,200	
	Warrants							
	Autotalks Ltd.	None	Financial assets at fair value through other comprehensive income	-	76,775	-	76,775	
	Allxon Inc.	None	〃	-	45,000	-	45,000	
SYI	Shares							
	Nyquest Technology Co., Ltd.	The held company as the investee's director	Financial assets at fair value through other comprehensive income	1,650,000	116,985	5	116,985	
NTCJ	Shares							
	Symetrix Corporation	None	〃	50,268	-	1	-	

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counterparty	Relationship	April 1, 2022 (Note)		Acquisition		Disposal				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount
NTCJ	TPSCo.	Investments accounted for using equity method	TPSCo.	The Company's parent	14,700	$ 1,289,679	30,919	$ 358,772	-	$ -	$ -	Share of profit (loss) $ 126,861 Cumulative transition differences 3,326 Unrealized profits and losses on transactions with associates (67,769)	45,619	$ 1,710,869

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

TABLE 4

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022
(TRANSACTIONS BETWEEN NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES ARE ALL ELIMINATED WHEN PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS.
THE FOLLOWING DISCLOSURE INFORMATION IS ONLY FOR REFERENCE.)
(In Thousands of New Taiwan Dollars and Foreign Currencies)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Company	NTHK	Subsidiary	Sales	$ 8,079,378	41	Net 90 days from invoice date	N/A	N/A	$ 141,110	12	
	NTCA	Subsidiary	Sales	262,269	1	Net 90 days from invoice date	N/A	N/A	108,679	9	
	WEC	Parent company	Purchases	173,354	2	Net 30 days from invoice date	N/A	N/A	(20,828)	1	
	WECJ	Associate	Sales	149,214	1	Net 90 days from invoice date	N/A	N/A	33,052	3	
	Nyquest	Related party in substance	Sales	229,401	1	Net 45 days from invoice date	N/A	N/A	15,704	1	
	NTSG	Subsidiary	Purchases	335,654	4	Net 15 days end of the month	N/A	N/A	(84,359)	5	
	NTCJ	Subsidiary	Purchases	1,961,416	24	Net 15 days end of the month	N/A	N/A	(158,632)	10	
	Waltech	Related party in substance	Purchases	1,045,764	13	Net 15 days end of the month	N/A	N/A	(448,177)	28	
NTCA	The Company	Parent company	Purchases	US$ 8,744	100	Net 90 days from invoice date	N/A	N/A	US$ (3,539)	100	
NTCJ	The Company	Parent company	Sales	US$ 65,019	8	Net 15 days end of the month	N/A	N/A	US$ 5,165	5	
NTHK	The Company	Parent company	Purchases	US$ 271,014	100	Net 90 days from invoice date	N/A	N/A	US$ (4,595)	100	
NTSG	The Company	Parent company	Sales	US$ 10,791	3	Net 15 days end of the month	N/A	N/A	US$ 2,741	9	
	NTCJ	Fellow subsidiary	Sales	US$ 141,550	45	Net 10 days end of the month	N/A	N/A	US$ 16,902	56	
NTCJ	NTSG	Fellow subsidiary	Purchases	JPY 19,356,022	37	Net 10 days end of the month	N/A	N/A	JPY (2,233,479)	25	
	NTSG	Fellow subsidiary	Sales	JPY 26,308,826	26	Net 10 days end of the month	N/A	N/A	JPY 1,871,831	14	
NTSG	NTCJ	Fellow subsidiary	Purchases	US$ 202,508	69	Net 10 days end of the month	N/A	N/A	US$ (14,165)	71	
NTCJ	TPSCo	Associate	Purchases	JPY 20,139,308	39	Net 10 days end of the month	N/A	N/A	JPY (1,087,101)	12	
	Waltech	Related party in substance	Sales	JPY 13,025,750	13	Net 10 days end of the month	N/A	N/A	JPY 2,864,430	21	
NTSG	Waltech	Related party in substance	Sales	US$ 7,786	3	Net 10 days end of the month	N/A	N/A	US$ 619	2	
AMTC	TPSCo	Associate	Sales	JPY 1,305,035	50	Net 10 days end of the month	N/A	N/A	JPY 138,201	62	

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars and Foreign Currencies)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
The Company	NTHK	Subsidiary	$ 141,110 (Note)	91.16	$ -	-	$ 141,110	$ -
	NTCA	Subsidiary	108,679 (Note)	3.49	-	-	108,679	-
NTSG	NTCJ	Fellow subsidiary	US$ 16,902 (Note)	9.69	-	-	US$ 16,902	-
NTCJ	NTSG	Fellow subsidiary	JPY 1,871,831 (Note)	14.11	-	-	JPY 1,871,831	-
	The Company	Parent company	US$ 5,165 (Note)	17.08	-	-	JPY 5,165	-
	Waltech.	Related party in substance	JPY 2,864,430	4.91	-	-	JPY 2,864,430	-

Note: All receivables balances are eliminated.

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE YEAR ENDED DECEMBER 31, 2022
(TRANSACTIONS BETWEEN NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES ARE ALL ELIMINATED WHEN PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS.
THE FOLLOWING DISCLOSURE INFORMATION IS ONLY FOR REFERENCE.)
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2022			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2022	December 31, 2021	Number of Shares	%	Carrying Amount			
The Company	NTHK	Hong Kong	Sales of semiconductor	$ 427,092	$ 427,092	107,400,000	100	$ 611,146	$ 66,834	$ 66,834	
	MML	British Virgin Islands	Investment holding	274,987	274,987	8,897,789	100	285,197	(17,224)	(17,224)	
	NIH	British Virgin Islands	Investment holding	590,953	590,953	17,960,000	100	368,652	(17,278)	(17,278)	
	SYI	Taiwan	Investment holding	38,500	38,500	3,850,000	100	147,758	14,445	14,445	
	NTIPL	India	Design, sales and service of semiconductor	30,211	30,211	600,000	100	21,647	1,186	1,186	
	NTCA	United States of America	Design, sales and service of semiconductor	190,862	190,862	60,500	100	210,632	10,280	10,280	
	NTSG	Singapore	Design, sales and service of semiconductor	1,319,054	1,319,054	45,100,000	100	1,959,771	168,131	168,131	
	NTKL	Korea	Design, sales and service of semiconductor	30,828	30,828	125,000	100	12,708	907	907	
	NTHJ	Japan	Investment holding	5,927,849	5,927,849	100	100	7,567,843	1,352,222	1,352,222	
MML	GLLC	United States of America	Investment holding	1,473,559	1,473,559	-	100	285,197	(16,951)	(16,951)	
NIH	NTIL	Israel	Design and service of semiconductor	46,905	46,905	1,000	100	294,012	(3,737)	(3,737)	
NTHJ	NTCJ	Japan	Design, sales and service of semiconductor	111,520	111,520	9,480	100	11,402,133	1,352,086	1,352,086	
NTCJ	AMTC.	Japan	Design and service of semiconductor	55,760	55,760	4,000	100	233,534	91,737	91,737	
	TPSCo.	Japan	Foundry and sales of semiconductor	1,648,451	-	45,619	49	1,710,869	493,050	126,861	(Notes 1 and 2)

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

Note 2: Under the business acquisition agreement, if TPSCo. turns net profit during the period of the effective date of the acquisition (September 1, 2020) to March 31, 2022, the Group is required to pay Panasonic Corporation the net profit based on its ownership share. Thus, the Group has no significant influence over TPSCo. during the period aforementioned. TPSCo. was recognized as non-current financial assets at fair value through other comprehensive income. Starting from April 2022, the Group has been released the restriction and has significant influence over TPSCo., accordingly, TPSCo. has been accounted for under equity method. Share of profit (loss) was recognized as from April 2022 for the period.

Note 3: Refer to Table 7 for information on investment in mainland China.

TABLE 7

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars and U.S. Dollars)

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

Investee Company in mainland China	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022	% Ownership of Direct or Indirect Investment	Net Income of the Investee	Investment Gain (Note 1)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022
					Outward	Inward						
NTSH	Provide project of sale in China and repairing, testing and consulting of software and leasing business	$ 68,036 (US$ 2,000)	Through investing in MML in the third area in British Virgin Islands, which then invested in the investee in mainland China indirectly	$ 68,036 (US$ 2,000)	$ -	$ -	$ 68,036 (US$ 2,000)	100	$ (16,630)	$ (16,630)	$ 287,961	$ -
WENJ	Computer software service (except I.C. design)	16,429 (US$ 500)	Through investing in MML in the third area in British Virgin Islands, which then invested in the investee in mainland China indirectly	16,429 (US$ 500)	-	-	16,429 (US$ 500)	100	-	-	(3,038) (Note 2)	-
NTSZ	Computer software service (except I.C. design), wholesale business for computer, supplement and software	197,670 (US$ 6,000)	Through investing in NTHK in the third area, which then invested in the investee in mainland China indirectly	197,670 (US$ 6,000)	-	-	197,670 (US$ 6,000)	100	4,749	4,749	228,552	-
Song Zhi (Suzhou)	Provide development of semiconductor and technology, consult service and equipment leasing business	8,688 (RMB 2,000)	Through investing in NTSH in the third area, which then invested in the investee in mainland China indirectly	- (Note 3)	-	-	-	100	(16)	(16)	8,207	-

Note 1: Investment profit or loss for the year ended December 31, 2022 was recognized under the basis of the financial statements audited by the Company's auditor.

Note 2: WENJ has a negative net book value as of December 31, 2022, which is reclassified to other non-current liabilities.

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

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

Company	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 4)
The Company	NT$282,135 (US$8,500)	NT$282,135 (US$8,500)	NT$10,539,562

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

3. Refer to Table 8 for significant transactions with the investee in mainland China directly and indirectly through investing in companies in the third area.

4. 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.

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars and Foreign Currencies)

No.	Company Name	Related Party	Nature of Relationship	Transaction Details			Percentage of Consolidated Total Gross Sales or Total Assets (%)
				Financial Statement Account	Amount	Terms (Note)	
	2022						
0	The Company	NTHK	Transactions between parent company and subsidiaries	Operating revenue	$ 8,079,378	-	19
		NTHK	Transactions between parent company and subsidiaries	Accounts receivable due from related parties	141,110	-	-
		NTIL	Transactions between parent company and subsidiaries	Operating expense	1,136,241	-	3
		NTCA	Transactions between parent company and subsidiaries	Operating expense	417,532	-	1
		NTCA	Transactions between parent company and subsidiaries	Operating revenue	262,269	-	1
		NTCA	Transactions between parent company and subsidiaries	Accounts receivable due from related parties	108,679	-	-
		NTCJ	Transactions between parent company and subsidiaries	Accounts payable to related parties	158,632	-	-
		NTCJ	Transactions between parent company and subsidiaries	Operating cost	1,961,416	-	5
		NTSG	Transactions between parent company and subsidiaries	Operating cost	335,654	-	1
1	NTCJ	NTSG	Transactions between subsidiaries	Operating revenue	JPY 26,308,826	-	14
		NTSG	Transactions between subsidiaries	Accounts receivable due from related parties	JPY 1,871,831	-	1
2	NTSG	NTCJ	Transactions between subsidiaries	Operating revenue	US$ 141,550	-	10
		NTCJ	Transactions between subsidiaries	Accounts receivable due from related parties	US$ 16,902	-	1
4	AMTC	NTCJ	Transactions between subsidiaries	Other operating revenue	JPY 1,489,444	-	1

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

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

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2022

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

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

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

Nuvoton Technology Corporation and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2023 and 2022 and Independent Auditors' Report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The entities that are required to be included in the combined financial statements of Nuvoton Technology Corporation as of and for the year ended December 31, 2023, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, "Consolidated Financial Statements". In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Nuvoton Technology Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

NUVOTON TECHNOLOGY CORPORATION

By

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YUAN-MOU SU
Chairman

February 5, 2024

Deloitte.

勤業眾信

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Nuvoton Technology Corporation

Opinion

We have audited the accompanying consolidated financial statements of Nuvoton Technology Corporation and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matter

Key audit matter is this matter that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Occurrence of Sales Revenues Recognition

Revenue from the sale of goods is recognized when the customer received the goods and bear the risk. We performed an analytical procedure on the sales revenue in 2023, and some kind of products have relatively high gross margins and certain percentage of annual sales, which has a material impact of the financial report. Therefore, we choose the occurrence of those products sales revenue as a key audit matter for the year ended December 31, 2023. Refer to Note 4 to the consolidated financial statements for the Group's revenue recognition policies.

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

Other Matter

We have also audited the parent company only financial statements of Nuvoton Technology Corporation as of and for the years ended December 31, 2023 and 2022 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2023 and are therefore the key audit matter. We describe this matter in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Shu Lin Liu

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 5, 2024

<u>*Notice to Readers*</u>

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

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

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

	2023		2022	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 6,325,394	20	$ 10,398,185	28
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	22,422	-	2,894	-
Accounts receivable, net (Notes 4 and 8)	4,092,482	13	3,610,131	10
Accounts receivable from related parties, net (Notes 4, 8 and 32)	29,523	-	768,711	2
Finance lease receivables - current (Notes 4, 9 and 32)	92,088	-	96,731	-
Other receivables (Notes 10 and 32)	412,575	1	327,265	1
Inventories (Notes 4 and 11)	7,756,366	24	8,458,827	23
Other current assets	468,615	2	452,383	1
Total current assets	19,199,465	60	24,115,127	65
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	76,763	-	121,775	-
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 12)	1,348,557	4	1,234,748	3
Investments accounted for using equity method (Notes 4 and 13)	1,824,673	6	1,710,869	5
Property, plant and equipment (Notes 4, 14, 32 and 33)	5,785,697	18	5,764,085	16
Right-of-use assets (Notes 4, 15 and 32)	520,912	2	623,867	2
Investment properties (Notes 4, 16 and 33)	1,549,000	5	1,798,160	5
Intangible assets (Notes 4 and 17)	550,894	2	722,757	2
Deferred tax assets (Notes 4 and 25)	226,001	1	198,727	1
Refundable deposits (Notes 6, 32 and 33)	275,294	1	337,862	1
Finance lease receivables - non-current (Notes 4, 9 and 32)	23,289	-	123,451	-
Other non-current assets	359,649	1	100,312	-
Total non-current assets	12,540,729	40	12,736,613	35
TOTAL	$ 31,740,194	100	$ 36,851,740	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 18, 32 and 33)	$ 1,064,280	3	$ 1,069,040	3
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	786	-	7,412	-
Accounts payable	1,304,407	4	2,401,020	7
Accounts payable to related parties (Note 32)	778,160	3	747,717	2
Other payables (Notes 19 and 32)	3,969,136	13	4,464,260	12
Current tax liabilities (Notes 4 and 25)	305,031	1	712,005	2
Provisions - current (Note 20)	-	-	132,473	-
Lease liabilities - current (Notes 4, 15 and 32)	156,298	1	169,896	1
Long-term borrowings - current (Notes 18, 32 and 33)	142,857	-	71,429	-
Other current liabilities	459,853	1	1,192,434	3
Total current liabilities	8,180,808	26	10,967,686	30
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 18, 32 and 33)	857,143	3	1,428,571	4
Provisions - non-current (Note 20)	2,235,033	7	2,491,287	7
Deferred tax liabilities (Notes 4 and 25)	77,953	-	13,209	-
Lease liabilities - non-current (Notes 4, 15 and 32)	384,600	1	491,363	1
Net defined benefit liabilities - non-current (Notes 4 and 21)	1,370,333	4	1,492,573	4
Guarantee deposits (Notes 4, 22 and 32)	1,845,998	6	2,351,028	6
Other non-current liabilities	57,282	-	50,085	-
Total non-current liabilities	6,828,342	21	8,318,116	22
Total liabilities	15,009,150	47	19,285,802	52
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share capital (Note 23)	4,197,653	14	4,197,653	11
Capital surplus (Note 23)	6,995,630	22	6,871,827	19
Retained earnings (Note 23)				
Legal reserve	1,447,316	5	958,560	3
Special reserve	710,979	2	-	-
Unappropriated earnings	4,570,285	14	6,248,877	17
Exchange differences on translation of financial statements of foreign operations (Notes 4 and 23)	(1,556,260)	(5)	(1,005,611)	(3)
Unrealized gains on financial assets at fair value through other comprehensive income (Notes 4 and 23)	365,441	1	294,632	1
Total equity	16,731,044	53	17,565,938	48
TOTAL	$ 31,740,194	100	$ 36,851,740	100

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

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 24 and 32)	$ 35,348,149	100	$ 41,872,426	100
OPERATING COST (Notes 11, 26 and 32)	21,005,496	59	24,378,097	58
GROSS PROFIT	14,342,653	41	17,494,329	42
OPERATING EXPENSES (Notes 26 and 32)				
Selling expenses	972,814	3	1,162,124	3
General and administrative expenses	2,545,425	7	2,749,443	6
Research and development expenses	9,124,732	26	9,104,501	22
Expected credit loss (gain)	9,499	-	352	-
Total operating expenses	12,652,470	36	13,016,420	31
PROFIT FROM OPERATIONS	1,690,183	5	4,477,909	11
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 32)				
Finance costs	(45,759)	-	(35,230)	-
Share of profit (loss) of associates	162,270	-	126,861	-
Interest income	190,134	1	89,583	-
Dividend income	71,728	-	80,422	-
Other gains and losses	40,651	-	50,404	-
Gains (losses) on disposal of property, plant and equipment	646,211	2	304,132	1
Foreign exchange gains (losses)	77,808	-	143,614	-
Gains (losses) on financial assets at fair value through profit or loss	(106,622)	-	(130,675)	-
Total non-operating income and expenses	1,036,421	3	629,111	1
PROFIT BEFORE INCOME TAX	2,726,604	8	5,107,020	12
INCOME TAX EXPENSE (Notes 4 and 25)	(306,170)	(1)	(886,247)	(2)
NET PROFIT FOR THE YEAR	2,420,434	7	4,220,773	10

(Continued)

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE INCOME (LOSS) (Note 23)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 21)	$ 41,748	-	$ 109,511	-
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	70,809	-	(253,744)	-
Income tax related to items that will not be reclassified subsequently to profit or loss	(2,682)	-	(5,812)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	(550,649)	(1)	39,330	-
Other comprehensive income (loss) for the year, net of income tax	(440,774)	(1)	(110,715)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 1,979,660	6	$ 4,110,058	10
EARNINGS PER SHARE (Notes 4 and 27)				
From continuing operations				
Basic	$ 5.77		$ 10.06	
Diluted	$ 5.75		$ 9.99	

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

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company								
				Retained Earnings			Other Equity		
	Ordinary Share	Certificates of Bond-to-stock Conversion	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Financial Statements of Foreign Operations	Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income	Total Equity
BALANCE AT JANUARY 1, 2022	$ 4,172,101	$ 25,552	$ 6,871,811	$ 655,515	$ -	$ 3,763,192	$ (1,044,941)	$ 1,111,460	$ 15,554,690
Appropriation of 2021 earnings (Note 23)									
Legal reserve	-	-	-	303,045	-	(303,045)	-	-	-
Cash dividends	-	-	-	-	-	(2,098,826)	-	-	(2,098,826)
Total appropriation earnings	-	-	-	303,045	-	(2,401,871)	-	-	(2,098,826)
Net profit for the year ended December 31, 2022	-	-	-	-	-	4,220,773	-	-	4,220,773
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	-	103,699	39,330	(253,744)	(110,715)
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	4,324,472	39,330	(253,744)	4,110,058
Convertible bonds converted to ordinary shares (Note 23)	25,552	(25,552)	-	-	-	-	-	-	-
Unclaimed dividends from claims extinguished by prescriptions	-	-	16	-	-	-	-	-	16
Disposal of investments in equity instruments designated as at fair value through other comprehensive income (Notes 12 and 23)	-	-	-	-	-	563,084	-	(563,084)	-
BALANCE AT DECEMBER 31, 2022	4,197,653	-	6,871,827	958,560	-	6,248,877	(1,005,611)	294,632	17,565,938
Appropriation of 2022 earnings (Note 23)									
Legal reserve	-	-	-	488,756	-	(488,756)	-	-	-
Special reserve	-	-	-	-	710,979	(710,979)	-	-	-
Cash dividends	-	-	-	-	-	(2,938,357)	-	-	(2,938,357)
Total appropriation earnings	-	-	-	488,756	710,979	(4,138,092)	-	-	(2,938,357)
Net profit for the year ended December 31, 2023	-	-	-	-	-	2,420,434	-	-	2,420,434
Other comprehensive income (loss) for the year ended December 31, 2023, net of income tax	-	-	-	-	-	39,066	(550,649)	70,809	(440,774)
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	2,459,500	(550,649)	70,809	1,979,660
Unclaimed dividends from claims extinguished by prescriptions	-	-	22	-	-	-	-	-	22
Share-based payment transaction (Note 28)	-	-	3,380	-	-	-	-	-	3,380
Disposal of subsidiaries (Note 29)	-	-	120,401	-	-	-	-	-	120,401
BALANCE AT DECEMBER 31, 2023	$ 4,197,653	$ -	$ 6,995,630	$ 1,447,316	$ 710,979	$ 4,570,285	$ (1,556,260)	$ 365,441	$ 16,731,044

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

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 2,726,604	$ 5,107,020
Adjustments for:		
Depreciation expense	1,152,906	1,039,876
Amortization expense	341,176	291,785
Expected credit loss recognized on accounts receivable	9,499	352
Finance costs	45,759	35,230
Interest income	(190,134)	(89,583)
Dividend income	(71,728)	(80,422)
Compensation costs of share-based payment transaction	3,380	-
Share of (profit) loss of associates	(162,270)	(126,861)
Gains on disposal of property, plant and equipment	(646,211)	(304,132)
Gain on lease modification	(25,693)	(110,866)
Other adjustment to reconcile losses (profit)	591	(90)
Changes in operating assets and liabilities		
(Increase) decrease in financial assets at fair value through profit or loss	(26,142)	(1,426)
(Increase) decrease in accounts receivable	(1,099,561)	(180,029)
(Increase) decrease in accounts receivable from related parties	739,188	(111,973)
(Increase) decrease in other receivables	(145,632)	480,595
(Increase) decrease in inventories	146,920	(1,599,361)
(Increase) decrease in other current assets	(19,467)	(113,769)
(Increase) decrease in other non-current assets	(259,337)	(96,007)
(Increase) decrease in notes payable	-	(38,753)
Increase (decrease) in accounts payable	(1,034,931)	(233,356)
Increase (decrease) in accounts payable to related parties	30,443	281,044
Increase (decrease) in other payables	(464,364)	(52,249)
Increase (decrease) in provisions	(232,836)	(407,467)
Increase (decrease) in other current liabilities	(178,152)	313,262
Increase (decrease) in net defined benefit liabilities	562	(2,193)
Increase (decrease) in other non-current liabilities	7,197	3,696
Cash flows generated from operations	647,767	4,004,323
Interest received	185,020	86,735
Interest paid	(43,966)	(33,826)
Income tax paid	(728,462)	(715,976)
Dividend received	71,728	80,422
Net cash flows generated from operating activities	132,087	3,421,678
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	2,000	1,000
Acquisition of financial assets at fair value through profit or loss	-	(45,000)
Acquisition of investments accounted for using equity method	(59,586)	(358,772)
Proceeds from disposal of subsidiaries	196,798	-

(Continued)

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

	2023	2022
Decrease in payable for investment	$ -	$ (362,643)
Decrease in finance lease receivables	94,491	71,848
Decrease in other receivables - time deposits	48,830	128,267
Acquisition of property, plant and equipment	(1,042,315)	(1,351,626)
Proceeds from disposal of property, plant and equipment	696,675	314,662
Acquisition of intangible assets	(320,122)	(374,144)
Proceeds from intangible assets	-	356
Decrease in refundable deposits paid	(5,981)	(188,382)
Net cash flows used in investing activities	(389,210)	(2,164,434)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	6,148,050	1,069,040
Repayment of short-term borrowings	(6,077,970)	-
Repayment of long-term borrowings	(500,000)	-
Proceeds from guarantee deposits received	64,823	433,932
Repayments of the principal portion of lease liabilities	(184,100)	(225,233)
Dividends paid to owners of the Company	(2,938,357)	(2,098,826)
Net cash flows generated from (used in) financing activities	(3,487,554)	(821,087)
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(328,114)	262,997
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,072,791)	699,154
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	10,398,185	9,699,031
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 6,325,394	$ 10,398,185

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

1. GENERAL INFORMATION

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

For the specialization and division of labor and the reinforcement of core competitive ability, the Company's parent company, Winbond Electronics Corporation (WEC), spun off its Logic IC business into the Company on July 1, 2008 in accordance with the Business Mergers and Acquisitions Act and the Company commenced business in July 2008. WEC held both approximately 51% of the ownership interest in the Company as of December 31, 2023 and 2022.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's Board of Directors and authorized for issue on February 5, 2024.

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

a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financing Reporting Interpretation Committee (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRS Accounting Standards") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

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

   <u>Amendments to IAS 12 "International Tax Reform - Pillar Two Model Rules"</u>

   The amendments introduce a temporary exception to the requirements in IAS 12 by stipulating that the Group should neither recognize nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. The amendments also require the Group to disclose that it has applied the exception and separately disclose its current tax expense (income) related to Pillar Two income taxes. In addition, for periods in which Pillar Two legislation is enacted or substantively enacted but not yet in effect, the Group should disclose qualitative and quantitative information that helps users of financial statements understand the Group's exposure to Pillar Two income taxes. The requirement that the Group apply the exception and the requirement to disclose that fact are applied immediately and retrospectively upon issuance of the amendments. The remaining disclosure requirements apply for annual reporting periods beginning on or after January 1, 2023, but not for any interim period ending on or before December 31, 2023.

b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2024

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024
Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"	January 1, 2024 (Note 3)

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

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

Note 3: The amendments provide some transition relief regarding disclosure requirements.

As of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a material impact on the Group's financial position and financial performance.

c. The IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

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

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

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

Basis of Consolidation

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

Subsidiary included in the consolidated financial statements:

			Percentage of Ownership (%)	
			December 31	
Investor	**Investee**	**Main Business**	**2023**	**2022**
The Company	Nuvoton Electronics Technology (H.K.) Limited ("NTHK")	Sales of semiconductor	100	100
	Marketplace Management Limited ("MML")	Investment holding	100	100
	Nuvoton Investment Holding Ltd. ("NIH")	Investment holding	100	100
	Song Yong Investment Corporation ("SYI")	Investment holding	100	100
	Nuvoton Technology India Private Limited ("NTIPL")	Design, sales and after-sales service of semiconductor	100	100
	Nuvoton Technology Corporation America ("NTCA")	Design, sales and after-sales service of semiconductor	100	100
	Nuvoton Technology Holdings Japan ("NTHJ")	Investment holding	100	100
	Nuvoton Technology Singapore Pte. Ltd ("NTSG")	Design, sales and after-sales service of semiconductor	100	100
	Nuvoton Technology Korea Limited ("NTKL")	Design, sales and after-sales service of semiconductor	100	100
	Nuvoton Technology Germany GmbH ("NTG") (Note 1)	Customer service and technical support of semiconductor	100	-
NTHK	Nuvoton Electronics Technology (Shenzhen) Limited ("NTSZ")	Computer software service (except I.C. design), wholesale business for computer, supplement and software	100	100
MML	Goldbond LLC ("GLLC")	Investment holding	100	100
GLLC	Nuvoton Electronics Technology (Shanghai) Limited ("NTSH")	Provides projects for sale in China and repairing, testing and consulting of software and leasing business	100	100
	Winbond Electronics (Nanjing) Ltd. ("WENJ") (Note 2)	Computer software service (except I.C. design)	-	100
NTSH	Song Zhi Electronics Technology (Suzhou) ("Song Zhi Suzhou")	Provide development of semiconductor and technology, consult service and equipment lease	100	100
NIH	Nuvoton Technology Israel Ltd. ("NTIL")	Design and service of semiconductor	100	100
NTHJ	Nuvoton Technology Corporation Japan ("NTCJ")	Design, sales and after-sales service of semiconductor	100	100
NTCJ	Atfields Manufacturing Technology Corporation ("AMTC") (Note 3)	Design and service of semiconductor	-	100

Note 1: The Group established NTG in Germany in December 2023 and acquired 100% of ownership.

Note 2: WENJ has completed the cancellation and liquidation process in May 2023.

Note 3: NTCJ has sold all of its shares of AMTC to WEC in January 2023, refer to Note 29 to the consolidated financial statements.

Classification of Current and Non-current Assets and Liabilities

Current assets include:

a. Assets held primarily for the purpose of trading;

b. Assets expected to be realized within 12 months after the reporting period; and

c. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

a. Liabilities held primarily for the purpose of trading;

b. Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and

c. Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

Business Combinations

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

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

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

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

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

Foreign Currencies

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

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

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

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

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

Cash Equivalents

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

Financial Instruments

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

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

a. Financial assets

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

Measurement categories

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

1) Financial asset at FVTPL

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

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

2) Financial assets at amortized cost

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

a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

a) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and

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

3) Investments in equity instruments at FVTOCI

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

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

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

Impairment of financial assets

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

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

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

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

Derecognition of financial assets

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

b. Financial liabilities

1) Subsequent measurement

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

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

2) Derecognition of financial liabilities

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

c. Derivative financial instruments

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

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

Inventories

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

Investments in Associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The Group uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group's share of profit or loss and other comprehensive income of the associate. The Group recognizes the changes in the Group's share of the equity of associates.

Any excess of the cost of acquisition over the Group's share of net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Company subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus and investments accounted for using the equity method. If the Group's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), recognizing its share of further loss. Additional losses and liabilities are discontinue recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of unrelated parties' interests in the associate.

Property, Plant and Equipment

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

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

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

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

Investment Properties

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

Intangible Assets

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

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

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

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

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

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

Products Guarantee Based on Commitment

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

Guarantee Deposit

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

Revenue Recognition

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

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

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

Leases

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

a. The Group as lessor

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

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

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

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

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

b. The Group as lessee

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

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

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

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

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

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

Taxation

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

a. Current tax

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

b. Deferred tax

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

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

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

5. MATERIAL 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 estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Write-down of Inventories

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2023	2022
Cash and deposits in banks	$ 6,161,894	$ 10,348,185
Repurchase agreements collateralized by bonds	163,500	50,000
	$ 6,325,394	$ 10,398,185

a. Please refer to Note 33 to the consolidated financial statements for the amount of refundable deposits pledged to secure land leases, customs tariff obligations and borrowings.

b. The Group has time deposits which are not held for the purpose of meeting short-term cash commitments and are reclassified to “other receivables” as follows (Note 10 to the consolidated financial statements):

	December 31	
	2023	2022
Time deposits	$ 7,384	$ 56,214

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2023	2022
Financial assets - current		
Held for trading		
Foreign exchange forward contracts	$ 22,422	$ 2,894
Financial assets - non-current		
Mandatorily measured at FVTPL		
Domestic and oversea warrants	$ 76,763	$ 121,775
Financial liabilities - current		
Held for trading		
Foreign exchange forward contracts	$ 786	$ 7,412

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

	Currency	Maturity Date	Contract Amount (In Thousands)
December 31, 2023			
Sell forward exchange contracts	USD/NTD	2024.01.03-2024.01.23	USD21,000/NTD653,226
	USD/JPY	2024.01.12-2024.02.14	USD28,200/JPY4,041,691
December 31, 2022			
Sell forward exchange contracts	USD/NTD	2023.01.06-2023.03.03	USD30,000/NTD915,452
	USD/JPY	2023.01.23-2023.02.21	USD17,400/JPY2,300,582

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

8. ACCOUNTS RECEIVABLE, NET

	December 31	
	2023	2022
Accounts receivable (including related parties)		
At amortized cost		
Gross carrying amount	$ 4,165,734	$ 4,412,957
Less: Allowance for impairment loss	(43,729)	(34,115)
	$ 4,122,005	$ 4,378,842

The average credit period of sales of goods was 30-60 days. No interest was charged on accounts receivable. The Group adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Group annually.

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

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

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

The following table details the loss allowance of accounts receivable (including related parties) based on the Group's provision matrix.

December 31, 2023

	Not Overdue	Overdue under 30 Days	Overdue 31 to 90 Days	Overdue 91 to 180 Days	Over 180 Days	Total
Expected credit loss rate	0.1%-2%	2%	10%	20%	50%	
Gross carrying amount	$ 4,138,023	$ 24,878	$ 860	$ 1,973	$ -	$ 4,165,734
Loss allowance (lifetime ECL)	(42,750)	(498)	(86)	(395)	-	(43,729)
Amortized cost	$ 4,095,273	$ 24,380	$ 774	$ 1,578	$ -	$ 4,122,005

December 31, 2022

	Not Overdue	Overdue under 30 Days	Overdue 31 to 90 Days	Overdue 91 to 180 Days	Over 180 Days	Total
Expected credit loss rate	0.1%-2%	2%	10%	20%	50%	
Gross carrying amount	$ 4,393,253	$ 6,176	$ 1,678	$ 11,850	$ -	$ 4,412,957
Loss allowance (lifetime ECL)	(31,453)	(124)	(168)	(2,370)	-	(34,115)
Amortized cost	$ 4,361,800	$ 6,052	$ 1,510	$ 9,480	$ -	$ 4,378,842

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

	For the Year Ended December 31	
	2023	2022
Balance at January 1	$ 34,115	$ 32,854
Add: Net remeasurement of loss allowance	9,499	352
Foreign currency exchange gains and losses	115	909
Balance at December 31	$ 43,729	$ 34,115

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

9. FINANCE LEASE RECEIVABLES

	December 31	
	2023	2022
Undiscounted lease payments		
Year 1	$ 93,586	$ 100,135
Year 2	23,397	100,135
Year 3	-	25,034
	116,983	225,304
Less: Unearned finance income	(1,606)	(5,122)
Finance lease receivables	$ 115,377	$ 220,182
Current	$ 92,088	$ 96,731
Non-current	23,289	123,451
	$ 115,377	$ 220,182

The average lease term of finance lease receivables recognized by the Group from TPSCo. for the lease of property, plant and equipment and intangible assets is three years. The contract has an average implied interest rate of approximately 1.85% per annum. Refer to Note 32 to the consolidated financial statements for details of finance lease contracts.

10. OTHER RECEIVABLES

	December 31	
	2023	2022
Time deposits (Note 6)	$ 7,384	$ 56,214
Business tax refund receivable	293,243	28,436
Others	111,948	242,615
	$ 412,575	$ 327,265

11. INVENTORIES

	December 31	
	2023	2022
Raw materials and supplies	$ 521,147	$ 574,856
Work-in-process	4,944,496	6,025,839
Finished goods	2,288,440	1,857,865
Inventories in transit	2,283	267
	$ 7,756,366	$ 8,458,827

The operating cost for the years ended December 31, 2023 and 2022 was NT$21,005,496 thousand and NT$24,378,097 thousand, respectively. The inventory write-downs, obsolescence and abandonment of inventories for the years ended December 31, 2023 and 2022 were NT$385,214 thousand and NT$201,712 thousand, respectively.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in Equity Instruments at FVTOCI

	December 31	
	2023	2022
Listed shares and emerging market shares		
Nyquest Technology Co., Ltd.	$ 132,660	$ 116,985
Brightek Optoelectronic Co., Ltd.	1,423	919
Unlisted shares		
United Industrial Gases Co., Ltd.	536,800	492,800
Yu-Ji Venture Capital Co., Ltd.	7,324	9,844
Autotalks Ltd. - Preferred E. Share	614,100	614,200
Allxon Inc.	56,250	-
Symetrix Corporation - Preferred A. Share	-	-
	$ 1,348,557	$ 1,234,748

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

In June 2023, The Group executes the Allxon Inc. stock warrants conversion to acquired 5,625 thousand preferred shares and expected to profit through long-term investments. Therefore, it was reclassification of financial assets at fair value through profit or loss to the financial assets at fair value through other comprehensive income.

The Group changed its accounting treatment of investment in TPSCo. to the equity method since April 2022, refer to Note 13 to the consolidated financial statements for related information; accordingly, the related other equity - unrealized gain or loss on financial assets at fair value through other comprehensive income or loss of NT$563,084 thousand was transferred to retained earnings. Refer to Note 23 to the consolidated financial statements for related information.

The Group recognized dividends of NT$71,728 thousand and NT$80,422 thousand during 2023 and 2022, respectively.

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in Associates

	December 31	
	2023	2022
Tower Partners Semiconductor Co., Ltd. ("TPSCo.")	$ 1,824,673	$ 1,710,869

Under the business acquisition agreement, if TPSCo. turns net profit during the period of the effective date of the acquisition (September 1, 2020) to March 31, 2022, the Group is required to pay Panasonic Corporation the net profit based on its ownership share. Thus, the Group has no significant influence over TPSCo. during the period aforementioned. TPSCo. was recognized as non-current financial assets at fair value through other comprehensive income. Starting from April 2022, the Group has been released the restriction and has significant influence over TPSCo., accordingly, TPSCo. has been accounted for under equity method. As of December 31, 2022, NTCJ has held TPSCo.'s 45,619 shares. For the three months ended March 31, 2023, NTCJ subscribed for 3,920 shares issued in the cash capital increased by TPSCo. As of December 31, 2023, NTCJ has held TPSCo.'s 49,539 shares with a direct shareholding of 49%.

The equity method of investment and the Groups' share of profit or loss of the investment was calculated based on the associate's financial statement which has been reviewed by independent auditors for the respective period.

In June 2022, the Group transferred the right-of-use asset contract to TPSCo. The related deferred benefit will be recognized in accordance with the remaining lease term of the contract, refer to Note 32 to the consolidated financial statements.

The investments accounted for using equity method and the shares of profit or loss of these investments for the year ended December 31, 2023 and 2022 were based on the associates' financial statements audited by independent auditors.

14. PROPERTY, PLANT AND EQUIPMENT

	December 31 2023	December 31 2022
Land	$ 1,801,369	$ 1,890,924
Buildings	1,740,796	1,908,905
Machinery and equipment	1,595,440	1,470,965
Other equipment	309,192	276,558
Construction in progress and prepayments for purchase of equipment	338,900	216,733
	$ 5,785,697	$ 5,764,085

	Land	Buildings	Machinery and Equipment	Other Equipment	Construction in Progress and Prepayments for Purchase of Equipment	Total
Cost						
Balance at January 1, 2023	$ 1,890,924	$ 20,490,249	$ 54,320,817	$ 3,341,453	$ 216,733	$ 80,260,176
Additions	34,120	52,094	253,019	30,987	869,773	1,239,993
Disposals	-	(21,328)	(8,232,830)	(288,379)	-	(8,542,537)
Disposals of subsidiaries	-	-	-	(6,813)	-	(6,813)
Reclassified	-	56,605	505,148	186,128	(746,508)	1,373
Effects of foreign currency exchange differences	(123,675)	(1,095,707)	(2,829,247)	(191,217)	(1,098)	(4,240,944)
Balance at December 31, 2023	1,801,369	19,481,913	44,016,907	3,072,159	338,900	68,711,248

(Continued)

	Land	Buildings	Machinery and Equipment	Other Equipment	Construction in Progress and Prepayments for Purchase of Equipment	Total
Accumulated depreciation and impairment						
Balance at January 1, 2023	$ -	$ 18,581,344	$ 52,849,852	$ 3,064,895	$ -	$ 74,496,091
Disposals	-	(20,355)	(8,186,476)	(285,242)	-	(8,492,073)
Depreciation expense	-	166,118	512,752	169,129	-	847,999
Disposal of subsidiaries	-	-	-	(4,837)	-	(4,837)
Effects of foreign currency exchange differences	-	(985,990)	(2,754,661)	(180,978)	-	(3,921,629)
Balance at December 31, 2023	-	17,741,117	42,421,467	2,762,967	-	62,925,551
Carrying amounts at December 31, 2023	$ 1,801,369	$ 1,740,796	$ 1,595,440	$ 309,192	$ 338,900	$ 5,785,697
Cost						
Balance at January 1, 2022	$ 1,918,115	$ 20,895,264	$ 55,766,204	$ 3,323,174	$ 101,297	$ 82,004,054
Additions	24,667	57,851	143,191	41,909	1,167,048	1,434,666
Disposals	-	(19,722)	(785,157)	(166,385)	-	(971,264)
Reclassified	12,248	131,444	668,033	236,727	(1,048,452)	-
Effects of foreign currency exchange differences	(64,106)	(574,588)	(1,471,454)	(93,972)	(3,160)	(2,207,280)
Balance at December 31, 2022	1,890,924	20,490,249	54,320,817	3,341,453	216,733	80,260,176
Accumulated depreciation and impairment						
Balance at January 1, 2022	-	18,952,769	54,708,690	3,094,082	-	76,755,541
Disposals	-	(19,722)	(775,208)	(93,271)	-	(888,201)
Depreciation expense	-	165,750	388,297	152,655	-	706,702
Reclassified	-	-	(3)	3	-	-
Effects of foreign currency exchange differences	-	(517,453)	(1,471,924)	(88,574)	-	(2,077,951)
Balance at December 31, 2022	-	18,581,344	52,849,852	3,064,895	-	74,496,091
Carrying amounts at December 31, 2022	$ 1,890,924	$ 1,908,905	$ 1,470,965	$ 276,558	$ 216,733	$ 5,764,085

(Concluded)

a. Refer to Note 33 to the consolidated financial statements for the amount of property, plant and equipment pledged as collateral for bank borrowings.

b. In the second quarter of 2022, the carrying amount of other equipment disposed under finance leases was NT$72,533 thousand. Refer to Note 32 to the consolidated financial statements for details of finance lease contracts.

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2023	2022
Carrying amounts		
Land	$ 127,725	$ 150,211
Buildings	247,567	313,972
Machinery and equipment	118,495	139,758
Other equipment	27,125	19,926
	$ 520,912	$ 623,867

In June 2022, the Group transferred the lease agreement of machinery and equipment which was recorded as right-of-use asset to TPSCo. and generated a lease modification benefit of approximately NT$178,623 thousand. Refer to Note 32 to the consolidated financial statements for related information.

	For the Year Ended December 31	
	2023	2022
Additions to right-of-use assets	$ 84,076	$ 214,534
Depreciation for right-of-use assets		
Land	$ 25,333	$ 25,170
Buildings	114,804	118,682
Machinery and equipment	12,398	32,999
Other equipment	16,349	17,560
	$ 168,884	$ 194,411
Income from the subleasing of right-of-use assets (presented in other income)	$ 7,390	$ 7,329

b. Lease liabilities

	December 31	
	2023	2022
Carrying amounts		
Current	$ 156,298	$ 169,896
Non-current	$ 384,600	$ 491,363

Range of discount rate for lease liabilities was as follows:

	December 31	
	2023	2022
Land	1.76%-2.06%	1.76%-2.06%
Buildings	0.14%-5.24%	0.14%-3.03%
Machinery and equipment	0.48%-0.80%	0.48%-0.80%
Other equipment	0.14%-5.10%	0.14%-2.44%

For the years ended December 31, 2023 and 2022, the interest expense under lease liabilities amounted to NT$9,708 thousand and NT$11,857 thousand, respectively.

c. Material lease-in activities and terms

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

The Group leased parcels of land from Taiwan Sugar Corporation under a twenty-year term from October 2014 to September 2034, which is allowed to extend after the expiration of lease. The chairman of the Company is a joint guarantor of such lease (refer to Note 32 to the consolidated financial statements).

The Group leased some of the offices spaces in the United States, China, Israel, India, Korea and Taiwan, and the lease terms will expire between 2023 and 2026 which can be extended after the expiration of the lease periods.

d. Subleases

Except for what is stated in Notes 9 and 16 to the consolidated financial statements, the Group subleases its right-of-use assets for buildings under operating leases. The maturity analysis of lease payments receivable under operating subleases is as follows:

	December 31	
	2023	**2022**
Year 1	$ 6,816	$ 7,429
Year 2	2,105	5,824
Year 3	-	4,041
Year 4	-	-
Year 5	-	-
Year 5 onwards	-	-
	$ 8,921	$ 17,294

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

e. Other lease information

	For the Year Ended December 31	
	2023	**2022**
Expenses relating to short-term leases	$ 218,322	$ 161,211
Total cash outflow for leases	$ (410,316)	$ (397,940)

The Group leases certain buildings, machinery and transportation equipment which qualified as short-term leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and labilities for these leases.

16. INVESTMENT PROPERTIES

	December 31	
	2023	2022
Investment properties, net	$ 1,549,000	$ 1,798,160

The fair value of investment properties held by the Company was NT$2,443,494 thousand as of December 31, 2022, of which was assessed by independent qualified professional appraisers was NT$2,243,494 thousand. The Group's management evaluated the fair value of the remaining investment properties with valuation model commonly used by market participants, and the fair value was measured using Level 3 inputs. The Group's management evaluated and determined that the fair value of the investment properties had not changed significantly, compared to the fair value of the investment properties as of December 31, 2023.

	For the Year Ended December 31	
	2023	2022
Cost		
Balance at January 1	$ 7,662,122	$ 7,924,196
Effect of foreign currency exchange differences	(496,392)	(262,074)
Balance at December 31	7,165,730	7,662,122
Accumulated depreciation and impairment		
Balance at January 1	5,863,962	5,918,598
Depreciation expense	136,023	138,763
Effect of foreign currency exchange differences	(383,255)	(193,399)
Balance at December 31	5,616,730	5,863,962
Carrying amount at December 31	$ 1,549,000	$ 1,798,160

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

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

	December 31	
	2023	2022
Year 1	$ 146,532	$ 171,129
Year 2	143,790	152,691
Year 3	143,872	149,898
Year 4	143,894	149,898
Year 5	140,886	149,898
Year 5 onwards	455,304	637,067
	$ 1,174,278	$ 1,410,581

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

Please refer to Note 33 to the consolidated financial statements for the amount of investment properties pledged as collateral for bank borrowings.

17. INTANGIBLE ASSETS

	December 31	
	2023	2022
Deferred technical assets	$ 357,994	$ 550,613
Other intangible assets	192,900	172,144
	$ 550,894	$ 722,757

	Deferred Technical Assets	Other Intangible Assets	Total
Cost			
Balance at January 1, 2023	$ 2,062,573	$ 1,136,379	$ 3,198,952
Additions	29,588	148,437	178,025
Disposals	-	(71,767)	(71,767)
Disposal of subsidiaries	-	(7,243)	(7,243)
Reclassification	41,255	(42,628)	(1,373)
Effects of foreign currency exchange differences	(8,012)	(61,028)	(69,040)
Balance at December 31, 2023	2,125,404	1,102,150	3,227,554
Accumulated amortization and impairment			
Balance at January 1, 2023	1,511,960	964,235	2,476,195
Amortization expense	260,311	80,865	341,176
Disposals	-	(71,176)	(71,176)
Disposal of subsidiaries	-	(6,703)	(6,703)
Effects of foreign currency exchange differences	(4,861)	(57,971)	(62,832)
Balance at December 31, 2023	1,767,410	909,250	2,676,660
Carrying amounts at December 31, 2023	$ 357,994	$ 192,900	$ 550,894
Cost			
Balance at January 1, 2022	$ 1,892,805	$ 1,305,198	$ 3,198,003
Additions	170,807	85,079	255,886
Disposals	-	(206,023)	(206,023)
Effects of foreign currency exchange differences	(1,039)	(47,875)	(48,914)
Balance at December 31, 2022	2,062,573	1,136,379	3,198,952
Accumulated amortization and impairment			
Balance at January 1, 2022	1,292,193	922,481	2,214,674
Amortization expense	219,914	71,871	291,785
Disposals	-	(901)	(901)
Effects of foreign currency exchange differences	(147)	(29,216)	(29,363)
Balance at December 31, 2022	1,511,960	964,235	2,476,195
Carrying amounts at December 31, 2022	$ 550,613	$ 172,144	$ 722,757

In the year of 2022, the carrying amount of intangible assets disposed under finance leases was NT$204,857 thousand. Refer to Note 32 to the consolidated financial statements for details of finance lease contracts.

18. BORROWINGS

a. Short-term borrowings

	December 31			
	2023		2022	
	Interest Rate	Amount	Interest Rate	Amount
Secured borrowings				
Chinatrust Commercial Bank Co., Ltd.	1.17%-1.18%	$ 847,080	1.15%	$ 952,840
Unsecured borrowings				
Chinatrust Commercial Bank Co., Ltd.	1.00%-1.01%	217,200	1.02%	116,200
		$ 1,064,280		$ 1,069,040

The above short-term borrowings from Chinatrust Commercial Bank Co., Ltd. are guaranteed by the parent company. Refer to Note 32 to the consolidated financial statements for related information.

b. Long-term borrowings

			December 31	
	Period	Interest Rate	2023	2022
Unsecured borrowings				
The Export-Import Bank of ROC	2019.09.20-2026.09.21	0.92%-1.34%	$ -	$ 500,000
The Export-Import Bank of ROC	2020.08.25-2027.08.25	0.92%-1.94%	1,000,000	1,000,000
			1,000,000	1,500,000
Less: Current portion			(142,857)	(71,429)
			$ 857,143	$ 1,428,571

The proceeds of the Group’s unsecured loan was invested in Autotalks Ltd. and acquired Panasonic’s semiconductor business in Japan. Partial loans have been completed early repayment in the third quarter of 2023.

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

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

19. OTHER PAYABLES

	December 31	
	2023	2022
Payable for salaries or employee benefits	$ 1,115,611	$ 1,632,490
Payable for royalties	372,295	510,272
Payable for purchase of equipment	349,296	151,618
Payable for maintenance	239,369	257,092
Payable for service	130,706	99,345
Payable for software	74,190	104,241
Payable for utilities	70,005	73,009
Payable for professional service	26,892	52,126
Others	1,590,772	1,584,067
	$ 3,969,136	$ 4,464,260

20. PROVISIONS

	December 31	
	2023	2022
Current		
Decommissioning costs	$ -	$ 132,473
Non-current		
Employee benefits	$ 1,360,661	$ 1,485,268
Decommissioning costs	477,406	510,815
Warranties	396,966	495,204
	$ 2,235,033	$ 2,491,287

	De-commissioning Costs	Employee Benefits	Warranties	Total
Balance at January 1, 2023	$ 643,288	$ 1,485,268	$ 495,204	$ 2,623,760
Decreased	(133,148)	(27,208)	(72,480)	(232,836)
Effects of foreign currency exchange differences	(32,734)	(97,399)	(25,758)	(155,891)
Balance at December 31, 2023	$ 477,406	$ 1,360,661	$ 396,966	$ 2,235,033

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

21. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

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

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

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average of monthly salaries of the 6 months before retirement. In 2023 and 2022, the Company contributed amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee of the Company. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

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

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

	December 31	
	2023	**2022**
Present value of defined benefit obligation	$ 2,680,172	$ 2,744,500
Fair value of plan assets	(1,309,839)	(1,251,927)
Net defined benefit liabilities, non-current	$ 1,370,333	$ 1,492,573

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

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liabilities (Assets)**
Balance at January 1, 2022	$ 2,851,529	$ (1,209,668)	$ 1,641,861
Service cost			
Current service cost	51,982	-	51,982
Net interest expense (income)	25,350	(19,333)	6,017
Recognized in profit or loss	77,332	(19,333)	57,999

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Remeasurement			
Actuarial (gain) loss - the discount rate greater (less) than the realized rate of return	$ -	$ (53,296)	$ (53,296)
Actuarial (gain) loss - changes in financial assumptions	(183,608)	21,254	(162,354)
Actuarial (gain) loss - experience adjustments	103,244	2,895	106,139
Recognized in other comprehensive income	(80,364)	(29,147)	(109,511)
Contributions from the employer	-	(53,552)	(53,552)
Benefits paid	(50,369)	49,496	(873)
Effects of foreign currency exchange differences	(53,628)	10,277	(43,351)
Balance at December 31, 2022	2,744,500	(1,251,927)	1,492,573
Service cost			
Current service cost	43,988	-	43,988
Net interest expense (income)	45,539	(29,955)	15,584
Recognized in profit or loss	89,527	(29,955)	59,572
Remeasurement			
Actuarial (gain) loss - the discount rate greater (less) than the realized rate of return	-	(2,861)	(2,861)
Actuarial (gain) loss - changes in financial assumptions	15,227	26	15,253
Actuarial (gain) loss - experience adjustments	(13,920)	(40,220)	(54,140)
Recognized in other comprehensive income	1,307	(43,055)	(41,748)
Contributions from the employer	-	(58,181)	(58,181)
Benefits paid	(57,414)	56,585	(829)
Effects of foreign currency exchange differences	(97,748)	16,694	(81,054)
Balance at December 31, 2023	$ 2,680,172	$ (1,309,839)	$ 1,370,333

(Concluded)

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

	For the Year Ended December 31	
	2023	2022
Analysis by function		
Operating cost	$ 3,928	$ 4,339
Selling expenses	207	122
General and administrative expenses	10,253	13,147
Research and development expenses	45,184	40,391
	$ 59,572	$ 57,999

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

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets shall not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2023	**2022**
Discount rate(s)	1.40%-3.30%	1.25%-2.62%
Expected rate(s) of salary increase	1.5%-2.5%	1.5%-2.5%

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

	December 31	
	2023	**2022**
Discount rate(s)		
0.25% increase	$ (16,888)	$ (26,774)
0.25% decrease	$ 19,799	$ 30,956
Expected rate(s) of salary increase		
0.25% increase	$ 17,935	$ 27,497
0.25% decrease	$ (16,545)	$ (24,950)

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

	December 31	
	2023	**2022**
Expected contributions to the plans for the next year	$ 90,503	$ 100,501
The average duration of the defined benefit obligation	7.0-11.6 years	7.5-11.84 years

22. GUARANTEE DEPOSITS

	December 31	
	2023	2022
Capacity guarantee	$ 1,783,150	$ 2,294,914
Others	62,848	56,114
	$ 1,845,998	$ 2,351,028

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

23. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2023	2022
Shares authorized (in thousands of shares)	500,000	500,000
Shares authorized	$ 5,000,000	$ 5,000,000
Shares issued and fully paid (in thousands of shares)	419,765	419,765
Shares issued and fully paid	$ 4,197,653	$ 4,197,653
Par value (in New Taiwan dollars)	$ 10	$ 10

As of December 31, 2021, the Company has issued 31,372 thousand shares of ordinary shares due to the conversion of unsecured convertible bonds, the registration of all ordinary shares issuance has been completed on March 31, 2022.

As of December 31, 2023 and 2022, the balance of the Company's capital account amounted to NT$4,197,653 thousand, divided into 419,765 thousand ordinary shares with a par value of NT$10.

b. Capital surplus

	December 31	
	2023	2022
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*		
Additional paid-in capital	$ 5,203,712	$ 5,200,332
Conversion of bonds	1,481,180	1,481,180
May only be used to offset a deficit		
Overdue dividends unclaimed	100	78
Share of changes in capital surplus of associates or joint ventures (disposals of subsidiaries)	310,638	190,237
	$ 6,995,630	$ 6,871,827

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

c. Retained earnings and dividends policy

The shareholders held their regular meeting on May 29, 2020 and resolved the amendments to the Company's dividend distribution policy in the Company's Articles of Incorporation (the "Articles"). Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. The board of directors shall be authorized to distribute the profit, the legal reserve, and the capital plus in cash upon resolution by a majority vote at a board meeting attended by two-thirds or more of the directors, and shall report the same to the shareholders' meeting. In principle, not less than 10% of the total shareholders' bonus shall be distributed in the form of cash. For the policies on the distribution of employees' compensation and remuneration of directors, refer to employees' compensation and remuneration of directors in Note 26 to the consolidated financial statements.

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

The appropriation of earnings for 2022 and 2021 were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For Year 2022	**For Year 2021**	**For Year 2022**	**For Year 2021**
Legal reserve	$ 488,756	$ 303,045		
Special reserve	710,979	-		
Cash dividends	2,938,357	2,098,826	$7.00	$5.00
	$ 4,138,092	$ 2,401,871		

When the Group's distributing surplus, the additional special reserve should be appropriated for the amount equal to the difference between net debit balance reserves and the special reserve appropriated on the first-time adoption of IFRSs. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and is thereafter distributed.

Expect for the cash dividends were distributed by the Company's board meeting on and March 7, 2023 and March 15, 2022, respectively, the rest of the 2022 and 2021 appropriation of earnings were proposed by the Company's board meeting and were resolved by the shareholders regular meeting on May 26, 2023 and June 2, 2022, respectively.

The appropriation of earnings for 2023 was not initiated in the Company's board meeting as of February 5, 2024.

d. Other equity items

1) The exchange differences arising on translation of foreign operations' net assets from its functional currency to the Group's presentation currency (New Taiwan dollar) are recognized directly in other comprehensive income. For the years ended December 31, 2023 and 2022, other comprehensive gain (loss) was NT$(550,649) thousand and NT$39,330 thousand, respectively.

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

	For the Year End December 31	
	2023	2022
Balance at January 1	$ 294,632	$ 1,111,460
Recognized for the period	70,809	(253,744)
Cumulative unrealized gains (losses) of equity instruments transferred to retained earnings due to disposal	-	(563,084)
Balance at December 31	$ 365,441	$ 294,632

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.

24. REVENUE

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

25. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

Major components of income tax expense were as follows:

	For the Year Ended December 31	
	2023	2022
Current tax		
In respect of the current year	$ 291,062	$ 998,789
Adjustment for prior years' tax	(8,564)	20,540
Deferred tax		
In respect of the current year	23,672	(133,082)
Income tax expense recognized in profit or loss	$ 306,170	$ 886,247

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

	For the Year Ended December 31	
	2023	2022
Income tax expense from continuing operations at the statutory rate	$ 642,394	$ 1,262,449
Tax effect of adjustment item		
Permanent differences	7,659	68,879
Tax-exempt income	(14,453)	(15,900)
Others	(285,866)	(341,721)
Current income tax	349,734	973,707
Unused investment credits	(35,000)	(108,000)
Adjustment for prior year's income tax	(8,564)	20,540
Income tax expense recognized in profit or loss	$ 306,170	$ 886,247

c. Current tax assets and liabilities

	December 31	
	2023	2022
Tax refund receivables	$ 1,262	$ 14,263
Income tax payables	$ 305,031	$ 712,005

d. Deferred tax assets

	December 31	
	2023	2022
Deferred tax assets		
Allowance for inventory valuation and obsolescence loss and others	$ 226,001	$ 198,727

e. Deferred tax liabilities

	December 31	
	2023	2022
Deferred tax liabilities		
Unrealized valuation gains or losses	$ 77,953	$ 13,209

f. Income tax assessments

The Company's income tax returns through 2021 have been assessed and approved by the tax authorities.

g. Information about investment credits

The Company applies the Statute for Industrial Innovation Article 10, and up to 15% or 10% of its R&D expenses may be credited against the profit-seeking enterprise income tax payable in each of the three years following the then current year.

h. Pillar Two Income Tax Act

In March 2023, the local government of the country where the NTCJ was registered had substantively legislated the Pillar Two Income Tax Act, which came into effect on April 1, 2024. Since the act has not yet taken effect as of the end of the reporting period, there is no relevant current income tax impact on the Group.

Under the Act, NTCJ is required to pay supplementary tax in Japan on profits taxed below the effective tax rate of 15%. As of December 31, 2023, no country has yet entered into force its Pillar Two income tax act, so there is no major jurisdiction that may be exposed to this income tax risk. However, the Group also continues to review the impact of the Pillar Two Income Tax Act on its future financial performance.

26. EMPLOYEE BENEFITS EXPENSE, DEPRECIATION AND AMORTIZATION

	For the Year Ended December 31							
	2023				2022			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	Total	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	Total
Employee benefits expense								
Short-term employment benefits	$ 967,406	$ 6,875,256	$ -	$ 7,842,662	$ 1,229,737	$ 7,371,356	$ -	$ 8,601,093
Post-employment benefits	41,877	451,151	-	493,028	44,155	464,481	-	508,636
Share-based payment	461	2,919	-	3,380	-	-	-	-
Depreciation	588,709	425,108	139,089	1,152,906	529,043	371,585	139,248	1,039,876
Amortization	6,815	334,361	-	341,176	5,362	286,423	-	291,785

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

The employees' compensation and remuneration of directors for the year ended December 31, 2023 were as follows:

	For the Year Ended December 31 2023	
	Amount	%
Employees' cash compensation	$ 167,459	6
Remuneration of directors	27,910	1

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

The employees' compensation and remuneration of directors for the years ended December 31, 2022 and 2021, which were approved by the Company's board of directors on March 7, 2023 and February 10, 2022, respectively, were as follows:

	For the Year Ended December 31			
	2022		2021	
	Amount	%	Amount	%
Employees' cash compensation	$ 306,214	6	$ 212,242	6
Remuneration of directors	51,036	1	35,374	1

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2022 and 2021.

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

27. EARNINGS PER SHARE

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

	For the Year Ended December 31					
	2023			2022		
	Amounts (Numerator) After Income Tax (Attributable to Owners of the Company)	Shares (Denominator) (In Thousands)	Earnings Per Share (NT$) After Income Tax (Attributable to Owners of the Company)	Amounts (Numerator) After Income Tax (Attributable to Owners of the Company)	Shares (Denominator) (In Thousands)	Earnings Per Share (NT$) After Income Tax (Attributable to Owners of the Company)
Basic earnings per share						
Net profit attributed to owners of the Company	$ 2,420,434	419,765	$ 5.77	$ 4,220,773	419,765	$ 10.06
Effect of potentially dilutive ordinary shares						
Employees’ compensation	-	1,545		-	2,829	
Diluted earnings per share						
Net profit attributed to owners of the Company	$ 2,420,434	421,310	$ 5.75	$ 4,220,773	422,594	$ 9.99

If the Company offered to settle the compensation or bonuses paid to employees in cash or shares, the Company assumed that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted EPS, as the effect is dilutive. The number of shares used in the computation of diluted EPS is estimated by the amount of compensation divided by the closing price of the potential common shares at the end of the reporting period. Such dilutive effect of the potential shares is included in the computation of diluted EPS until the number of shares to be distributed to employees is resolved in the following year.

28. SHARE-BASED PAYMENT TRANSACTION ARRANGEMENTS

WEC was approved by the Securities and Futures Bureau (FSC) on September 25, 2023 to issue 200,000 thousand shares for its cash capital increase. The board of directors resolved to retain 10% of the issued shares for employees’ subscription. On November 2, 2023, the number of shares retained for employees’ subscription and the subscription price were confirmed. The Company recognized the capital surplus of NT$3,380 thousand on the grant date at the fair value computed based on the Black-Scholes option evaluation model. Relevant information is as follows:

Share Price on the Grant Date (In Dollars)	Exercise Price (In Dollars)	Expected Ratio of Stock Price Fluctuation	Expected Duration	Expected Dividend Rate	Risk-free Interest Rate	Fair Value Per Share (In Dollars)
$25.55	$22	34.57%	2 days	-	0.98%	$3.55

29. DISPOSAL OF SUBSIDIARIES

The Group sold 100% shares of AMTC to the parent company (Winbond Electronics Corporation) at the consideration of JPY1,673,000 thousand (NT$394,661 thousand) in January 2023. Since this equity transaction is deemed as a structure reorganization, the difference between the consideration received, net of related income tax expenses of NT$37,208 thousand and the carrying amount of the net assets of AMTC during actual disposal was adjusted NT$120,401 thousand to the capital surplus.

a. Consideration received from disposals

	AMTC
Cash and cash equivalents	$ 394,661

b. Analysis of assets and liabilities on the date control was lost

	AMTC
Current assets	
Cash and cash equivalents	$ 197,863
Accounts receivable and other receivables	104,826
Inventories	11,310
Other current assets	3,235
Non-current assets	
Property, plant and equipment	1,976
Intangible assets	540
Deferred tax assets	13,798
Total assets	$ 333,548
Current liabilities	
Accounts payable and other payables	$ 86,298
Other current liabilities	10,198
Total liabilities	$ 96,496
Net assets disposed of	$ 237,052

c. Net cash inflow on disposals of subsidiaries

	AMTC
Consideration received in cash and cash equivalents	$ 394,661
Less: Cash and cash equivalent balances disposed of	(197,863)
	$ 196,798

30. CAPITAL MANAGEMENT

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

31. FINANCIAL INSTRUMENT

a. Categories of financial instruments

	December 31			
	2023		2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Financial assets at amortized cost (Note 1)	$ 11,250,645	$ 11,250,645	$ 15,662,336	$ 15,662,336
Financial assets at FVTPL				
Derivative financial assets	99,185	99,185	124,669	124,669
Financial assets at FVTOCI				
Investment in equity instruments	1,348,557	1,348,557	1,234,748	1,234,748
Financial liabilities				
Financial liabilities at amortized cost (Note 2)	9,961,981	9,961,981	12,533,065	12,533,065
Financial liabilities at FVTPL				
Derivative financial liabilities	786	786	7,412	7,412

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

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

b. Fair value information

1) Fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value is observable and the significance in its entirety, which are described as follows:

a) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

c) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2) Fair value measurements recognized in the consolidated balance sheets

a) The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed shares and emerging market shares).

b) The fair value of the financial instruments at fair value through profit or loss is based on Level 2 inputs, either directly or indirectly. The fair value of foreign-currency derivative financial instrument could be determined by reference to the price and discount rate of currency swap quoted by financial institutions. Foreign exchange forward contracts are measured using individual maturity rate to calculate the fair value of each contract.

c) Domestic unlisted equity instruments at FVTOCI were all measured based on Level 3 fair value. Fair values of such equity instruments were determined using discounted cash flow of income approach and comparable listed company approach, by referring to strike price of similar business in active market, implied value multiple of the price and relevant information. Significant unobservable inputs included P/E ratio, value multiple and market liquidity discount. As the discounted cash flow method was used, the discount rate used for the lack of marketability was 29%; which increase by 1% while all the other variables are held constant, the fair value of investments will decrease by NT$8,649 thousand and NT$8,651 thousand as of December 31, 2023 and 2022, respectively.

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

	December 31, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 22,422	$ 76,763	$ 99,185
Financial assets at FVTOCI				
Domestic listed shares and emerging market shares	$ 134,083	$ -	$ -	$ 134,083
Domestic and overseas unlisted shares	$ -	$ -	$ 1,214,474	$ 1,214,474
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ 786	$ -	$ 786

	December 31, 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 2,894	$ 121,775	$ 124,669
Financial assets at FVTOCI				
Domestic listed shares and emerging market shares	$ 117,904	$ -	$ -	$ 117,904
Domestic and overseas unlisted shares	$ -	$ -	$ 1,116,844	$ 1,116,844
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ 7,412	$ -	$ 7,412

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

The financial assets measured at Level 3 fair value were financial assets at FVTPL and equity investments classified as financial assets at FVTOCI. Reconciliations for the years ended December 31, 2023 and 2022 were as follows:

	For the Year Ended December 31	
	2023	**2022**
Balance at January 1	$ 1,238,619	$ 2,487,691
Additions	-	45,000
Refund of capital reduction	(2,000)	(1,000)
Recognized in other comprehensive income	54,630	(10,968)
Recognized in profit or loss	(12)	7,575
Transferred to investments accounted for using the equity method	-	(1,289,679)
Balance at December 31	$ 1,291,237	$ 1,238,619

c. Financial risk management objectives and policies

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

1) Market risk

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

a) Foreign currency risk

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the year are set out in Note 36 to the consolidated financial statements.

The sensitivity analysis included only outstanding foreign currency denominated monetary items at the end of the reporting period and assuming an increase in net income and equity if New Taiwan dollars strengthen by 1% against foreign currencies. For a 1% weakening of New Taiwan dollars against the relevant currency, there would be impact on net income in the amounts of NT$14,974 thousand decrease and NT$13,042 thousand decrease for the years ended December 31, 2023 and 2022, respectively. The amounts used in the 1% weakening of New Taiwan dollars against the relevant currency did not consider the impact of hedge contracts and hedged item.

b) Interest rate risk

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

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

	December 31	
	2023	**2022**
Cash flow interest rate risk		
Financial assets	$ 8,413	$ 8,413
Financial liabilities	2,064,280	2,569,040

The sensitivity analysis of cash flows based on the Group's exposure to interest rates for fair value of variable-rate non-derivative instruments at the end of the reporting period. If interest rates increased by 1%, the Group's cash outflows for the years ended December 31, 2023 and 2022 would have increased by NT$20,559 thousand and NT$25,606 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss to the Group, to mitigate the risk of financial loss from defaults, the Group has established risk procedures and is continuously assessing the credit risk of each counterparty, sufficient collateral will be obtained when necessary. In this regard, the management of the Group consider that the Group's credit risk was significantly reduced.

3) Liquidity risk

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

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

	December 31, 2023			
	Within 1 Year	**1-2 Years**	**Over 2 Years**	**Total**
Non-derivative financial liabilities				
Non-interest bearing	$ 6,051,703	$ -	$ -	$ 6,051,703
Lease liabilities	165,301	127,188	269,323	561,812
Variable interest rate liabilities	1,207,137	285,714	571,430	2,064,281
	$ 7,424,141	$ 412,902	$ 840,753	$ 8,677,796

Additional information about the maturity analysis of lease liabilities:

	Less than 2 Years	**2-5 Years**	**Over 5 Years**	**Total**
Non-derivative financial liabilities				
Lease liabilities	$ 292,489	$ 153,869	$ 115,454	$ 561,812

Non-derivative financial liabilities	December 31, 2022 Within 1 Year	1-2 Years	Over 2 Years	Total
Non-interest bearing	$ 7,612,997	$ -	$ -	$ 7,612,997
Lease liabilities	180,503	140,228	381,071	701,802
Variable interest rate liabilities	1,140,469	285,714	1,142,857	2,569,040
	$ 8,933,969	$ 425,942	$ 1,523,928	$ 10,883,839

Additional information about the maturity analysis of lease liabilities:

Non-derivative financial liabilities	Less than 2 Years	2-5 Years	Over 5 Years	Total
Lease liabilities	$ 320,731	$ 231,766	$ 149,305	$ 701,802

32. RELATED PARTIES TRANSACTIONS

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

Related Party Name	Related Party Categories
Winbond Electronics Corporation ("WEC")	The Company's parent
Winbond Electronics (HK) Limited ("WEHK")	Associate
Winbond Electronics Corporation America ("WECA")	Associate
Winbond Electronics Corporation Japan ("WECJ")	Associate
Callisto Holding Limited	Associate
AMTC	Associate (Note 1)
Miraxia Edge Technology Corporation ("METC")	Associate
TPSCo.	Associate (Note 2)
Winbond Electronics Germany GmbH ("WEG")	Associate
Nyquest Technology Co., Ltd. ("Nyquest")	Related party in substance
Walton Advanced Engineering Inc.	Related party in substance
Chin Cherng Construction Co., Ltd.	Related party in substance
United Industrial Gases Co., Ltd.	Related party in substance
Waltech Advanced Engineering (Suzhou), Inc. ("Waltech")	Related party in substance

Note 1: The Group has disposed of AMTC to Winbond Electronics Corporation in January 2023, therefore AMTC has been reclassified from subsidiary to associate. Refer to Note 29 to the consolidated financial statements.

Note 2: The Group has significant influence over TPSCo. Starting from April 2022, therefore TPSCo. has been reclassified from related party in substance to associate. Refer to Note 13 to the consolidated financial statements.

b. Operating activities

	For the Year Ended December 31	
	2023	2022
1) Operating revenue		
Related party in substance	$ 141,953	$ 3,506,494
Associate	99,937	401,706
	$ 241,890	$ 3,908,200
2) Purchases of goods		
Associate		
TPSCo.	$ 3,822,301	$ 3,099,787
Others	-	9,884
Related party in substance		
TPSCo.	-	1,498,020
Parent company	97,226	189,136
	$ 3,919,527	$ 4,796,827
3) Manufacturing expenses		
Associate		
TPSCo.	$ 1,865,936	$ 1,408,002
Others	59,547	-
Related party in substance		
TPSCo.	-	475,284
Waltech	2,118,859	1,076,208
Parent company	1,595	1,088
	$ 4,045,937	$ 2,960,582
4) Operating expenses		
Associate	$ 398,695	$ 578,351
Related party in substance	30,186	124,134
Parent company	219,336	75,958
	$ 648,217	$ 778,443
5) Dividend income		
Related party in substance		
United Industrial Gases Co., Ltd.	$ 59,840	$ 67,118
Nyquest	10,725	13,200
	$ 70,565	$ 80,318
6) Other income (loss)		
Related party in substance	$ (81,633)	$ 649
Associate	(2,569)	12,119
	$ (84,202)	$ 12,768

	December 31	
	2023	2022
7) Accounts receivable from related parties		
Related party in substance		
Nyquest	$ 18,433	$ 15,704
Waltech	2,165	684,713
Others	27	20
Associate	8,898	68,274
	$ 29,523	$ 768,711
8) Other receivables		
Associate		
TPSCo.	$ 36,518	$ 54,318
Others	9,713	7,202
Parent company	1,598	597
Related party in substance	555	340
	$ 48,384	$ 62,457

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

	December 31	
	2023	2022
9) Refundable deposits		
Parent company	$ 1,780	$ 1,780
Related party in substance	1,722	1,722
	$ 3,502	$ 3,502
10) Accounts payable to related parties		
Associate		
TPSCo.	$ 385,860	$ 252,642
Related party in substance		
Waltech	373,818	474,247
Parent company	18,482	20,828
	$ 778,160	$ 747,717
11) Other payables		
Associate	$ 216,715	$ 241,319
Parent company	94,651	48,200
Related party in substance	248,339	137,410
	$ 559,705	$ 426,929

	December 31	
	2023	2022

12) Guarantee deposits

	2023	2022
Related party in substance		
Nyquest	$ 244,800	$ 250,594
Parent company	545	545
	$ 245,345	$ 251,139

The sales and purchase prices and collection and payment terms with related parties were not significantly different from those with third parties. For other related party transactions, price and terms were determined in accordance with mutual agreement.

13) Acquisition of property, plant and equipment

	Acquisition Price For the Year Ended December 31	
	2023	2022
Associate	$ 57,001	$ 112,128
Related party in substance	-	31,725
	$ 57,001	$ 143,853

14) Disposal of property, plant and equipment

	Proceeds For the Year Ended December 31		Gain (Loss) on Disposal For the Year Ended December 31	
	2023	2022	2023	2022
Associate	$ -	$ 72,749	$ -	$ 155

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

Please refer to Note 32 (d) to the consolidated financial statements for details of finance lease contracts.

15) Disposal of intangible assets

	Proceeds For the Year Ended December 31		Gain (Loss) on Disposal For the Year Ended December 31	
Related Party Category	2023	2022	2023	2022
Associate				
TPSCo.	$ -	$ 204,873	$ -	$ 16

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

Please refer to Note 32 (d) to the consolidated financial statements for details of finance lease contracts.

c. Lease arrangements - Group is lessee

	December 31	
	2023	2022
1) Lease liabilities		
Parent company	$ 12,188	$ 24,245
Associate	24,290	32,131
	$ 36,478	$ 56,376

	For the Year Ended December 31	
	2023	2022
2) Finance costs		
Associate	$ 460	$ 563
Parent company	182	312
Related party in substance	-	84
	$ 642	$ 959

d. Lease arrangements - Group is lessor/sublease arrangements

Sublease arrangements under operating leases

For the years ended December 31, 2023 and 2022, the Group subleases its right-of-use assets to its associate companies WEC, WEHK and TPSCo. under operating leases with lease terms between 1 and 12 years, and the rental is based on similar asset’s market rental rates and fixed lease payments are received monthly.

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

	December 31	
Related Party Category	**2023**	**2022**
Associate		
TPSCo.	$ 12,842	$ 19,770
Others	230	230
Parent company	401	340
	$ 13,473	$ 20,340

2) Future lease payment receivables are as follows:

Related Party Category	December 31	
	2023	2022
Associate		
TPSCo.	$ 1,155,776	$ 1,402,999
Others	458	1,830
Parent company	4,254	12,151
	$ 1,160,488	$ 1,416,980

3) Lease income were as follows:

Related Party Category	For the Year Ended December 31	
	2023	2022
Associate		
TPSCo.	$ 175,386	$ 155,271
Others	1,393	1,395
Related party in substance		
TPSCo.	-	55,912
Parent company	4,050	4,041
	$ 180,829	$ 216,619

Lease arrangements under finance leases

The Group leased out equipment and intangible assets to its associate company - TPSCo. under finance leases with lease term of 3 years from the second quarter of 2022. The net investment in leases was NT$277,390 thousand at the inception of the lease and the contract has average implicit interest rate of approximately 1.85% per annum. The rental is based on similar asset's market rental rates and the fixed lease payments JPY107,719 thousand are received quarterly.

As of December 31, 2023 and 2022, the balance of finance lease receivables were NT$115,377 thousand and NT$220,182 thousand, respectively, and no impairment loss was recognized for the year ended December 31, 2023 and 2022. There was also no gain (loss) on the disposal of equipment and intangible assets. The amount of interest income under finance leases for the year ended December 31, 2023 and 2022 were NT$3,236 thousand and NT$3,552 thousand, respectively.

e. Disposal of right-of-use assets

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

f. Acquisition of financial assets

December 31, 2023

Related Party Category	Project	Number of Shares	Target	Amount Obtained
Associate				
TPSCo.	Investments accounted for using equity method	3,920	TPSCo. Ordinary share	$ 59,586

December 31, 2022

Related Party Category	Project	Number of Shares	Target	Amount Obtained
Associate				
TPSCo.	Investments accounted for using equity method	30,919	TPSCo. Ordinary share	$ 358,772

g. Endorsements and guarantees

Endorsements and guarantees provided by the Group

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

Endorsements and guarantees given by related parties

Related Party Category	December 31 2023	December 31 2022
Parent company		
Amount endorsed	$ 6,516,000	$ 6,972,000
Amount utilized (reported as secured bank loans)	$ 847,080	$ 952,840

h. Compensation of key management personnel

	For the Year Ended December 31 2023	For the Year Ended December 31 2022
Short-term employee benefits	$ 278,334	$ 308,890
Post-employment benefits	3,508	3,623
Share-based payment	3,174	-
	$ 285,016	$ 312,513

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

i. Other transactions with related parties

The Group has sold all of its shares of AMTC to WEC in January 2023, refer to Note 29 to the consolidated financial statements.

33. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	December 31	
	2023	2022
Land	$ 1,021,639	$ 1,104,321
Buildings	519,543	612,959
Investment properties	324,873	381,219
Time deposits (accounted as refundable deposits)	109,268	107,227
	$ 1,975,323	$ 2,205,726

34. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The board of directors of the Company agreed to sell all preferred shares of Autotalks Ltd. of 4,500,553 (including shares which converted from SAFE warrants), the transaction price is estimated to be US$23,925 thousand, which will vary by the adjustment mechanism contained in the contract on the date of trade. Settlement of this transaction will be effective within 5 working days or on a date to be mutually agreed upon by the parties, subject to the success of the conditions precedent set forth in the contract.

35. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

On 1 January 2024, an earthquake of magnitude 7.6 centered on the Noto Peninsula, Ishikawa Prefecture, Japan. The Group's plants located in Toyama, Japan, including the front-end wafer fab of TPSCo., which is a joint venture with Tower and the Company’s back-end semiconductor packaging and testing plant had been activated the emergency safety procedures. Currently it has been confirmed that all employees are safe, the office and factory buildings have not been significantly damaged, subsequent repair and other related costs are still being evaluated.

36. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	December 31					
	2023			2022		
	Foreign Currencies (Thousand)	Exchange Rate (Note)	New Taiwan Dollars (Thousand)	Foreign Currencies (Thousand)	Exchange Rate (Note)	New Taiwan Dollars (Thousand)
Financial assets						
Monetary items						
USD	$ 178,715	30.7050	$ 5,487,438	$ 182,038	30.71	$ 5,590,375
ILS	10,874	8.4694	92,097	9,720	8.7301	84,860
RMB	5,906	4.3270	25,555	5,675	4.4080	25,014
JPY	217,862	0.2172	47,320	267,375	0.2324	62,138
EUR	604	33.98	20,536	178	32.72	5,834

(Continued)

	December 31					
	2023			2022		
	Foreign Currencies (Thousand)	Exchange Rate (Note)	New Taiwan Dollars (Thousand)	Foreign Currencies (Thousand)	Exchange Rate (Note)	New Taiwan Dollars (Thousand)
Financial liabilities						
Monetary items						
USD	$ 131,320	30.7050	$ 4,032,168	$ 142,250	30.71	$ 4,368,483
ILS	13,070	8.4694	110,694	10,532	8.7301	91,949
RMB	4,495	4.3270	19,452	6,602	4.4080	29,102
JPY	3,283	0.2172	713	56,304	0.2324	13,085

(Concluded)

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

For the years ended December 31, 2023 and 2022, realized and unrealized net foreign exchange gains (losses) were NT$77,808 thousand and NT$143,614 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the entities in the Group.

37. SEGMENT INFORMATION

a. Basic information about operating segment

1) Classification of operating segments

The Group's reportable segments under IFRS 8 "Operating Segments" were as follows:

a) General IC product segment

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

b) Foundry service segment

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

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

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

b. Segment revenues and operating results

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

	Segment Revenue		Segment Profit and Loss	
	For the Year Ended December 31		For the Year Ended December 31	
	2023	2022	2023	2022
General IC products	$ 32,365,005	$ 36,745,221	$ 4,277,083	$ 5,722,355
Foundry service	2,447,858	3,368,080	884,345	1,863,466
Total of segment revenue	34,812,863	40,113,301	5,161,428	7,585,821
Other revenue	535,286	1,759,125	321,620	1,103,362
Operating revenue	$ 35,348,149	$ 41,872,426	5,483,048	8,689,183
Unallocated expenditure				
Administrative and supporting expenses			(2,545,425)	(2,749,443)
Sales and other common expenses			(1,247,440)	(1,461,831)
Total operating profit			1,690,183	4,477,909
Finance costs			(45,759)	(35,230)
Interest income			190,134	89,583
Dividend income			71,728	80,422
Other gains and losses			40,651	50,404
Gains (losses) on disposal of property, plant and equipment			646,211	304,132
Foreign exchange gains (losses)			77,808	143,614
Gains (losses) on financial instruments at fair value through profit or loss			(106,622)	(130,675)
Share of profit (loss) of associates			162,270	126,861
Profit before income tax			$ 2,726,604	$ 5,107,020

c. Geographical information

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

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

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2023	2022	2023	2022
Asia	$ 34,124,603	$ 40,737,361	$ 10,532,950	$ 10,646,633
United States	296,521	624,117	57,875	73,417
Europe	926,688	499,827	-	-
Others	337	11,111	-	-
	$ 35,348,149	$ 41,872,426	$ 10,590,825	$ 10,720,050

d. Information about major customer

Single customers contributing 10% or more to the Group's operating revenue for the years ended December 31, 2023 and 2022 were as follows:

	For the Year Ended December 31			
	2023		2022	
	Amount	%	Amount	%
Customer S	$ 4,400,516	12	$ 5,684,588	14
Customer V	2,959,218	8	13,740,477	33
	$ 7,359,734	20	$ 19,425,065	47

38. ADDITIONAL DISCLOSURE

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

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

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

b. Information on investment in mainland China

1)	The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits (losses) of investee, ending balance, amount received as dividends from the investee, and the limitation on investee.	Table 7
2)	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

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

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Period (Note 2)	Outstanding Endorsement/ Guarantee at the End of the Period (Note 2)	Actual Borrowing Amount (In Thousands of Foreign Currencies)	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	The Company	NTCJ	Subsidiary	$ 16,731,044	$ 2,185,365	$ 2,185,365	$ 196,922	$ -	13.06	$ 16,731,044	Y	N	N

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

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

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

TABLE 2

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2023				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	Shares							
	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	375,000	$ 7,324	5	$ 7,324	
	Brightek Optoelectronic Co., Ltd.	None	〃	34,680	1,423	-	1,423	
	United Industrial Gases Co., Ltd.	The held company as the investee's director	〃	8,800,000	536,800	4	536,800	
	Autotalks Ltd. - Preferred E. Share	None	〃	3,932,816	614,100	9	614,100	
	Allxon Inc.	None	〃	5,625,000	56,250	15	56,250	
	Warrants							
	Autotalks Ltd.	None	Non-current financial assets at fair value through profit and loss	-	76,763	-	76,763	
SYI	Shares							
	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	132,660	5	132,660	
NTCJ	Shares							
	Symetrix Corporation	None	〃	50,268	-	1	-	

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount
NTCJ	AMTC	Investments accounted for using equity method	WEC	The Company's parent	4,000	$ 233,534	-	$ -	4,000	$ 394,661 (JPY 1,673,000)	$ 237,052	Note	-	$ -

Note: In January 2023, NTCJ sold 100% of the shares of AMTC to WEC at the consideration of JPY1,673,000 thousand since this equity transfer is deemed as a reorganization under joint control, the difference between the sales price and the net equity value after deduction of the relevant income tax expenses was $37,208 thousand, the capital surplus was increased by $120,401 thousand, and the cumulative translation adjustment was $3,518 thousand.

TABLE 4

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars and Foreign Currencies)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Company	NTHK	Subsidiary	Sales	$ 7,952,135	42	Net 50 days from invoice date	N/A	N/A	$ 1,213,476	50	
	NTCA	Subsidiary	Sales	125,605	1	Net 50 days from invoice date	N/A	N/A	34,326	1	
	NTSG	Subsidiary	Sales	661,206	3	Net 10 days end of the month	N/A	N/A	88,124	4	
	NTCJ	Subsidiary	Sales	908,377	5	Net 10 days end of the month	N/A	N/A	207,534	9	
	NTSZ	Subsidiary	Sales	191,873	1	Net 50 days from invoice date	N/A	N/A	22,577	1	
	Nyquest	Related party in substance	Sales	127,399	1	Net 45 days from invoice date	N/A	N/A	18,433	1	
	NTSG	Subsidiary	Purchases	596,847	7	Net 8 days end of the month	N/A	N/A	(47,516)	3	
	NTCJ	Subsidiary	Purchases	6,372,549	70	Net 8 days end of the month	N/A	N/A	(600,655)	33	
NTSG	NTCJ	Fellow subsidiary	Sales	US$ 174,949	65	Net 10 days end of the month	N/A	N/A	US$ 9,991	49	
	NTHK	Fellow subsidiary	Sales	US$ 14,528	5	Net 10 days end of the month	N/A	N/A	US$ 1,517	7	
NTCJ	NTSG	Fellow subsidiary	Sales	JPY 23,048,973	25	Net 10 days end of the month	N/A	N/A	JPY 1,260,807	9	
	NTHK	Fellow subsidiary	Sales	JPY 12,988,745	14	Net 10 days end of the month	N/A	N/A	JPY 1,098,239	8	
	TPSCo.	Associate	Purchases	JPY 17,239,206	41	Net 10 days end of the month	N/A	N/A	JPY (1,776,518)	29	

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars and Foreign Currencies)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
The Company	NTHK	Subsidiary	$ 1,213,476 (Note 1)	11.74	$ -	-	$ 730,020	$ -
	NTCJ	Subsidiary	207,534 (Note 1)	8.75	-	-	195,949	-
NTSG	NTCJ	Fellow subsidiary	US$ 9,991 (Note 1)	13.01	-	-	US$ 9,991	-
NTCJ	NTSG	Fellow subsidiary	JPY 1,260,807 (Note 1)	14.72	-	-	JPY 1,260,807	-
	NTHK	Fellow subsidiary	JPY 1,098,239 (Note 1)	23.65	-	-	JPY 1,098,239	-
	The Company	Parent company	JPY 2,767,586 (Note 1)	16.77	-	-	JPY 2,767,586	-
NTIL	The Company	Parent company	ILS 16,642 (Note 1)	(Note 2)	-	-	ILS 16,642	-

Note 1: All receivables balances are eliminated.

Note 2: Mainly related to other receivables, the calculation of turnover days is not applicable.

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2023			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2023	December 31, 2022	Number of Shares	%	Carrying Amount			
The Company	NTHK	Hong Kong	Sales of semiconductor	$ 427,092	$ 427,092	107,400,000	100	$ 703,987	$ 101,154	$ 101,154	
	MML	British Virgin Islands	Investment holding	274,987	274,987	8,897,789	100	282,496	4,262	4,262	
	NIH	British Virgin Islands	Investment holding	515,251	590,953	15,633,161	100	370,049	71,938	71,938	(Note 3)
	SYI	Taiwan	Investment holding	38,500	38,500	3,850,000	100	161,693	11,260	11,260	
	NTIPL	India	Design, sales and service of semiconductor	30,211	30,211	600,000	100	21,564	30	30	
	NTCA	United States of America	Design, sales and service of semiconductor	190,862	190,862	60,500	100	219,309	8,827	8,827	
	NTSG	Singapore	Design, sales and service of semiconductor	1,319,054	1,319,054	45,100,000	100	2,021,289	59,001	59,001	
	NTKL	Korea	Design, sales and service of semiconductor	30,828	30,828	125,000	100	13,804	1,402	1,402	
	NTHJ	Japan	Investment holding	5,927,849	5,927,849	100	100	8,527,820	1,368,696	1,368,696	
	NTG	Germany	Customer service and technical support of semiconductor	67,980	-	2,000,000	100	67,960	-	-	(Note 4)
MML	GLLC	United States of America	Investment holding	1,473,559	1,473,559	-	100	282,622	4,661	4,661	
NIH	NTIL	Israel	Design and service of semiconductor	46,905	46,905	1,000	100	369,080	69,907	69,907	
NTHJ	NTCJ	Japan	Design, sales and service of semiconductor	111,520	111,520	9,480	100	11,695,970	1,368,454	1,368,454	
NTCJ	AMTC	Japan	Design and service of semiconductor	-	55,760	-	-	-	-	-	(Note 2)
	TPSCo.	Japan	Foundry and sales of semiconductor	1,708,037	1,648,451	49,539	49	1,824,673	363,783	162,270	(Note 1)

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

Note 2: Refer to Note 29 for information of the Company disposal of the subsidiary in January 2023.

Note 3: NIH resolved by the Company’s board meeting on May 29, 2023 to reduce capital by 2,327 thousand shares and return $75,702 thousand in cash.

Note 4: Refer to Note 4 for information of the Company established NTG in Germany in December 2023 and acquired 100% of ownership.

Note 5: Refer to Table 7 for information on investment in mainland China.

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars and U.S. Dollars)

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

Investee Company in Mainland China	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2023	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2023	% Ownership of Direct or Indirect Investment	Net Income of the Investee	Investment Gain (Note 1)	Carrying Amount as of December 31, 2023	Accumulated Repatriation of Investment Income as of December 31, 2023
					Outward	Inward						
NTSH	Provide project of sale in China and repairing, testing and consulting of software and leasing business	$ 68,036 (US$ 2,000)	Through investing in MML in the third area in British Virgin Islands, which then invested in the investee in mainland China indirectly	$ 68,036 (US$ 2,000)	$ -	$ -	$ 68,036 (US$ 2,000)	100	$ 165	$ 165	$ 282,801	$ -
WENJ (Note 2)	Computer software service (except I.C. design)	-	Through investing in MML in the third area in British Virgin Islands, which then invested in the investee in mainland China indirectly	16,429 (US$ 500)	-	-	16,429 (US$ 500)	-	(47)	(47)	- (Note 2)	-
NTSZ	Computer software service (except I.C. design), wholesale business for computer, supplement and software	197,670 (US$ 6,000)	Through investing in NTHK in the third area, which then invested in the investee in mainland China indirectly	197,670 (US$ 6,000)	-	-	197,670 (US$ 6,000)	100	6,366	6,366	229,728	-
Song Zhi (Suzhou)	Provide development of semiconductor and technology, consult service and equipment leasing business	8,688 (RMB 2,000)	Through investing in NTSH in the third area, which then invested in the investee in mainland China indirectly	- (Note 3)	-	-	-	100	(271)	(271)	7,787	-

Note 1: Investment profit or loss for the year ended December 31, 2023 was recognized under the basis of the financial statements audited by the Company's auditor.

Note 2: WENJ has completed the cancellation and liquidation process in May 2023.

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

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

Company	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 4)
The Company	NT$282,135 (US$8,500)	NT$282,135 (US$8,500)	NT$10,038,626

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

3. Refer to Table 8 of the Consolidated Financial Statements 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.

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2023
(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 (Note)	
	2023						
0	The Company	NTHK	Transactions between parent company and subsidiaries	Operating revenue	$ 7,952,135	-	22
		NTHK	Transactions between parent company and subsidiaries	Accounts receivable due from related parties	1,213,476	-	4
		NTCA	Transactions between parent company and subsidiaries	Operating revenue	125,605	-	-
		NTSG	Transactions between parent company and subsidiaries	Operating revenue	661,206	-	2
		NTCJ	Transactions between parent company and subsidiaries	Operating revenue	908,377	-	3
		NTCJ	Transactions between parent company and subsidiaries	Accounts receivable due from related parties	207,534	-	1
		NTSZ	Transactions between parent company and subsidiaries	Operating revenue	191,873	-	1
		NTSG	Transactions between parent company and subsidiaries	Operating cost	596,847	-	2
		NTCJ	Transactions between parent company and subsidiaries	Operating cost	6,372,549	-	18
		NTCJ	Transactions between parent company and subsidiaries	Accounts payable to related parties	600,655	-	2
		NTIL	Transactions between parent company and subsidiaries	Other payables	140,949	-	-
		NTIL	Transactions between parent company and subsidiaries	Operating expense	1,196,938	-	3
		NTCA	Transactions between parent company and subsidiaries	Operating expense	429,561	-	1
1	NTCJ	NTSG	Transactions between subsidiaries	Operating revenue	5,132,532	-	15
		NTSG	Transactions between subsidiaries	Accounts receivable due from related parties	273,847	-	1
		NTHK	Transactions between subsidiaries	Operating revenue	2,867,867	-	8
		NTHK	Transactions between subsidiaries	Accounts receivable due from related parties	238,538	-	1
2	NTSG	NTCJ	Transactions between subsidiaries	Operating revenue	5,436,698	-	15
		NTCJ	Transactions between subsidiaries	Accounts receivable due from related parties	306,787	-	1
		NTHK	Transactions between subsidiaries	Operating revenue	453,014	-	1

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

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

TABLE 9

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2023

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

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

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

Nuvoton Technology Corporation and Subsidiaries

Consolidated Financial Statements for the Nine Months Ended September 30, 2024 and 2023 and Independent Auditors' Review Report

Deloitte.

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INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Nuvoton Technology Corporation

Introduction

We have reviewed the accompanying consolidated balance sheets of Nuvoton Technology Corporation and its subsidiaries (collectively, the "Group") as of September 30, 2024 and 2023, the related consolidated statements of comprehensive income for the three months ended September 30, 2024 and 2023 and for the nine months ended September 30, 2024 and 2023, the consolidated statements of changes in equity and cash flows for the nine months ended September 30, 2024 and 2023, and the related notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with the Standards on Review Engagements of the Republic of China 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2024 and 2023, its consolidated financial performance for the three months ended September 30, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2024 and 2023 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Kuo-Tyan Hong and Shu-Lin Liu.

Shu Lin Liu

Deloitte & Touche
Taipei, Taiwan
Republic of China

October 31, 2024

<u>*Notice to Readers*</u>

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

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

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	September 30, 2024		December 31, 2023		September 30, 2023	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	$ 5,272,042	17	$ 6,325,394	20	$ 6,373,869	20
Financial assets at fair value through profit or loss - current (Note 7)	8,903	-	22,422	-	-	-
Accounts receivable, net (Note 8)	4,010,684	13	4,092,482	13	4,487,452	14
Accounts receivable from related parties, net (Notes 8 and 32)	2,196	-	29,523	-	42,448	-
Finance lease receivables - current (Notes 9 and 32)	47,561	-	92,088	-	91,242	-
Other receivables (Notes 10 and 32)	461,150	2	412,575	1	446,944	1
Inventories (Note 11)	6,759,078	22	7,756,366	24	8,298,948	25
Other current assets	503,555	2	468,615	2	473,266	2
Total current assets	17,065,169	56	19,199,465	60	20,214,169	62
NON-CURRENT ASSETS						
Financial assets at fair value through profit or loss - non-current (Note 7)	-	-	76,763	-	80,675	-
Financial assets at fair value through other comprehensive income - non-current (Note 12)	1,500,481	5	1,348,557	4	1,329,241	4
Investments accounted for using equity method (Note 13)	1,940,589	6	1,824,673	6	1,917,649	6
Property, plant and equipment (Notes 14, 32 and 33)	6,492,847	21	5,785,697	18	5,508,872	17
Right-of-use assets (Notes 15 and 32)	519,989	2	520,912	2	553,601	2
Investment properties (Notes 16 and 33)	1,483,554	5	1,549,000	5	1,576,021	5
Intangible assets (Note 17)	888,882	3	550,894	2	551,722	1
Deferred tax assets (Note 4)	211,173	-	226,001	1	279,769	1
Refundable deposits (Notes 6, 32 and 33)	283,372	1	275,294	1	350,626	1
Finance lease receivables - non-current (Notes 9 and 32)	-	-	23,289	-	46,256	-
Other non-current assets	329,639	1	359,649	1	357,993	1
Total non-current assets	13,650,526	44	12,540,729	40	12,552,425	38
TOTAL	$ 30,715,695	100	$ 31,740,194	100	$ 32,766,594	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Notes 18, 32 and 33)	$ 1,022,580	3	$ 1,064,280	3	$ 1,275,580	4
Financial liabilities at fair value through profit or loss - current (Note 7)	2,705	-	786	-	31,530	-
Accounts payable	1,577,521	5	1,304,407	4	1,437,840	4
Accounts payable to related parties (Note 32)	923,156	3	778,160	3	921,604	3
Other payables (Notes 19 and 32)	4,318,014	14	3,969,136	13	4,021,026	12
Current tax liabilities (Note 4)	285,118	1	305,031	1	463,885	1
Lease liabilities - current (Notes 15 and 32)	166,257	1	156,298	1	165,422	1
Long-term borrowings, current portion (Notes 18 and 33)	285,714	1	142,857	-	142,857	1
Other current liabilities	521,302	2	459,853	1	950,366	3
Total current liabilities	9,102,367	30	8,180,808	26	9,410,110	29
NON-CURRENT LIABILITIES						
Long-term borrowings (Notes 18 and 33)	571,429	2	857,143	3	857,143	3
Provisions - non-current (Note 20)	2,063,827	7	2,235,033	7	2,324,728	7
Deferred tax liabilities (Note 4)	69,822	-	77,953	-	86,017	-
Lease liabilities - non-current (Notes 15 and 32)	368,697	1	384,600	1	411,724	1
Net defined benefit liabilities - non-current (Note 4)	1,196,816	4	1,370,333	4	1,415,747	4
Guarantee deposits (Notes 22 and 32)	1,168,087	4	1,845,998	6	2,128,254	7
Other non-current liabilities	73,135	-	57,282	-	70,251	-
Total non-current liabilities	5,511,813	18	6,828,342	21	7,293,864	22
Total liabilities	14,614,180	48	15,009,150	47	16,703,974	51
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 23)						
Share capital	4,197,653	13	4,197,653	14	4,197,653	13
Capital surplus	6,997,593	23	6,995,630	22	6,992,250	21
Retained earnings						
Legal reserve	1,693,267	6	1,447,316	5	1,447,316	4
Special reserve	1,190,819	4	710,979	2	710,979	2
Unappropriated earnings	2,867,461	9	4,570,285	14	3,824,320	12
Exchange differences on translation of financial statements of foreign operations	(1,253,968)	(4)	(1,556,260)	(5)	(1,456,022)	(4)
Unrealized gains on financial assets at fair value through other comprehensive income	408,690	1	365,441	1	346,124	1
Total equity	16,101,515	52	16,731,044	53	16,062,620	49
TOTAL	$ 30,715,695	100	$ 31,740,194	100	$ 32,766,594	100

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

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings (Losses) Per Share)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2024		2023		2024		2023	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Notes 24 and 32)	$ 7,956,815	100	$ 8,969,569	100	$ 24,652,986	100	$ 26,878,415	100
OPERATING COST (Notes 11, 26 and 32)	4,984,954	63	5,213,155	58	15,325,785	62	15,889,480	59
GROSS PROFIT	2,971,861	37	3,756,414	42	9,327,201	38	10,988,935	41
OPERATING EXPENSES (Notes 26 and 32)								
Selling expenses	262,405	3	244,378	3	733,777	3	743,327	3
General and administrative expenses	589,736	7	643,786	7	1,749,771	7	1,934,249	7
Research and development expenses	2,150,303	27	2,246,847	25	6,601,531	27	6,845,880	26
Expected credit loss (gain)	1,142	-	(2,723)	-	9,162	-	14,805	-
Total operating expenses	3,003,586	37	3,132,288	35	9,094,241	37	9,538,261	36
PROFIT (LOSS) FROM OPERATIONS	(31,725)	-	624,126	7	232,960	1	1,450,674	5
NON-OPERATING INCOME AND EXPENSES (Note 32)								
Finance costs	(12,026)	-	(13,532)	-	(32,148)	-	(35,152)	-
Share of profit (loss) of associates	5,132	-	(36,028)	(1)	57,565	-	269,882	1
Interest income	46,993	1	55,239	1	135,631	1	145,056	1
Dividend income	4,454	-	11,888	-	64,294	-	71,728	-
Other gains and losses	17,581	-	1,419	-	14,751	-	10,116	-
Gains (losses) on disposal of property, plant and equipment	(3,214)	-	64,586	1	13,839	-	83,422	-
Foreign exchange gains (losses)	(165,167)	(2)	87,552	1	(28,714)	-	188,704	1
Gains (losses) on financial assets at fair value through profit or loss	102,500	1	(88,065)	(1)	(39,209)	-	(163,945)	(1)
Total non-operating income and expenses	(3,747)	-	83,059	1	186,009	1	569,811	2
PROFIT (LOSS) BEFORE INCOME TAX	(35,472)	-	707,185	8	418,969	2	2,020,485	7
INCOME TAX EXPENSE (Notes 4 and 25)	(69,983)	(1)	(108,025)	(2)	(136,706)	(1)	(306,950)	(1)
NET PROFIT (LOSS) FOR THE PERIOD	(105,455)	(1)	599,160	6	282,263	1	1,713,535	6

(Continued)

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings (Losses) Per Share)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2024		2023		2024		2023	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
OTHER COMPREHENSIVE INCOME (LOSS) (Note 23)								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	$ 6,513	-	$ (5,594)	-	$ 43,249	-	$ 51,492	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translation of the financial statements of foreign operations	757,378	9	157,498	2	302,292	2	(450,411)	(1)
Other comprehensive income (loss) for the period, net of income tax	763,891	9	151,904	2	345,541	2	(398,919)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 658,436	8	$ 751,064	8	$ 627,804	3	$ 1,314,616	5
EARNINGS (LOSSES) PER SHARE (Note 27)								
From continuing operations								
Basic	$ (0.25)		$ 1.43		$ 0.67		$ 4.08	
Diluted			$ 1.42		$ 0.67		$ 4.07	

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

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company							
			Retained Earnings			Other Equity		
	Ordinary Share	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Financial Statements of Foreign Operations	Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income	Total Equity
BALANCE AT JANUARY 1, 2023	$ 4,197,653	$ 6,871,827	$ 958,560	$ -	$ 6,248,877	$ (1,005,611)	$ 294,632	$ 17,565,938
Appropriation of 2022 earnings (Note 23)								
Legal reserve	-	-	488,756	-	(488,756)	-	-	-
Special reserve	-	-	-	710,979	(710,979)	-	-	-
Cash dividends	-	-	-	-	(2,938,357)	-	-	(2,938,357)
Net profit for the nine months ended September 30, 2023	-	-	-	-	1,713,535	-	-	1,713,535
Other comprehensive (loss) income for the nine months ended September 30, 2023, net of income tax	-	-	-	-	-	(450,411)	51,492	(398,919)
Total comprehensive income (loss) for the nine months ended September 30, 2023	-	-	-	-	1,713,535	(450,411)	51,492	1,314,616
Unclaimed dividends from claims extinguished by prescriptions	-	22	-	-	-	-	-	22
Disposal of subsidiaries (Note 29)	-	120,401	-	-	-	-	-	120,401
BALANCE AT SEPTEMBER 30, 2023	$ 4,197,653	$ 6,992,250	$ 1,447,316	$ 710,979	$ 3,824,320	$ (1,456,022)	$ 346,124	$ 16,062,620
BALANCE AT JANUARY 1, 2024	$ 4,197,653	$ 6,995,630	$ 1,447,316	$ 710,979	$ 4,570,285	$ (1,556,260)	$ 365,441	$ 16,731,044
Appropriation of 2023 earnings (Note 23)								
Legal reserve	-	-	245,951	-	(245,951)	-	-	-
Special reserve	-	-	-	479,840	(479,840)	-	-	-
Cash dividends	-	-	-	-	(1,259,296)	-	-	(1,259,296)
Net profit for the nine months ended September 30, 2024	-	-	-	-	282,263	-	-	282,263
Other comprehensive loss for the nine months ended September 30, 2024, net of income tax	-	-	-	-	-	302,292	43,249	345,541
Total comprehensive (loss) income for the nine months ended September 30, 2024	-	-	-	-	282,263	302,292	43,249	627,804
Unclaimed dividends from claims extinguished by prescriptions	-	20	-	-	-	-	-	20
Share-based payment transaction (Note 28)	-	1,943	-	-	-	-	-	1,943
BALANCE AT SEPTEMBER 30, 2024	$ 4,197,653	$ 6,997,593	$ 1,693,267	$ 1,190,819	$ 2,867,461	$ (1,253,968)	$ 408,690	$ 16,101,515

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

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

	For the Nine Months Ended September 30	
	2024	**2023**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 418,969	$ 2,020,485
Adjustments for:		
Depreciation expense	917,860	862,311
Amortization expense	261,241	254,088
Finance costs	32,148	35,152
Expected credit loss (gain) recognized on accounts receivable	9,162	14,805
Interest income	(135,631)	(145,056)
Dividend income	(64,294)	(71,728)
Compensation costs of share-based payment transaction	1,943	-
Share of profit of associates	(57,565)	(269,882)
(Gains) losses on disposal of property, plant and equipment	(13,839)	(83,422)
Gain on lease modification	(8,550)	(19,926)
Other non-cash items	1,978	591
Changes in operating assets and liabilities		
Decrease (increase) in financial assets at fair value through profit or loss	13,076	23,112
(Increase) decrease in accounts receivable	(244,733)	(984,831)
Decrease (increase) in accounts receivable from related parties	27,327	726,263
(Increase) decrease in other receivables	(41,610)	(133,294)
Decrease (increase) in inventories	997,288	(395,662)
(Increase) decrease in other current assets	(34,940)	(24,118)
Decrease (increase) in other non-current assets	30,010	(257,681)
Increase (decrease) in accounts payable	273,114	(963,180)
Increase (decrease) in accounts payable to related parties	144,996	173,887
Increase (decrease) in other payables	43,473	(257,325)
(Decrease) increase in provisions	(214,027)	(124,807)
(Decrease) increase in other current liabilities	(268,377)	(569,360)
(Decrease) increase in net defined benefit liabilities	(191,455)	10,037
Increase (decrease) in other non-current liabilities	15,853	20,166
Cash flows generated from (used in) operations	1,913,417	(159,375)
Interest received	139,054	141,306
Interest paid	(30,089)	(33,148)
Income tax paid	(161,394)	(616,316)
Dividend received	64,294	71,728
Net cash flows generated from (used in) operating activities	1,925,282	(595,805)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	450	2,000
Acquisition of financial assets at fair value through other comprehensive income	(30,000)	-

(Continued)

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

	For the Nine Months Ended September 30	
	2024	**2023**
Acquisition of investments accounted for using equity method	$ -	$ (59,586)
Proceeds from disposal of subsidiaries (Note 29)	-	196,798
(Increase) decrease in finance lease receivables	68,455	71,094
Acquisition of property, plant and equipment	(1,234,640)	(747,075)
Proceeds from disposal of property, plant and equipment	18,633	115,928
Increase in unearned receipts - disposal of assets	-	540,500
Acquisition of intangible assets	(311,415)	(194,472)
(Increase) decrease in refundable deposits	(3,084)	(1,220)
(Increase) decrease in other receivables - time deposits	(170)	3,528
Net cash flows used in investing activities	(1,491,771)	(72,505)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	5,195,720	1,703,550
Repayments of short-term borrowings	(5,251,870)	(1,412,680)
Repayments of long-term borrowings	(142,857)	(500,000)
Repayments of the principal portion of lease liabilities	(143,798)	(138,548)
(Repayments of) proceeds from guarantee deposits received	(24,720)	64,823
Dividends paid to owners of the Company	(1,259,296)	(2,938,357)
Net cash flows used in financing activities	(1,626,821)	(3,221,212)
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	139,958	(134,794)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,053,352)	(4,024,316)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	6,325,394	10,398,185
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	$ 5,272,042	$ 6,373,869

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

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

For the specialization and division of labor and the reinforcement of core competitive ability, the Company's parent company, Winbond Electronics Corporation (WEC), spun off its Logic IC business into the Company on July 1, 2008 in accordance with the Business Mergers and Acquisitions Act and the Company commenced business in July 2008. WEC held approximately 52%, 51%, and 51% of the ownership interest in the Company as of September 30, 2024, December 31, 2023 and September 30, 2023, respectively.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's Board of Directors and authorized for issue on October 31, 2024.

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 "IFRS Accounting Standards") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

   The initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have a material impact on the Group's accounting policies.

b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2025

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025 (Note)

Note: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments to IAS 21, the Group shall not restate the comparative information and shall recognize any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or, if applicable, to the cumulative amount of translation differences in equity as well as affected assets or liabilities.

c. The IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note)
Annual Improvements to IFRS Accounting Standards - Volume 11	January 1, 2026
Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”	January 1, 2026
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 IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”	January 1, 2023
IFRS 18 “Presentation and Disclosure in Financial Statements”	January 1, 2027
IFRS 19 “Subsidiaries without Public Accountability: Disclosures”	January 1, 2027

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

1) Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”

The amendments mainly amend the requirements for the classification of financial assets, including if a financial asset contains a contingent feature that could change the timing or amount of contractual cash flows and the contingent event itself does not relate directly to changes in basic lending risks and costs (e.g., whether the debtor achieves a contractually specified reduction in carbon emissions), the financial asset has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding if, and only if,

- In all possible scenarios (before and after the occurrence of a contingent event), the contractual cash flows are solely payments of principal and interest on the principal amount outstanding; and

- In all possible scenarios, the contractual cash flows would not be significantly different from the contractual cash flows on a financial instrument with identical contractual terms, but without such a contingent feature.

The amendments also stipulate that, when settling a financial liability in cash using an electronic payment system, an entity can choose to derecognize the financial liability before the settlement date if, and only if, the entity has initiated a payment instruction that resulted in:

- The entity having no practical ability to withdraw, stop or cancel the payment instruction;

- The entity having no practical ability to access the cash to be used for settlement as a result of the payment instruction; and

- The settlement risk associated with the electronic payment system being insignificant.

2) IFRS 18 “Presentation and Disclosure in Financial Statements”

IFRS 18 will supersede IAS 1” Presentation of Financial Statements”. The main changes comprise:

- Items of income and expenses included in the statement of profit or loss shall be classified into the operating, investing, financing, income taxes and discontinued operations categories.

- The statement of profit or loss shall present totals and subtotals for operating profit or loss, profit or loss before financing and income taxes and profit or loss.

- Provides guidance to enhance the requirements of aggregation and disaggregation: The Group shall identify the assets, liabilities, equity, income, expenses and cash flows that arise from individual transactions or other events and shall classify and aggregate them into groups based on shared characteristics, so as to result in the presentation in the primary financial statements of line items that have at least one similar characteristic. The Group shall disaggregate items with dissimilar characteristics in the primary financial statements and in the notes. The Group labels items as “other” only if it cannot find a more informative label.

- Disclosures on Management-defined Performance Measures (MPMs): When in public communications outside financial statements and communicating to users of financial statements management’s view of an aspect of the financial performance of the Group as a whole, the Group shall disclose related information about its MPMs in a single note to the financial statements, including the description of such measures, calculations, reconciliations to the subtotal or total specified by IFRS Accounting Standards and the income tax and non-controlling interests effects of related reconciliation items.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing other impacts of the above-mentioned amended standards and interpretations on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

Except for the following, please refer to the consolidated financial statements for the year ended December 31, 2023.

Statement of Compliance

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

Basis of Preparation

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

Basis of Consolidation

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

Subsidiary included in the consolidated financial statements:

Investor	Investee	Main Business	Percentage of Ownership (%) September 30, 2024	December 31, 2023	September 30, 2023
The Company	Nuvoton Electronics Technology (H.K.) Limited ("NTHK")	Sales of semiconductor	100	100	100
	Marketplace Management Limited ("MML")	Investment holding	100	100	100
	Nuvoton Investment Holding Ltd. ("NIH")	Investment holding	100	100	100
	Song Yong Investment Corporation ("SYI")	Investment holding	100	100	100
	Nuvoton Technology India Private Limited ("NTIPL")	Design, sales and after-sales service of semiconductor	100	100	100
	Nuvoton Technology Corporation America ("NTCA")	Design, sales and after-sales service of semiconductor	100	100	100
	Nuvoton Technology Holdings Japan ("NTHJ")	Investment holding	100	100	100
	Nuvoton Technology Singapore Pte. Ltd. ("NTSG")	Design, sales and after-sales service of semiconductor	100	100	100
	Nuvoton Technology Korea Limited ("NTKL")	Design, sales and after-sales service of semiconductor	100	100	100
	Nuvoton Technology Germany GmbH ("NTG") (Note 1)	Customer service and technical support of semiconductor	100	100	-
NTHK	Nuvoton Electronics Technology (Shenzhen) Limited ("NTSZ")	Computer software service (except I.C. design), wholesale business for computer, supplement and software	100	100	100
	Nuvoton Electronics Technology (Nanjing) Limited ("NTNJ") (Note 2)	Provides development of semiconductor and technology, consult service and sales	100	-	-
	Nuvoton Electronics Technology (Shanghai) Limited ("NTSH") (Note 3)	Provides projects for sale in China and repairing, testing and consulting of software and leasing business	100	-	-
MML	Goldbond LLC ("GLLC")	Investment holding	100	100	100
GLLC	Nuvoton Electronics Technology (Shanghai) Limited ("NTSH") (Note 3)	Provides projects for sale in China and repairing, testing and consulting of software and leasing business	-	100	100
	Winbond Electronics (Nanjing) Ltd. ("WENJ") (Note 4)	Computer software service (except I.C. design)	-	-	-
NTSH	Song Zhi Electronics Technology (Suzhou) ("Song Zhi Suzhou")	Provide development of semiconductor and technology, consult service and equipment leasing business	100	100	100
NIH	Nuvoton Technology Israel Ltd. ("NTIL")	Design and service of semiconductor	100	100	100
NTHJ	Nuvoton Technology Corporation Japan ("NTCJ")	Design, sales and after-sales service of semiconductor	100	100	100
NTCJ	Atfields Manufacturing Technology Corporation ("AMTC") (Note 5)	Design and service of semiconductor	-	-	-

Note 1: The Company established NTG in Germany in December 2023 and acquired 100% of ownership.

Note 2: NTHK established NTNJ in China in January 2024 and acquired 100% of ownership.

Note 3: GLLC sold 100% ownership of NTSH to NTHK in May 2024. This equity transaction was deemed as a structure reorganization.

Note 4: WENJ has completed the cancellation and liquidation process in May 2023.

Note 5: NTCJ has sold all of its shares of AMTC to WEC Company in January 2023, refer to Note 29 to the consolidated financial statements.

Retirement Benefits

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

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

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

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

Taxation

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

5. MATERIAL 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 estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Material accounting judgments and key sources of estimation uncertainty are as below:

Write-down of Inventories

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

6. CASH AND CASH EQUIVALENTS

	September 30, 2024	December 31, 2023	September 30, 2023
Cash and deposits in banks	$ 4,932,142	$ 6,161,894	$ 6,055,869
Repurchase agreements	339,900	163,500	318,000
	$ 5,272,042	$ 6,325,394	$ 6,373,869

a. Please refer to Note 33 to the consolidated financial statements for the amount of refundable deposits pledged to secure land leases, customs tariff obligations and borrowings.

b. The Group has time deposits which are not held for the purpose of meeting short-term cash commitments and are reclassified to "other receivables" as follows (Note 10 to the consolidated financial statements):

	September 30, 2024	December 31, 2023	September 30, 2023
Time deposits	$ 7,554	$ 7,384	$ 52,686

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2024	December 31, 2023	September 30, 2023
Financial assets - current			
Held for trading			
Foreign exchange forward contracts	$ 8,903	$ 22,422	$ -
Financial assets - non-current			
Mandatorily measured at FVTPL			
Domestic and oversea warrants	$ -	$ 76,763	$ 80,675
Financial liabilities - current			
Held for trading			
Foreign exchange forward contracts	$ 2,705	$ 786	$ 31,530

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

	Currency	Maturity Date	Contract Amount (In Thousands)
September 30, 2024			
Sell forward exchange contracts	USD/NTD	2024.10.04-2024.10.22	USD6,000/NTD191,691
	USD/JPY	2024.10.11-2024.11.14	USD29,000/JPY4,145,998
December 31, 2023			
Sell forward exchange contracts	USD/NTD	2024.01.03-2024.01.23	USD21,000/NTD653,226
	USD/JPY	2024.01.12-2024.02.14	USD28,200/JPY4,041,691
September 30, 2023			
Sell forward exchange contracts	USD/NTD	2023.10.03-2023.11.02	USD24,000/NTD767,383
	USD/JPY	2023.10.13-2023.11.14	USD30,300/JPY4,401,572

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

8. ACCOUNTS RECEIVABLE, NET

	September 30, 2024	December 31, 2023	September 30, 2023
Accounts receivable (including related parties)			
At amortized cost			
Gross carrying amount	$ 4,066,329	$ 4,165,734	$ 4,579,945
Less: Allowance for impairment loss	(53,449)	(43,729)	(50,045)
	$ 4,012,880	$ 4,122,005	$ 4,529,900

The average credit period of sales of goods was 30-60 days. No interest was charged on accounts receivable. The Group adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Group annually.

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

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

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

The following table details the loss allowance of accounts receivable (including related parties) based on the Group's provision matrix.

September 30, 2024

	Not Overdue	Overdue under 30 Days	Overdue 31 to 90 Days	Overdue 91 to 180 Days	Over 180 Days	Total
Expected credit loss rate	0.1%-2%	2%	10%	20%	50%	
Gross carrying amount	$ 4,054,497	$ 9,240	$ 608	$ 1,691	$ 293	$ 4,066,329
Loss allowance (lifetime ECL)	(52,718)	(185)	(61)	(338)	(147)	(53,449)
Amortized cost	$ 4,001,779	$ 9,055	$ 547	$ 1,353	$ 146	$ 4,012,880

December 31, 2023

	Not Overdue	Overdue under 30 Days	Overdue 31 to 90 Days	Overdue 91 to 180 Days	Over 180 Days	Total
Expected credit loss rate	0.1%-2%	2%	10%	20%	50%	
Gross carrying amount	$ 4,138,023	$ 24,878	$ 860	$ 1,973	$ -	$ 4,165,734
Loss allowance (lifetime ECL)	(42,750)	(498)	(86)	(395)	-	(43,729)
Amortized cost	$ 4,095,273	$ 24,380	$ 774	$ 1,578	$ -	$ 4,122,005

September 30, 2023

	Not Overdue	Overdue under 30 Days	Overdue 31 to 90 Days	Overdue 91 to 180 Days	Over 180 Days	Total
Expected credit loss rate	0.1%-2%	2%	10%	20%	50%	
Gross carrying amount	$ 4,571,126	$ 6,132	$ 1,702	$ 985	$ -	$ 4,579,945
Loss allowance (lifetime ECL)	(49,555)	(123)	(170)	(197)	-	(50,045)
Amortized cost	$ 4,521,571	$ 6,009	$ 1,532	$ 788	$ -	$ 4,529,900

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

	For the Nine Months Ended September 30	
	2024	2023
Balance at January 1	$ 43,729	$ 34,115
Add: Net remeasurement of loss allowance	9,162	14,805
Foreign currency exchange gains and losses	558	1,125
Balance at September 30	$ 53,449	$ 50,045

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

9. FINANCE LEASE RECEIVABLES

	September 30, 2024	December 31, 2023	September 30, 2023
Undiscounted lease payments			
Year 1	$ 47,892	$ 93,586	$ 93,155
Year 2	-	23,397	46,578
	47,892	116,983	139,733
Less: Unearned finance income	(331)	(1,606)	(2,235)
Finance lease receivables	$ 47,561	$ 115,377	$ 137,498
Current	$ 47,561	$ 92,088	$ 91,242
Non-current	-	23,289	46,256
	$ 47,561	$ 115,377	$ 137,498

The average lease term of finance lease receivables recognized by the Group from TPSCo. for the lease of property, plant and equipment and intangible assets is three years. The contract has an average implied interest rate of approximately both 1.85% per annum in 2024 and 2023. Refer to Note 32 to the consolidated financial statements for details of finance lease contracts.

10. OTHER RECEIVABLES

	September 30, 2024	December 31, 2023	September 30, 2023
Business tax refund receivable	$ 318,256	$ 293,243	$ 285,131
Tax refund receivables	12,734	1,262	4,168
Time deposits (Note 6)	7,554	7,384	52,686
Others	122,606	110,686	104,959
	$ 461,150	$ 412,575	$ 446,944

11. INVENTORIES

	September 30, 2024	December 31, 2023	September 30, 2023
Raw materials and supplies	$ 668,560	$ 521,147	$ 554,795
Work in process	4,373,236	4,944,496	5,309,450
Finished goods	1,717,282	2,288,440	2,421,712
Inventories in transit	-	2,283	12,991
	$ 6,759,078	$ 7,756,366	$ 8,298,948

The operating cost for the three months ended September 30, 2024 and 2023, and the nine months ended September 30, 2024 and 2023 were NT$4,984,954 thousand, NT$5,213,155 thousand, NT$15,325,785 thousand and NT$15,889,480 thousand, respectively. The net (losses) gains of inventory write-downs, obsolescence and abandonment of inventories for the three months ended September 30, 2024 and 2023, and the nine months ended September 30, 2024 and 2023 were NT$(48,098) thousand, NT$(73,100) thousand, NT$126,361 thousand and NT$(407,171) thousand, respectively.

The inventory write-downs for the nine months ended September 30, 2024 were reversed as a result of the elimination of inventories that were recognized in inventory write-downs.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in equity instruments at FVTOCI:

	September 30, 2024	December 31, 2023	September 30, 2023
Listed shares and emerging market shares			
Nyquest Technology Co., Ltd.	$ 105,600	$ 132,660	$ 102,960
Brightek Optoelectronic Co., Ltd.	1,524	1,423	1,082

(Continued)

	September 30, 2024	December 31, 2023	September 30, 2023
Unlisted shares			
United Industrial Gases Co., Ltd.	$ 589,600	$ 536,800	$ 528,000
Yu-Ji Venture Capital Co., Ltd.	5,382	7,324	6,799
Autotalks Ltd.	712,125	614,100	645,400
Allxon Inc.	56,250	56,250	45,000
AionChip Technologies Co., Ltd.	30,000	-	-
Symetrix Corporation	-	-	-
	$ 1,500,481	$ 1,348,557	$ 1,329,241

(Concluded)

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

In September 2024 and June 2023, The Group executes the Autotalks Ltd. and Allxon Inc. stock warrants conversion to acquire 257 thousand preferred shares and 5,625 thousand preferred shares and expected to profit through long-term investments. Therefore, it was reclassified from financial assets at fair value through profit or loss to financial assets at fair value through other comprehensive income.

The Group recognized dividend income of NT$4,454 thousand, NT$11,888 thousand, NT$64,294 thousand and NT$71,728 thousand for the three months ended and nine months ended September 30, 2024 and 2023, respectively.

The Company acquired 1,650 thousand ordinary shares of AionChip Technologies Co., Ltd. for NT$30,000 thousand in May 2024, with a 8.25% ownership interest.

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in Associates

	September 30, 2024	December 31, 2023	September 30, 2023
Tower Partners Semiconductor Co., Ltd. ("TPSCo.")	$ 1,940,589	$ 1,824,673	$ 1,917,649

As of September 30, 2024, December 31, 2023 and September 30, 2023, NTCJ has held TPSCo.'s 49,539 shares with a shareholding of 49%.

The equity method of investment and the Groups' share of profit or loss of the investment was calculated based on the associate's financial statement which has been reviewed by independent auditors for the respective period.

14. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2024	December 31, 2023	September 30, 2023
Land	$ 1,842,865	$ 1,801,369	$ 1,759,112
Buildings	1,883,148	1,740,796	1,746,107
Machinery and equipment	1,681,257	1,595,440	1,594,003
Other equipment	334,542	309,192	268,317
Construction in progress and prepayments for purchase of equipment	751,035	338,900	141,333
	$ 6,492,847	$ 5,785,697	$ 5,508,872

	Land	Buildings	Machinery and Equipment	Other Equipment	Construction in Progress and Prepayments for Purchase of Equipment	Total
Cost						
Balance at January 1, 2024	$ 1,801,369	$ 19,481,913	$ 44,016,907	$ 3,072,159	$ 338,900	$ 68,711,248
Additions	-	49,473	130,299	28,709	1,046,676	1,255,157
Disposals	-	(34,752)	(1,562,435)	(56,211)	-	(1,653,398)
Reclassified	-	184,772	336,955	140,850	(664,503)	(1,926)
Effect of foreign currency exchange differences	41,496	373,585	714,973	64,040	29,962	1,224,056
Balance at September 30, 2024	1,842,865	20,054,991	43,636,699	3,249,547	751,035	69,535,137
Accumulated depreciation and impairment						
Balance at January 1, 2024	-	17,741,117	42,421,467	2,762,967	-	62,925,551
Disposals	-	(33,675)	(1,559,778)	(55,151)	-	(1,648,604)
Depreciation expense	-	127,080	411,843	144,711	-	683,634
Effect of foreign currency exchange differences	-	337,321	681,910	62,478	-	1,081,709
Balance at September 30, 2024	-	18,171,843	41,955,442	2,915,005	-	63,042,290
Carrying amounts at September 30, 2024	$ 1,842,865	$ 1,883,148	$ 1,681,257	$ 334,542	$ 751,035	$ 6,492,847
Cost						
Balance at January 1, 2023	$ 1,890,924	$ 20,490,249	$ 54,320,817	$ 3,341,453	$ 216,733	$ 80,260,176
Additions	-	33,617	156,262	22,499	538,368	750,746
Disposals	-	(17,739)	(1,303,903)	(140,661)	-	(1,462,303)
Disposal of subsidiaries	-	-	-	(6,813)	-	(6,813)
Reclassified	-	46,765	456,010	108,470	(609,872)	1,373
Effect of foreign currency exchange differences	(131,812)	(1,168,026)	(2,950,844)	(201,176)	(3,896)	(4,455,754)
Balance at September 30, 2023	1,759,112	19,384,866	50,678,342	3,123,772	141,333	75,087,425
Accumulated depreciation and impairment						
Balance at January 1, 2023	-	18,581,344	52,849,852	3,064,895	-	74,496,091
Disposals	-	(16,767)	(1,275,668)	(137,362)	-	(1,429,797)
Depreciation expense	-	125,543	384,727	122,893	-	633,163
Disposal of subsidiaries	-	-	-	(4,837)	-	(4,837)
Effect of foreign currency exchange differences	-	(1,051,361)	(2,874,572)	(190,134)	-	(4,116,067)
Balance at September 30, 2023	-	17,638,759	49,084,339	2,855,455	-	69,578,553
Carrying amounts at September 30, 2023	$ 1,759,112	$ 1,746,107	$ 1,594,003	$ 268,317	$ 141,333	$ 5,508,872

For the nine months ended September 30, 2024, the reclassification of property, plant and equipment includes transfers from construction in progress and prepayments for purchase of equipment to expenses of a decrease of NT$1,926 thousand.

Refer to Note 33 to the consolidated financial statements for the amount of property, plant and equipment pledged as collateral for bank borrowings.

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	September 30, 2024	December 31, 2023	September 30, 2023
Carrying amounts			
Land	$ 108,580	$ 127,725	$ 131,260
Buildings	275,441	247,567	274,968
Machinery and equipment	112,266	118,495	120,966
Other equipment	23,702	27,125	26,407
	$ 519,989	$ 520,912	$ 553,601

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Additions to right-of-use assets	$ 24,869	$ 47,337	$ 156,844	$ 73,467
Depreciation for right-of-use assets				
Land	$ 6,381	$ 6,317	$ 19,145	$ 18,951
Buildings	31,658	28,713	94,555	86,422
Machinery and equipment	2,882	3,061	8,600	9,392
Other equipment	4,619	4,351	14,121	11,726
	$ 45,540	$ 42,442	$ 136,421	$ 126,491
Income from the subleasing of right-of-use assets (presented in other income)	$ 2,536	$ 1,893	$ 7,228	$ 5,571

b. Lease liabilities

	September 30, 2024	December 31, 2023	September 30, 2023
Carrying amounts			
Current	$ 166,257	$ 156,298	$ 165,422
Non-current	$ 368,697	$ 384,600	$ 411,724

Range of discount rate for lease liabilities was as follows:

	September 30, 2024	December 31, 2023	September 30, 2023
Land	1.76%-2.06%	1.76%-2.06%	1.76%-2.06%
Buildings	0.14%-7.46%	0.14%-5.24%	0.14%-5.13%
Machinery and equipment	0.48%-0.80%	0.48%-0.80%	0.48%-0.80%
Other equipment	0.14%-5.10%	0.14%-5.10%	0.14%-5.10%

For the three months ended September 30, 2024 and 2023 and the nine months ended September 30, 2024 and 2023, the interest expense under lease liabilities amounted to NT$2,980 thousand, NT$2,374 thousand, NT$8,729 thousand and NT$7,220 thousand, respectively.

c. Material lease-in activities and terms

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

The Group leased parcels of land from Taiwan Sugar Corporation under a twenty-year term from October 2014 to September 2034, which is allowed to extend after the expiration of lease. The chairman of the Company, is a joint guarantor of such lease (refer to Note 32 to the consolidated financial statements).

The Group leased some of the offices spaces in the United States, China, Israel, India, Korea, Hong Kong and Taiwan, and the lease terms will expire between 2024 and 2032 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. The maturity analysis of lease payments receivable under operating subleases is as follows:

	September 30, 2024	December 31, 2023	September 30, 2023
Year 1	$ 7,428	$ 6,816	$ 2,340
Year 2	6,435	2,105	-
Year 3	4,485	-	-
Year 4	1,121	-	-
Year 5	-	-	-
Year 5 onwards	-	-	-
	$ 19,469	$ 8,921	$ 2,340

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

e. Other lease information

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Expenses relating to short-term leases	$ 19,237	$ 66,649	$ 61,013	$ 193,808
Total cash outflow for leases			$ 211,389	$ 337,498

The Group leases certain buildings, machinery and transportation equipment which qualified as short-term leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease labilities for these leases.

16. INVESTMENT PROPERTIES

	September 30, 2024	December 31, 2023	September 30, 2023
Investment properties, net	$ 1,483,554	$ 1,549,000	$ 1,576,021

The fair value of investment properties held by the company was NT$2,443,494 thousand as of December 31, 2022, of which were assessed by independent qualified professional appraisers was NT$2,243,494 thousand. The Group's management evaluated the fair value of the remaining investment properties with valuation model commonly used by market participants, and the fair value was measured using Level 3 inputs. The Group's management evaluated and determined that the fair value of the investment properties had not changed significantly, compared to the fair value of the investment properties as of September 30, 2024, December 31, 2023 and September 30, 2023.

	For the Nine Months Ended September 30	
	2024	2023
Cost		
Balance at January 1	$ 7,165,730	$ 7,662,122
Effect of foreign currency exchange differences	170,415	(526,915)
Balance at September 30	7,336,145	7,135,207
Accumulated depreciation and impairment		
Balance at January 1	5,616,730	5,863,962
Depreciation expense	97,805	102,657
Effect of foreign currency exchange differences	138,056	(407,433)
Balance at September 30	5,852,591	5,559,186
Carrying amount at September 30	$ 1,483,554	$ 1,576,021

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

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

	September 30, 2024	December 31, 2023	September 30, 2023
Year 1	$ 150,611	$ 146,532	$ 154,758
Year 2	149,937	143,790	145,426
Year 3	146,565	143,872	139,449
Year 4	144,842	143,894	139,449
Year 5	143,384	140,886	139,449
Year 5 onwards	358,458	455,304	488,072
	$ 1,093,797	$ 1,174,278	$ 1,206,603

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

Please refer to Note 33 to the consolidated financial statements for the amount of investment properties pledged as collateral for bank borrowings.

17. INTANGIBLE ASSETS

	September 30, 2024	December 31, 2023	September 30, 2023
Deferred technical assets	$ 688,340	$ 357,994	$ 377,490
Other intangible assets	200,542	192,900	174,232
	$ 888,882	$ 550,894	$ 551,722

	Deferred Technical Assets	Other Intangible Assets	Total
Cost			
Balance at January 1, 2024	$ 2,125,404	$ 1,102,150	$ 3,227,554
Additions	507,448	88,967	596,415
Disposals	-	(57,884)	(57,884)
Reclassification	17,918	(17,970)	(52)
Effect of foreign currency exchange differences	3,042	19,324	22,366
Balance at September 30, 2024	2,653,812	1,134,587	3,788,399
Accumulated amortization and impairment			
Balance at January 1, 2024	1,767,410	909,250	2,676,660
Amortization expense	193,965	67,276	261,241
Disposals	-	(57,884)	(57,884)
Effect of foreign currency exchange differences	4,097	15,403	19,500
Balance at September 30, 2024	1,965,472	934,045	2,899,517
Carrying amounts at September 30, 2024	$ 688,340	$ 200,542	$ 888,882

(Continued)

	Deferred Technical Assets	Other Intangible Assets	Total
Cost			
Balance at January 1, 2023	$ 2,062,573	$ 1,136,379	$ 3,198,952
Additions	1,388	89,898	91,286
Disposals	-	(7,271)	(7,271)
Disposal of subsidiaries	-	(7,243)	(7,243)
Reclassification	22,693	(24,066)	(1,373)
Effect of foreign currency exchange differences	(7,339)	(65,150)	(72,489)
Balance at September 30, 2023	2,079,315	1,122,547	3,201,862
Accumulated amortization and impairment			
Balance at January 1, 2023	1,511,960	964,235	2,476,195
Amortization expense	194,754	59,334	254,088
Disposals	-	(6,680)	(6,680)
Disposal of subsidiaries	-	(6,703)	(6,703)
Effect of foreign currency exchange differences	(4,889)	(61,871)	(66,760)
Balance at September 30, 2023	1,701,825	948,315	2,650,140
Carrying amounts at September 30, 2023	$ 377,490	$ 174,232	$ 551,722

(Concluded)

18. BORROWINGS

a. Short-term borrowings

	September 30, 2024		December 31, 2023		September 30, 2023	
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
Secured borrowings						
Chinatrust Commercial Bank Co., Ltd.	1.41%-1.54%	$ 1,022,580	1.17%-1.18%	$ 847,080	1.17%	$ 1,275,580
Unsecured borrowings						
Chinatrust Commercial Bank Co., Ltd.		-	1.00%-1.01%	217,200	-	-
		$ 1,022,580		$ 1,064,280		$ 1,275,580

To repay outstanding debt and enhance working capital, NTCJ entered into a JPY30 billion syndicated loan agreement with banks on May 17, 2021, which include Chinatrust Commercial Bank Co., Ltd. and other banks. The loan is guaranteed by the parent company, Winbond Electronics Corporation. Refer to Note 32 to the consolidated financial statements for related information. Pursuant to the loan contract, the Company should hold at least 100% of the issued shares or capital and maintain control over the operation of NTCJ, and NTCJ must maintain the financial debt ratio not to be lower than certain level during the loan period. The aforementioned financial ratio is calculated based on the audited consolidated financial statements.

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

b. Long-term borrowings

	Period	Interest Rate	September 30, 2024	December 31, 2023	September 30, 2023
Unsecured borrowings					
The Export-Import Bank of ROC	2020.08.25-2027.08.25	2.10%	$ 857,143	$ 1,000,000	$ 1,000,000
Less: Current portion			(285,714)	(142,857)	(142,857)
			$ 571,429	$ 857,143	$ 857,143

The proceeds of the Group's unsecured loan was to acquire Panasonic's semiconductor business in Japan.

19. OTHER PAYABLES

	September 30, 2024	December 31, 2023	September 30, 2023
Payable for salaries or employee benefits	$ 1,213,340	$ 1,115,611	$ 1,361,301
Payable for royalties	553,147	372,295	417,193
Payable for purchase of equipment	369,813	349,296	155,289
Payable for service	142,000	130,706	129,515
Payable for maintenance	103,198	239,369	114,172
Payable for utilities	66,538	70,005	62,446
Payable for professional service	53,514	26,892	79,157
Payable for software	13,335	74,190	17,394
Others	1,803,129	1,590,772	1,684,559
	$ 4,318,014	$ 3,969,136	$ 4,021,026

20. PROVISIONS

	September 30, 2024	December 31, 2023	September 30, 2023
Non-current			
Employee benefits	$ 1,220,154	$ 1,360,661	$ 1,381,733
Decommissioning costs	488,616	477,406	475,208
Warranties	355,057	396,966	467,787
	$ 2,063,827	$ 2,235,033	$ 2,324,728

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

21. RETIREMENT BENEFIT PLANS

Employee benefit expense in respect of the Company's defined benefit retirement plans was calculated using the actuarially determined pension cost discount rate as of December 31, 2023 and 2022, and recognized $14,126 thousand, $13,411 thousand, $41,843 thousand and $39,379 thousand for the three months ended and nine months ended September 30, 2024 and 2023, respectively.

22. GUARANTEE DEPOSITS

	September 30, 2024	December 31, 2023	September 30, 2023
Capacity guarantee	$ 1,091,339	$ 1,783,150	$ 2,062,332
Others	76,748	62,848	65,922
	$ 1,168,087	$ 1,845,998	$ 2,128,254

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

23. EQUITY

a. Share capital

Ordinary shares

	September 30, 2024	December 31, 2023	September 30, 2023
Shares authorized (in thousands of shares)	500,000	500,000	500,000
Shares authorized	$ 5,000,000	$ 5,000,000	$ 5,000,000
Shares issued and fully paid (in thousands of shares)	419,765	419,765	419,765
Shares issued and fully paid	$ 4,197,653	$ 4,197,653	$ 4,197,653
Par value (in New Taiwan dollars)	$ 10	$ 10	$ 10

As of September 30, 2024, December 31, 2023 and September 30, 2023, the balance of the Company's capital account amounted to NT$4,197,653 thousand, divided into 419,765 thousand ordinary shares with a par value of NT$10.

b. Capital surplus

	September 30, 2024	December 31, 2023	September 30, 2023
May be used to offset a deficit, distributed as cash dividends, or transferred to share Capital (Note)			
Additional paid-in capital	$ 5,205,655	$ 5,203,712	$ 5,200,332
Conversion of bonds	1,481,180	1,481,180	1,481,180
May only be used to offset a deficit			
Overdue dividends unclaimed	120	100	100
Share of changes in capital surplus of associates or joint ventures (disposals of subsidiaries)	310,638	310,638	310,638
	$ 6,997,593	$ 6,995,630	$ 6,992,250

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

c. Retained earnings and dividends policy

The shareholders held their regular meeting on May 29, 2020 and resolved the amendments to the Company's dividend distribution policy in the Company's Articles of Incorporation (the "Articles"). Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. The board of directors shall be authorized to distribute the profit, the legal reserve, and the capital plus in cash upon resolution by a majority vote at a board meeting attended by two-thirds or more of the directors, and shall report the same to the shareholders' meeting. In principle, not less than 10% of the total shareholders' bonus shall be distributed in the form of cash. For the policies on the distribution of employees' compensation and remuneration of directors, refer to employees' compensation and remuneration of directors in Note 26 to the consolidated financial statements.

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

The appropriations of earnings and dividends per share for 2023 and 2022 were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For Year		For Year	
	2023	2022	2023	2022
Legal reserve	$ 245,951	$ 488,756		
Special reserve	479,840	710,979		
Cash dividends	1,259,296	2,938,357	$ 3.00	$ 7.00
	$ 1,985,087	$ 4,138,092		

When the Group's distributing surplus, the additional special reserve should be appropriated for the amount equal to the difference between net debit balance reserves and the special reserve appropriated on the first-time adoption of IFRS. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and is thereafter distributed.

Expect for the cash dividends were distributed by the Company's board meeting on March 5, 2024 and March 7, 2023, respectively, the rest of the 2023 and 2022 appropriation of earnings were proposed by the Company's board meeting and were resolved by the shareholders regular meeting on May 28, 2024 and May 26, 2023, respectively.

d. Other equity items

1) The exchange differences arising on translation of foreign operations' net assets from its functional currency to the Group's presentation currency (New Taiwan dollar) are recognized directly in other comprehensive income. For the three months ended September 30, 2024 and 2023 and the nine months ended September 30, 2024 and 2023, other comprehensive gain (loss) was NT$757,378 thousand, NT$157,498 thousand, NT$302,292 thousand and NT$(450,411) thousand, respectively.

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

	For the Nine Months Ended September 30	
	2024	2023
Balance at January 1	$ 365,441	$ 294,632
Recognized for the period	43,249	51,492
Balance at September 30	$ 408,690	$ 346,124

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.

24. REVENUE

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

25. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

Major components of income tax expense were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Current tax				
In respect of the current year	$ 56,866	$ 95,153	$ 130,058	$ 315,231
Adjustment for prior years' tax	-	(240)	(49)	(47)
Deferred tax				
In respect of the current year	13,117	13,112	6,697	(8,234)
Income tax expense recognized in profit or loss	$ 69,983	$ 108,025	$ 136,706	$ 306,950

b. Income tax assessments

The Company's income tax returns through 2022 have been assessed and approved by the tax authorities.

c. Pillar Two Income Tax Act

In March 2023, the local government of the country where the NTCJ was registered had substantively legislated the Pillar Two Income Tax Act, which came into effect on April 1, 2024.

Under the Act, NTCJ is required to pay supplementary tax in Japan on profits taxed below the effective tax rate of 15%. As of September 30, 2024, the country where Pillar Two income tax effected, had no relevant income tax impact on the Group. The Group also continues to review the impact of the Pillar Two Income Tax Act on its future financial performance.

26. EMPLOYEE BENEFITS EXPENSE, DEPRECIATION AND AMORTIZATION

	For the Three Months Ended September 30							
	2024				2023			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	Total	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	Total
Employee benefits expense								
Short-term employment benefits	$ 215,768	$ 1,632,034	$ -	$ 1,847,802	$ 252,288	$ 1,730,423	$ -	$ 1,982,711
Post-employment benefits	10,828	119,885	-	130,713	9,611	121,552	-	131,163
Share-based payment	190	1,753	-	1,943	-	-	-	-
Depreciation	166,631	115,994	33,307	315,932	149,529	105,746	34,504	289,779
Amortization	803	84,463	-	85,266	1,498	83,098	-	84,596

	For the Nine Months Ended September 30							
	2024				2023			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	Total	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	Total
Employee benefits expense								
Short-term employment benefits	$ 661,986	$ 4,886,589	$ -	$ 5,548,575	$ 733,295	$ 5,186,479	$ -	$ 5,919,774
Post-employment benefits	31,972	349,158	-	381,130	29,161	358,802	-	387,963
Share-based payment	190	1,753	-	1,943	-	-	-	-
Depreciation	469,762	349,670	98,428	917,860	443,331	313,991	104,989	862,311
Amortization	3,535	257,706	-	261,241	5,657	248,431	-	254,088

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

For the three months ended September 30, 2024 and 2023 and the nine months ended September 30, 2024 and 2023, the employees' compensation and directors' remuneration are estimated (reversal) based on the aforementioned pre-tax profits at 6% and 1%, respectively. The estimated (reversal) amounts were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Employees' compensation	$ (3,513)	$ 43,946	$ 26,017	$ 124,809
Remuneration of directors	(586)	7,324	4,336	20,801

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

The employees' compensation and remuneration to the directors of 2023 and 2022, which were approved by the Company's board of directors on March 5, 2024 and March 7, 2023, respectively, were as below:

	For Year 2023		For Year 2022	
	Amount	%	Amount	%
Employees' cash compensation	$ 167,459	6	$ 306,214	6
Remuneration of directors	27,910	1	51,036	1

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2023 and 2022.

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

27. EARNINGS (LOSSES) PER SHARE

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

	For the Three Months Ended September 30					
	2024			2023		
	Amounts (Numerator) After Income Tax (Attributable to Owners of the Company)	Shares (Denominator) (In Thousands)	Losses Per Share (NT$) After Income Tax (Attributable to Owners of the Company)	Amounts (Numerator) After Income Tax (Attributable to Owners of the Company)	Shares (Denominator) (In Thousands)	Earnings Per Share (NT$) After Income Tax (Attributable to Owners of the Company)
Basic earnings (losses) per share						
Net (loss) profit attributed to owners of the Company	$ (105,455)	419,765	$ (0.25)	$ 599,160	419,765	$ 1.43
Effect of potentially dilutive ordinary shares						
Employees' compensation				-	998	
Diluted earnings per share						
Net profit attributed to owners of the Company				$ 599,160	420,763	$ 1.42

	For the Nine Months Ended September 30					
	2024			2023		
	Amounts (Numerator) After Income Tax (Attributable to Owners of the Company)	Shares (Denominator) (In Thousands)	Earnings Per Share (NT$) After Income Tax (Attributable to Owners of the Company)	Amounts (Numerator) After Income Tax (Attributable to Owners of the Company)	Shares (Denominator) (In Thousands)	Earnings Per Share (NT$) After Income Tax (Attributable to Owners of the Company)
Basic earnings per share						
Net profit attributed to owners of the Company	$ 282,263	419,765	$ 0.67	$ 1,713,535	419,765	$ 4.08
Effect of potentially dilutive ordinary shares						
Employees' compensation	-	610		-	1,487	
Diluted earnings per share						
Net profit attributed to owners of the Company	$ 282,263	420,375	$ 0.67	$ 1,713,535	421,252	$ 4.07

If the Company offered to settle the compensation or bonuses paid to employees in cash or shares, the Company assumed that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted EPS, as the effect is dilutive. The number of shares used in the computation of diluted EPS is estimated by the amount of compensation divided by the closing price of the potential common shares at the end of the reporting period. Such dilutive effect of the potential shares is included in the computation of diluted EPS until the number of shares to be distributed to employees is resolved in the following year.

28. SHARE-BASED PAYMENT TRANSACTION ARRANGEMENTS

Winbond Electronics Corporation was approved by the FSC on June 14, 2024 to issue 320,000 thousand shares for its cash capital increase. The board of directors resolved to retain 10% of the issued shares for employees' subscription, including the Company's employees. The number of shares retained for employees' subscriptions was confirmed on August 11, 2024 (the grant date). The fair value of such share options subscribed for by the Company's employees on the grant date was measured using the Black-Scholes Option Pricing Model and amounted to NT$1,943 thousand which was recorded as compensation costs with a corresponding increase in capital surplus. The relevant information used in the pricing model was as follows:

Share Price (NT$)	Exercise Price (NT$)	Expected Price Volatility	Expected Vesting Period	Expected Dividend Yield	Risk-free Interest Rate	Fair Value Per Share (NT$)
$ 22.90	$ 21	29.87%	2 days	-	1.27%	$ 1.9

29. DISPOSAL OF SUBSIDIARIES

The Group sold 100% shares of AMTC to the parent company (Winbond Electronics Corporation) at the consideration of JPY1,673,000 thousand (NT$394,661 thousand) in January 2023. Since this equity transaction is deemed as a structure reorganization, the difference between the consideration received, net of related income tax expenses of NT$37,208 thousand and the carrying amount of the net assets of AMTC during actual disposal was adjusted NT$120,401 thousand to the capital surplus.

a. Consideration received from disposals

	AMTC
Cash and cash equivalents	$ 394,661

b. Analysis of assets and liabilities on the date control was lost

	AMTC
Current assets	
Cash and cash equivalents	$ 197,863
Accounts receivable and other receivables	104,826
Inventories	11,310
Other current assets	3,235
Non-current assets	
Property, plant and equipment	1,976
Intangible assets	540
Deferred tax assets	13,798
Total assets	$ 333,548
Current liabilities	
Accounts payable and other payables	$ 86,298
Other current liabilities	10,198
Total liabilities	$ 96,496
Net assets disposed of	$ 237,052

c. Net cash inflow on disposals of subsidiaries

	AMTC
Consideration received in cash and cash equivalents	$ 394,661
Less: Cash and cash equivalent balances disposed of	(197,863)
	$ 196,798

30. CAPITAL MANAGEMENT

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

31. FINANCIAL INSTRUMENT

a. Categories of financial instruments

	September 30, 2024		December 31, 2023		September 30, 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets						
Financial assets at amortized cost (Note 1)	$ 10,077,005	$ 10,077,005	$ 11,250,645	$ 11,250,645	$ 11,838,837	$ 11,838,837
Financial assets at FVTPL						
Derivative financial assets	8,903	8,903	99,185	99,185	80,675	80,675
Financial assets at FVTOCI						
Investment in equity instruments	1,500,481	1,500,481	1,348,557	1,348,557	1,329,241	1,329,241
Financial liabilities						
Financial liabilities at amortized cost (Note 2)	9,866,501	9,866,501	9,961,981	9,961,981	10,784,304	10,784,304
Financial liabilities at FVTPL						
Derivative financial liabilities	2,705	2,705	786	786	31,530	31,530

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

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

b. Fair value information

1) Fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value is observable and the significance in its entirety, which are described as follows:

a) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

c) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2) Fair value measurements recognized in the consolidated balance sheets

a) The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed shares and emerging market shares).

b) The fair value of the financial instruments at fair value through profit or loss is based on Level 2 inputs, either directly or indirectly. The fair value of foreign-currency derivative financial instrument could be determined by reference to the price and discount rate of currency swap quoted by financial institutions. Foreign exchange forward contracts are measured using individual maturity rate to calculate the fair value of each contract.

c) Domestic unlisted equity instruments at FVTOCI were all measured based on Level 3 fair value. Fair values of such equity instruments were determined using discounted cash flow of income approach and comparable listed company approach, by referring to strike price of similar business in active market, implied value multiple of the price and relevant information. Significant unobservable inputs included P/E ratio, value multiple and market liquidity discount. As the discounted cash flow method was used, the discount rate used for the lack of marketability was 29%; which increase by 1% while all the other variables are held constant, the fair value of investments will decrease by NT$10,030 thousand and NT$9,090 thousand as of September 30, 2024 and 2023, respectively.

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

	September 30, 2024			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 8,903	$ -	$ 8,903
Financial assets at FVTOCI				
Domestic listed shares and emerging market shares	$ 107,124	$ -	$ -	$ 107,124
Domestic and overseas unlisted shares	$ -	$ -	$ 1,393,357	$ 1,393,357
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ 2,705	$ -	$ 2,705

	December 31, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 22,422	$ 76,763	$ 99,185
Financial assets at FVTOCI				
Domestic listed shares and emerging market shares	$ 134,083	$ -	$ -	$ 134,083
Domestic and overseas unlisted shares	$ -	$ -	$ 1,214,474	$ 1,214,474
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ 786	$ -	$ 786

	September 30, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL				
Derivative financial assets	$ -	$ -	$ 80,675	$ 80,675
Financial assets at FVTOCI				
Domestic listed shares and emerging market shares	$ 104,042	$ -	$ -	$ 104,042
Domestic and overseas unlisted shares	$ -	$ -	$ 1,225,199	$ 1,225,199
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ 31,530	$ -	$ 31,530

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

The financial assets measured at Level 3 fair value were financial assets at FVTPL and equity investments classified as financial assets at FVTOCI. Reconciliations for the nine months ended September 30, 2024 and 2023 were as follows:

	For the Nine Months Ended September 30	
	2024	**2023**
Balance at January 1	$ 1,291,237	$ 1,238,619
Additions	30,000	-
Refund of capital reduction	(450)	(2,000)
Recognized in other comprehensive income	70,208	65,355
Recognized in profit or loss	2,362	3,900
Balance at September 30	$ 1,393,357	$ 1,305,874

c. Financial risk management objectives and policies

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

1) Market risk

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

a) Foreign currency risk

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 36 to the consolidated financial statements.

The sensitivity analysis included only outstanding foreign currency denominated monetary items at the end of the reporting period and assuming an increase in net income and equity if New Taiwan dollars appreciate by 1% against foreign currencies. For an 1% depreciating of New Taiwan dollars against the relevant currency, there would be impact on net income in the amounts of NT$13,140 thousand increase and NT$12,302 thousand increase for the nine months ended September 30, 2024 and 2023, respectively. The amounts used in the 1% depreciating of New Taiwan dollars against the relevant currency did not consider the impact of hedge contracts and hedged item.

b) Interest rate risk

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

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

	September 30, 2024	December 31, 2023	September 30, 2023
Cash flow interest rate risk			
Financial assets	$ 8,413	$ 8,413	$ 8,413
Financial liabilities	1,879,723	2,064,280	2,275,580

The sensitivity analysis of cash flows based on the Group’s exposure to interest rates for fair value of variable-rate non-derivative instruments at the end of the reporting period. If interest rates increased by 1%, the Group’s cash outflows for the nine months ended September 30, 2024 and 2023 would have increased by NT$14,035 thousand and increased by NT$17,004 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss to the Group, to mitigate the risk of financial loss from defaults, the Group has established risk procedures and is continuously assessing the credit risk of each counterparty, sufficient collateral will be obtained when necessary. In this regard, the management of the Group consider that the Group’s credit risk was significantly reduced.

3) Liquidity risk

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

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

	September 30, 2024			
	Within 1 Year	1-2 Years	Over 2 Years	Total
Non-derivative financial liabilities				
Non-interest bearing	$ 6,818,691	$ -	$ -	$ 6,818,691
Lease liabilities	173,735	134,998	249,847	558,580
Variable interest rate liabilities	1,308,294	285,714	285,715	1,879,723
	$ 8,300,720	$ 420,712	$ 535,562	$ 9,256,994

Additional information about the maturity analysis of lease liabilities:

	Less than 2 Years	2-5 Years	Over 5 Years	Total
Non-derivative financial liabilities				
Lease liabilities	$ 308,733	$ 147,082	$ 102,765	$ 558,580

	December 31, 2023			
	Within 1 Year	1-2 Years	Over 2 Years	Total
Non-derivative financial liabilities				
Non-interest bearing	$ 6,051,703	$ -	$ -	$ 6,051,703
Lease liabilities	165,301	127,188	269,323	561,812
Variable interest rate liabilities	1,207,137	285,714	571,429	2,064,280
	$ 7,424,141	$ 412,902	$ 840,752	$ 8,677,795

Additional information about the maturity analysis of lease liabilities:

	Less than 2 Years	2-5 Years	Over 5 Years	Total
Non-derivative financial liabilities				
Lease liabilities	$ 292,489	$ 153,869	$ 115,454	$ 561,812

	September 30, 2023			
	Within 1 Year	1-2 Years	Over 2 Years	Total
Non-derivative financial liabilities				
Non-interest bearing	$ 6,380,470	$ -	$ -	$ 6,380,470
Lease liabilities	172,773	129,773	296,551	599,097
Variable interest rate liabilities	1,418,437	285,714	571,429	2,275,580
	$ 7,971,680	$ 415,487	$ 867,980	$ 9,255,147

Additional information about the maturity analysis of lease liabilities:

	Less than 2 Years	2-5 Years	Over 5 Years	Total
Non-derivative financial liabilities				
Lease liabilities	$ 302,546	$ 176,005	$ 120,546	$ 599,097

32. TRANSACTIONS WITH RELATED PARTIES

a. Related party name and categories

Related Party Name	Related Party Categories
Winbond Electronics Corporation ("WEC")	The Company's parent
Winbond Electronics (HK) Limited ("WEHK")	Associate
Winbond Electronics Corporation America ("WECA")	Associate
Winbond Electronics Corporation Japan ("WECJ")	Associate
Callisto Holding Limited	Associate
AMTC	Associate (Note)
Miraxia Edge Technology Corporation ("METC")	Associate
TPSCo.	Associate
Winbond Electronics Germany GmbH ("WEG")	Associate
Nyquest Technology Co., Ltd. ("Nyquest")	Related party in substance
Walton Advanced Engineering Inc.	Related party in substance
Chin Cherng Construction Co., Ltd.	Related party in substance
United Industrial Gases Co., Ltd.	Related party in substance
Walsin (Nanjing) Development Co., Ltd.	Related party in substance
Waltech Advanced Engineering (Suzhou), Inc. ("Waltech")	Related party in substance

Note: The Group has disposed of AMTC to Winbond Electronics Corporation in January 2023, therefore AMTC has been reclassified from subsidiary to associate. Refer to Note 29 to the consolidated financial statements.

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
b. Operating revenue				
Related party in substance	$ 23,923	$ 42,188	$ 81,020	$ 112,239
Associate	1,050	23,386	2,244	84,562
	$ 24,973	$ 65,574	$ 83,264	$ 196,801
c. Purchases of goods				
Associate				
TPSCo.	$ 1,053,647	$ 960,308	$ 2,663,551	$ 2,937,601
Parent company	38,340	18,615	115,739	63,472
	$ 1,091,987	$ 978,923	$ 2,779,290	$ 3,001,073

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
d. Manufacturing expenses				
Associate				
TPSCo.	$ 454,542	$ 457,893	$ 1,278,956	$ 1,414,071
Others	17,450	14,086	50,245	44,274
Related party in substance				
Waltech	456,646	467,893	1,311,644	1,514,794
Parent company	536	265	1,032	1,038
	$ 929,174	$ 940,137	$ 2,641,877	$ 2,974,177
e. Operating expenses				
Associate	$ 86,595	$ 99,339	$ 253,547	$ 297,119
Parent company	51,139	48,987	180,216	143,855
Related party in substance	4,901	10,308	43,713	23,759
	$ 142,635	$ 158,634	$ 477,476	$ 464,733
f. Dividend income				
Related party in substance				
United Industrial Gases Co., Ltd.	$ -	$ -	$ 59,840	$ 59,840
Nyquest	2,673	10,725	2,673	10,725
	$ 2,673	$ 10,725	$ 62,513	$ 70,565
g. Other income (expense)				
Associate	$ -	$ -	$ 7,950	$ (2,569)
Parent company	132	-	364	-
Related party in substance				
Waltech	-	-	(23,708)	-
Others	127	809	127	809
	$ 259	$ 809	$ (15,267)	$ (1,760)

	September 30, 2024		December 31, 2023		September 30, 2023	
h. Accounts receivable from related parties						
Related party in substance	$	1,936	$	20,625	$	27,143
Associate		260		8,898		15,305
	$	2,196	$	29,523	$	42,448
i. Other receivables						
Associate	$	43,212	$	46,231	$	47,467
Related party in substance		898		555		1,331
Parent company		-		1,598		-
	$	44,110	$	48,384	$	48,798

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

	September 30, 2024		December 31, 2023		September 30, 2023	
j. Refundable deposits						
Parent company	$	1,780	$	1,780	$	1,780
Related party in substance		1,722		1,722		1,722
	$	3,502	$	3,502	$	3,502
k. Accounts payable to related parties						
Related party in substance						
Waltech	$	460,449	$	373,818	$	502,328
Associate						
TPSCo.		432,979		385,860		406,434
Parent company		29,728		18,482		12,842
	$	923,156	$	778,160	$	921,604
l. Other payables						
Associate	$	297,845	$	216,715	$	228,006
Related party in substance		212,099		248,339		293,887
Parent company		99,339		94,651		69,168
	$	609,283	$	559,705	$	591,061
m. Other current liabilities - advance receipts						
Nyquest	$	184,921	$	-	$	-

	September 30, 2024	December 31, 2023	September 30, 2023
n. Guarantee deposits			
Parent company	$ 545	$ 545	$ 545
Related party in substance Nyquest	-	244,800	244,800
	$ 545	$ 245,345	$ 245,345

Starting from the second quarter of 2024, the guarantee deposit to Nyquest Company was transferred to other current liabilities - advance receipts according to the signed contract.

The sales and purchase prices and collection and payment terms with related parties were not significantly different from those with third parties. For other related party transactions, price and terms were determined in accordance with mutual agreement.

o. Acquisition of property, plant and equipment

	Purchase Price			
	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Associate	$ 11,254	$ 18,893	$ 42,795	$ 38,972

p. Disposal of property, plant and equipment

	Proceeds		Gain (Loss) on Disposal	
	For the Three Months Ended September 30		For the Nine Months Ended September 30	
Related Party Category	2024	2023	2024	2023
Associate	$ -	$ -	$ -	$ -

	Proceeds		Gain (Loss) on Disposal	
	For the Nine Months Ended September 30		For the Nine Months Ended September 30	
Related Party Category	2024	2023	2024	2023
Associate	$ 687	$ -	$ 687	$ -

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

q. Lease arrangements - Group is lessee

	September 30, 2024	December 31, 2023	September 30, 2023
1) Lease liabilities			
Related party in substance	$ 21,285	$ -	$ -
Associate	18,892	24,290	27,599
Parent company	3,059	12,188	15,215
	$ 43,236	$ 36,478	$ 42,814

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
2) Finance costs				
Related party in substance	$ 164	$ -	$ 558	$ -
Associate	81	113	267	355
Parent company	9	41	50	148
	$ 254	$ 154	$ 875	$ 503
3) Acquisition of right-of-use assets				
Related party in substance	$ -	$ -	$ 30,315	$ -

r. Lease arrangements - Group is lessor/Sublease arrangements

Sublease arrangements under operating leases

For the nine months ended September 30, 2024 and 2023, the Group subleases its right-of-use assets to its associate companies WEC, WEHK and TPSCo. under operating leases with lease terms between 1 and 12 years. The rental is based on similar asset's market rental rates and fixed lease payments are received monthly.

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

	September 30, 2024	December 31, 2023	September 30, 2023
Associate			
TPSCo.	$ 13,144	$ 12,842	$ 12,783
Others	376	230	241
Parent company	441	401	459
	$ 13,961	$ 13,473	$ 13,483

2) Future lease payment receivables are as follows:

	September 30, 2024	December 31, 2023	September 30, 2023
Associate			
TPSCo.	$ 1,075,376	$ 1,155,776	$ 1,185,317
Others	14,578	458	841
Parent company	993	4,254	975
	$ 1,090,947	$ 1,160,488	$ 1,187,133

3) Lease income was as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Associate				
TPSCo.	$ 34,956	$ 35,378	$ 102,615	$ 140,652
Others	998	354	2,664	1,037
Parent company	1,051	1,040	3,094	3,075
	$ 37,005	$ 36,772	$ 108,373	$ 144,764

Lease arrangements under finance leases

The Group leased out equipment and intangible assets to its associate company - TPSCo. under finance leases with lease term of 3 years from the second quarter of 2022. The net investment in leases was NT$277,390 thousand at the inception of the lease and the contract has average implicit interest rate of approximately 1.85% per annum. The rental is based on similar asset's market rental rates and the fixed lease payments JPY107,719 thousand are received quarterly.

As of September 30, 2024, December 31, 2023 and September 30, 2023, the balance of finance lease receivables were NT$47,561 thousand, NT$115,377 thousand and NT$137,498 thousand. For the nine months ended September 30, 2024 and 2023, there was no impairment loss. The amount of interest income under finance leases for the three months ended September 30, 2024 and 2023, and the nine months ended September 30, 2024 and 2023, were NT$330 thousand, NT$743 thousand, NT$1,254 thousand and NT$2,597 thousand.

s. Acquisition of financial assets

For the nine months ended September 30, 2024: None.

For the nine months ended September 30, 2023

Related Party Category	Project	Number of Shares	Target	Amount Obtained
Associate				
TPSCo.	Investments accounted for using equity method	3,920	TPSCo. ordinary share	$ 59,586

t. Endorsements and guarantees

Endorsements and guarantees provided by the Group

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

Endorsements and guarantees given by related parties

Related Party Category	September 30, 2024	December 31, 2023	September 30, 2023
Parent company			
Amount endorsed	$ 6,669,000	$ 6,516,000	$ 6,486,000
Amount utilized (reported as secured bank loans)	$ 1,022,580	$ 847,080	$ 1,275,580

u. Compensation of key management personnel

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Short-term employee benefits	$ 40,741	$ 62,253	$ 129,630	$ 237,179
Post-employment benefits	1,002	907	2,904	2,695
Share-based payment	190	-	190	-
	$ 41,933	$ 63,160	$ 132,724	$ 239,874

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

v. Other transactions with related parties

The Group has sold all of its shares of AMTC to WEC in January 2023, refer to Note 29 to the consolidated financial statements.

33. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	September 30, 2024	December 31, 2023	September 30, 2023
Land	$ 1,056,328	$ 1,021,639	$ 1,027,342
Buildings	501,513	519,543	534,208
Investment properties	314,344	324,873	333,676
Time deposits (accounted as refundable deposits)	109,502	109,268	109,250
	$ 1,981,687	$ 1,975,323	$ 2,004,476

34. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The board of directors of the Company agreed to sell all preferred shares of Autotalks Ltd. of 4,500,553 (including shares which converted from SAFE warrants), the transaction price is estimated to be US$23,925 thousand, which will vary by the adjustment mechanism contained in the contract on the date of trade. Settlement of this transaction will be effective within 5 working days or on a date to be mutually agreed upon by the parties, subject to the success of the conditions precedent set forth in the contract. As the conditions precedent set forth were not achieved, the transaction was terminated on March 31, 2024.

35. OTHER ITEMS

On February 15, 2023, the president of the ROC announced the amendments to the “Climate Change Response Act”, which added the provision of carbon fee collection. Subsequently, the Ministry of Environment announced the “Regulations Governing the Collection of Carbon Fees”, “Regulations for Administration of Voluntary Reduction Plans” and “Designated Greenhouse Gas Reduction Goal for Entities Subject to Carbon Fees” on August 29, 2024 and the carbon fee rate on October 21, 2024. The fees will be levied starting from January 1, 2025.

Based on the emissions of the Group in 2023, the Group expects that it will be the entity subject to carbon fees. The Group will recognize the provision of the carbon fees based on its actual emissions in 2025 and will pay them in May 2026.

36. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	September 30, 2024		
	Foreign Currencies (Thousand)	**Exchange Rate (Note)**	**New Taiwan Dollars (Thousand)**
Financial assets			
Monetary items			
USD	$ 154,092	31.65	$ 4,877,002
ILS	12,972	8.5464	110,862
CNY	6,136	4.5230	27,753
JPY	433,534	0.2223	96,375
EUR	1,066	35.38	37,729
Financial liabilities			
Monetary items			
USD	116,418	31.65	3,684,645
ILS	12,309	8.5464	105,195
CNY	5,282	4.5230	23,890
JPY	101,047	0.2223	22,463

	December 31, 2023		
	Foreign Currencies (Thousand)	Exchange Rate (Note)	New Taiwan Dollars (Thousand)
Financial assets			
Monetary items			
USD	$ 178,715	30.7050	$ 5,487,438
ILS	10,874	8.4694	92,097
CNY	5,906	4.3270	25,555
JPY	217,862	0.2172	47,320
EUR	604	33.98	20,536
Financial liabilities			
Monetary items			
USD	131,320	30.7050	4,032,168
ILS	13,070	8.4694	110,694
CNY	4,495	4.3270	19,452
JPY	3,283	0.2172	713

	September 30, 2023		
	Foreign Currencies (Thousand)	Exchange Rate (Note)	New Taiwan Dollars (Thousand)
Financial assets			
Monetary items			
USD	$ 202,872	32.27	$ 6,546,695
ILS	1,210	8.3908	10,153
CNY	9,113	4.4150	40,232
JPY	68,222	0.2162	14,749
EUR	828	33.91	28,064
Financial liabilities			
Monetary items			
USD	163,687	32.27	5,282,195
ILS	10,184	8.3908	85,448
CNY	4,843	4.4150	21,382
JPY	20,111	0.2162	4,348

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

For the three months ended September 30, 2024 and 2023 and the nine months ended September 30, 2024 and 2023, realized and unrealized net foreign exchange gains (losses) were NT$(165,167) thousand, NT$87,552 thousand, NT$(28,714) thousand and NT$188,704 thousand, respectively. It is impractical to disclose net foreign exchange gains and losses by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the entities in the Group.

37. SEGMENT INFORMATION

a. Basic information about operating segment

1) Classification of operating segments

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

a) General IC product segment

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

b) Foundry service segment

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

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

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

b. Segment revenues and operating results

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

	Segment Revenue For the Nine Months Ended September 30		**Segment Profit and Loss For the Nine Months Ended September 30**	
	2024	**2023**	**2024**	**2023**
General IC products	$ 22,572,642	$ 24,566,443	$ 2,202,081	$ 3,352,277
Foundry service	1,551,578	1,917,940	408,074	741,577
Total of segment revenue	24,124,220	26,484,383	2,610,155	4,093,854
Other revenue	528,766	394,032	316,983	238,209
Operating revenue	$ 24,652,986	$ 26,878,415	2,927,138	4,332,063
Unallocated expenditure				
Administrative and supporting expense			(1,749,771)	(1,934,249)
Sales and other common expenses			(944,407)	(947,140)
Income from operations			232,960	1,450,674
Finance costs			(32,148)	(35,152)

(Continued)

	Segment Revenue		Segment Profit and Loss	
	For the Nine Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Share of profit (loss) of associates			$ 57,565	$ 269,882
Interest income			135,631	145,056
Dividend income			64,294	71,728
Other gains and losses			14,751	10,116
Gains on disposal of property, plant and equipment			13,839	83,422
Foreign exchange gains (losses)			(28,714)	188,704
Losses on financial instruments at fair value through profit or loss			(39,209)	(163,945)
Profit before income tax			$ 418,969	$ 2,020,485

(Concluded)

38. ADDITIONAL DISCLOSURE

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

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

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

b. Information on investment in mainland China

1)	The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits (losses) of investee, ending balance, amount received as dividends from the investee, and the limitation on investee.	Table 6
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 6

c. Information of major shareholders: Refer to Table 8 attached.

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Period (Note 2)	Outstanding Endorsement/ Guarantee at the End of the Period (Note 2)	Actual Borrowing Amount (In Thousands of Foreign Currencies)	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	The Company	NTCJ	Subsidiary	$ 16,101,515	$ 2,913,660	$ 2,091,150	$ 634,429	$ -	12.99	$ 16,101,515	Y	N	N

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

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

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

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
SEPTEMBER 30, 2024
(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	September 30, 2024				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	Shares							
	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	330,000	$ 5,382	5	$ 5,382	
	Brightek Optoelectronic Co., Ltd.	None	〃	34,680	1,524	-	1,524	
	United Industrial Gases Co., Ltd.	The held company as the investee's director	〃	8,800,000	589,600	4	589,600	
	Autotalks Ltd. - Preferred E. & E-1 Share	None	〃	4,189,825	712,125	9	712,125	
	Allxon Inc.	None	〃	5,625,000	56,250	15	56,250	
	AionChip Technologies Co., Ltd.	None	〃	1,650,000	30,000	8	30,000	
SYI	Shares							
	Nyquest Technology Co., Ltd.	The held company as the investee's director	〃	1,650,000	105,600	5	105,600	
NTCJ	Shares							
	Symetrix Corporation	None	〃	50,268	-	1	-	

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024
(TRANSACTIONS BETWEEN NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES ARE ALL ELIMINATED WHEN PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS. THE FOLLOWING DISCLOSURE INFORMATION IS ONLY FOR REFERENCE.)
(In Thousands of New Taiwan Dollars and Foreign Currencies)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Company	NTHK	Subsidiary	Sales	$ 6,111,128	42	Net 50 days from invoice date	N/A	N/A	$ 1,542,312	53	
	NTCA	Subsidiary	Sales	143,743	1	Net 50 days from invoice date	N/A	N/A	16,919	1	
	NTSG	Subsidiary	Sales	530,089	4	Net 8 days end of the month	N/A	N/A	72,730	3	
	NTCJ	Subsidiary	Sales	593,724	4	Net 8 days end of the month	N/A	N/A	170,273	6	
	NTSZ	Subsidiary	Sales	115,386	1	Net 50 days from invoice date	N/A	N/A	23,806	1	
	NTSG	Subsidiary	Purchases	397,106	6	Net 8 days end of the month	N/A	N/A	(46,163)	2	
	NTCJ	Subsidiary	Purchases	3,960,470	55	Net 8 days end of the month	N/A	N/A	(361,276)	18	
	WEC	Parent company	Purchases	115,739	2	Net 30 days from invoice date	N/A	N/A	(25,961)	1	
NTSG	NTCJ	Fellow subsidiary	Sales	US$ 60,804	51	Net 10 days end of the month	N/A	N/A	US$ 6,499	45	
	NTHK	Fellow subsidiary	Sales	US$ 10,287	9	Net 10 days end of the month	N/A	N/A	US$ 1,717	12	
NTCJ	NTSG	Fellow subsidiary	Sales	JPY 9,029,756	15	Net 10 days end of the month	N/A	N/A	JPY 1,003,210	9	
	NTHK	Fellow subsidiary	Sales	JPY 11,889,435	19	Net 10 days end of the month	N/A	N/A	JPY 1,693,730	16	
	TPSCo.	Associate	Purchases	JPY 12,538,527	48	Net 10 days end of the month	N/A	N/A	JPY (1,947,723)	36	

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
SEPTEMBER 30, 2024
(In Thousands of New Taiwan Dollars and Foreign Currencies)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
The Company	NTHK	Subsidiary	$ 1,542,312 (Note 2)	5.91	$ -	-	$ 712,254	$ -
	NTCJ	Subsidiary	170,273 (Note 2)	4.19	-	-	161,886	-
NTSG	NTCJ	Fellow subsidiary	US$ 6,499 (Note 2)	9.83	-	-	US$ 6,499	-
NTCJ	NTSG	Fellow subsidiary	JPY 1,003,210 (Note 2)	10.64	-	-	JPY 1,003,210	-
	NTHK	Fellow subsidiary	JPY 1,693,730 (Note 2)	11.36	-	-	JPY 1,693,730	-
	The Company	Parent company	JPY 1,635,262 (Note 2)	11.37	-	-	JPY 1,635,262	-
NTIL	The Company	Parent company	ILS 12,309 (Note 2)	(Note 1)	-	-	ILS 12,309	-

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

Note 2: All receivables balances are eliminated.

TABLE 5

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024
(TRANSACTIONS BETWEEN NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES ARE ALL ELIMINATED WHEN PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS.
THE FOLLOWING DISCLOSURE INFORMATION IS ONLY FOR REFERENCE.)
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of September 30, 2024			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				September 30, 2024	December 31, 2023	Number of Shares	%	Carrying Amount			
The Company	NTHK	Hong Kong	Sales of semiconductor	$ 427,092	$ 427,092	107,400,000	100	$ 794,031	$ 67,689	$ 67,689	
	MML	British Virgin Islands	Investment holding	274,987	274,987	8,897,789	100	86,133	(4,494)	(4,494)	
	NIH	British Virgin Islands	Investment holding	515,251	515,251	15,633,161	100	416,793	43,974	43,974	
	SYI	Taiwan	Investment holding	38,500	38,500	3,850,000	100	127,226	2,727	2,727	
	NTIPL	India	Design, sales and service of semiconductor	30,211	30,211	600,000	100	22,308	251	251	
	NTCA	United States of America	Design, sales and service of semiconductor	190,862	190,862	60,500	100	236,686	10,738	10,738	
	NTSG	Singapore	Design, sales and service of semiconductor	1,319,054	1,319,054	45,100,000	100	2,254,999	172,200	172,200	
	NTKL	Korea	Design, sales and service of semiconductor	67,611	30,828	280,000	100	52,627	1,058	1,058	
	NTHJ	Japan	Investment holding	5,927,849	5,927,849	100	100	8,489,803	(434,772)	(434,772)	
	NTG	Germany	Customer service and technical support of semiconductor	67,980	67,980	2,000,000	100	68,777	(1,869)	(1,869)	
MML	GLLC	United States of America	Investment holding	1,473,559	1,473,559	-	100	86,687	(4,066)	(4,066)	
NIH	NTIL	Israel	Design and service of semiconductor	46,905	46,905	1,000	100	415,966	44,116	44,116	
NTHJ	NTCJ	Japan	Design, sales and service of semiconductor	111,520	111,520	9,480	100	11,073,265	(434,946)	(434,946)	
NTCJ	TPSCo.	Japan	Foundry and sales of semiconductor	1,708,037	1,708,037	49,539	49	1,940,589	187,276	57,565	(Note 1)

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

Note 2: Refer to Table 6 for information on investment in mainland China.

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024
(In Thousands of New Taiwan Dollars and U.S. Dollars)

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

Investee Company in Mainland China	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2024	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of September 30, 2024	% Ownership of Direct or Indirect Investment	Net Income of the Investee	Investment Gain (Note 1)	Carrying Amount as of September 30, 2024	Accumulated Repatriation of Investment Income as of September 30, 2024
					Outward	Inward						
NTSH	Provide project of sale in China and repairing, testing and consulting of software and leasing business	$ 68,036 (US$ 2,000)	Through investing in NTHK in the third area, which then invested in the investee in mainland China indirectly (Note 2)	$ 68,036 (US$ 2,000)	$ -	$ -	$ 68,036 (US$ 2,000)	100	$ 2,083	$ 2,083	$ 99,003	$ -
NTSZ	Computer software service (except I.C. design), wholesale business for computer, supplement and software	197,670 (US$ 6,000)	Through investing in NTHK in the third area, which then invested in the investee in mainland China indirectly	197,670 (US$ 6,000)	-	-	197,670 (US$ 6,000)	100	6,488	6,488	247,699	-
Song Zhi (Suzhou)	Provide development of semiconductor and technology, consult service and equipment leasing business	8,688 (CNY 2,000)	Through investing in NTSH in the third area, which then invested in the investee in mainland China indirectly	- (Note 3)	-	-	-	100	(61)	(61)	- (Note 3)	-
NTNJ	Provide development of semiconductor and technology, consult service and sales.	28,800 (US$ 900)	Through investing in NTHK in the third area, which then invested in the investee in mainland China indirectly	- (Note 4)	-	-	-	100	(5,171)	(5,171)	23,657	-

Note 1: Investment profit or loss for the nine months ended September 30, 2024 was recognized under the basis of the financial statements reviewed by the Company's auditor.

Note 2: GLLC sold all the shares of NTSH to NTHK in May 2024, NTHK directly injected in NTSH.

Note 3: NTSH directly injected the capital in Song Zhi (Suzhou). Additionally, Song Zhi (Suzhou) fully refund the entire capital to NTSH in September 2024.

Note 4: NTHK directly injected the capital in NTNJ.

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

Company	Accumulated Outward Remittance for Investment in Mainland China as of September 30, 2024 (Note 5)	Investment Amounts Authorized by Investment Commission, MOEA (Note 5)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 6)
The Company	NT$282,135 (US$8,500)	NT$282,135 (US$8,500)	NT$9,660,909

Note 5: The investment amounts of Winbond Electronics (Nanjing) Ltd. which has completed the cancellation and liquidation process in May 2023 was NT$16,429 thousand (US$500 thousand).

Note 6: Upper limit on the amount of 60% of the Company's net book value.

3. Refer to Table 7 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.

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024
(In Thousands of New Taiwan Dollars and Foreign Currencies)

No.	Company Name	Related Party	Nature of Relationship	Transaction Details			Percentage of Consolidated Total Gross Sales or Total Assets (%)
				Financial Statement Account	Amount	Terms (Note)	
	2024.1.1-2024.9.30						
0	The Company	NTHK	Transactions between parent company and subsidiaries	Operating revenue	$ 6,111,128	-	25
		NTHK	Transactions between parent company and subsidiaries	Accounts receivable from related parties	1,542,312	-	5
		NTCA	Transactions between parent company and subsidiaries	Operating revenue	143,743	-	1
		NTSG	Transactions between parent company and subsidiaries	Operating revenue	530,089	-	2
		NTCJ	Transactions between parent company and subsidiaries	Operating revenue	593,724	-	2
		NTCJ	Transactions between parent company and subsidiaries	Accounts receivable from related parties	170,273	-	1
		NTSZ	Transactions between parent company and subsidiaries	Operating revenue	115,386	-	-
		NTSG	Transactions between parent company and subsidiaries	Operating cost	397,106	-	2
		NTCJ	Transactions between parent company and subsidiaries	Operating cost	3,960,470	-	16
		NTCJ	Transactions between parent company and subsidiaries	Accounts payable to related parties	361,276	-	1
		NTIL	Transactions between parent company and subsidiaries	Operating expense	1,004,622	-	4
		NTIL	Transactions between parent company and subsidiaries	Other payable to related parties	105,195		-
		NTCA	Transactions between parent company and subsidiaries	Operating expense	344,517	-	1
1	NTCJ	NTSG	Transactions between subsidiaries	Operating revenue	1,917,613	-	8
		NTSG	Transactions between subsidiaries	Accounts receivable from related parties	223,014	-	1
		NTHK	Transactions between subsidiaries	Operating revenue	2,518,674	-	10
		NTHK	Transactions between subsidiaries	Accounts receivable from related parties	376,516	-	1
2	NTSG	NTCJ	Transactions between subsidiaries	Operating revenue	1,945,798	-	8
		NTCJ	Transactions between subsidiaries	Accounts receivable from related parties	205,681	-	1
		NTHK	Transactions between subsidiaries	Operating revenue	329,173	-	1

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

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

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

INFORMATION OF MAJOR SHAREHOLDERS
SEPTEMBER 30, 2024

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Winbond Electronics Corporation	218,554,635	52.06

Note 1: Table 8 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, refer to the Market Observation Post System website of the Taiwan Stock Exchange Corporation.

APPENDIX A – THE SECURITIES MARKET OF THE ROC

The information presented in this section has been extracted from publicly available documents which have not been prepared or independently verified by the Company, the Initial Purchaser, the Trustee, the Agents, or any of its or their respective directors, officers, employees, representatives, agents, affiliates or advisors in connection with the offering, or any person who controls any of them. References to the FSC in this section include both the ROC Securities and Futures Commission and the ROC Securities and Exchange Commission, the predecessors of the Securities and Futures Bureau of the FSC.

In September 1960, the MOEA established the ROC Securities and Exchange Commission to supervise and control all aspects of the existing domestic securities market and the TWSE began to take shape soon thereafter. In the 1970s and the early 1980s, the ROC Government implemented a number of steps designed to upgrade the quality and importance of the ROC securities markets, such as encouraging listing on the TWSE and establishing an over-the-counter securities exchange. In the mid-1980s, the ROC Government began to revise its laws and regulations in a manner designed to facilitate the gradual internationalization of the ROC securities markets. In 1997, the ROC Securities and Exchange Commission was renamed the ROC Securities and Futures Commission. Effective July 1, 2004, the ROC Government established the FSC, the single financial regulator which supervises banking, securities and insurance affairs in the ROC. The ROC Securities and Futures Commission has since then become a bureau under the supervision of the FSC and been renamed the Securities and Futures Bureau, which is under the FSC.

The TWSE

In 1961, under the instruction of the ROC Government, the TWSE was established to provide a marketplace for securities trading. The TWSE is a corporation owned by government-controlled and private banks, securities companies and enterprises. The TWSE is independent of the entities transacting business through it, each of which pays to the TWSE a user's fee. Subject to limited exceptions, all transactions in listed securities by brokers, traders and integrated securities firms must be made through the TWSE.

The TWSE commenced operations in 1962. During the early 1980s, the FSC actively encouraged new listings on the TWSE and the number of listed companies has grown from 119 in 1983 to 1,022 as of September 30, 2024. As of September 30, 2024, the market capitalization of companies listed on the TWSE was approximately NT$71.0 trillion.

Historically, ROC companies have listed only shares and bonds on the TWSE. However, the FSC has encouraged companies to list other types of securities. In 1988, the Ministry of Finance permitted the issuance of ROC's first exchangeable bonds. Since 1989, there have been offerings of domestic convertible bonds and convertible preferred shares. In addition, beneficiary units evidencing beneficiary interests in closed-end investment funds, exchange traded funds and bonds issued by supra-national financial institutions are also listed on the TWSE or traded on the TPEx (which is discussed below). The FSC also has promulgated regulations which permit foreign issuers to list certain securities on the TWSE.

The TWSE considers the following factors when evaluating a company for listing:

- the number of shareholders and the distribution of shareholdings among such shareholders;
- the length of time in business;
- the amount of paid-in capital; and
- profitability.

However, special listing criteria apply to certain industries, such as technology companies and key businesses engaging in national economic development.

The following table sets forth, for the periods indicated, information relating to the TWSE.

Period Ended December 31,	Number of Listed Companies at the Period End	Stock Trading Values (NT$ in billions)	Index High	Index Low	Index at Period End
2001	584	18,354.94	6,104.24	3,446.26	5,551.24
2002	638	21,873.95	6,462.30	3,850.04	4,452.45
2003	669	20,333.24	6,142.32	4,139.50	5,890.69
2004	697	23,875.37	7,034.10	5,316.87	6,139.69
2005	691	18,818.90	6,575.53	5,632.97	6,548.34
2006	688	23,900.36	7,823.72	6,257.80	7,823.70
2007	698	33,043.85	9,809.88	7,344.56	8,506.28
2008	718	26,115.41	9,295.20	4,089.93	4,591.22
2009	741	29,680.47	8,188.11	4,242.61	8,188.11
2010	758	28,218.68	8,972.50	7,071.67	8,972.50
2011	790	26,197.41	9,145.35	6,633.33	7,072.08
2012	809	20,238.17	8,144.04	6,894.66	7,699.50
2013	838	18,940.93	8,623.43	7,616.64	8,611.51
2014	854	21,898.54	9,569.17	8,264.48	9,307.26
2015	874	20,191.49	9,973.12	7,410.34	8,338.06
2016	892	16,771.14	9,392.68	7,664.01	9,253.50
2017	907	23,972.24	10,854.57	9,272.88	10,642.86
2018	928	29,608.87	11,253.11	9,478.99	9,727.41
2019	942	26,464.63	12,122.45	9,382.51	11,997.14
2020	948	45,654.29	14,732.53	8,681.34	14,732.53
2021	959	92,289.97	18,248.28	14,902.03	18,218.84
2022	971	56,080.59	18,526.35	12,666.12	14,137.69
2023	997	63,170.25	17,930.81	14,199.13	17,930.81
2024 (through September 30, 2024)...	1,022	71,183.79	17,161.79	24,390.03	22,224.54

Source: TWSE

The TPEx

To complement the TWSE, the GreTai Securities Market was established in November 1994 on the initiative of the Ministry of Finance to encourage the trading of securities of companies who do not qualify for listing on the TWSE, and later renamed as TPEx. As of September 30, 2024, 830 companies had listed equity securities on the TPEx and the total market capitalization of those companies was approximately NT$6.8 trillion.

The TPEx has established specific requirements for trading securities on the TPEx based on the history of a company, the number and distribution of a company's shareholders, amount of capital, profitability and capital structure.

Price Limits, Commissions, Transaction Tax and Other Matters

The TWSE has placed limits on block trading and on the range of daily price movements. According to the TWSE's block trading guidelines, an order for sale or purchase of 500 or more trading lots of one class of securities, or securities of five or more different classes and trading amounts exceeding NT$15 million, must be registered and executed in accordance with the guidelines. Fluctuations in the price of stock traded on the TWSE are currently subject to a restriction of 10% above and below the previous day closing price (or reference price set by the TWSE if the previous day closing price is not available because of lack of trading activity). However, these restrictions have been modified from time to time by the FSC based on market conditions. Brokerage commission can be set at any rate of the transaction price provided that any rate exceeding 0.1425% shall be reported to the TWSE and notify the client in advance. A securities transaction tax, currently levied at 0.3% of the transaction price, is payable by the seller of equity securities. Such securities transaction taxes are withheld at the time of the transaction giving rise to such tax. Sales of shares of companies listed on the TWSE are currently sold in round lots of 1,000 shares. Investors who desire to sell less than 1,000 shares of a listed company occasionally experience delays in effecting such sales.

Starting from January 15, 2016, upon the occurrence of any matter which may have a material impact on the shareholders' equity or the price of securities of a TWSE-listed company (e.g., merger), such company should apply to the TWSE, or the TWSE should request, for suspension of trading of its shares for one to three trading days (or a longer period if necessary).

Regulation and Supervision

The FSC has extensive regulatory authority over public companies. Public companies are generally required to obtain the deemed approval from the FSC for all securities offerings. The FSC has promulgated regulations requiring, unless otherwise exempted, periodic reporting of financial and operating information by all public companies. In addition, the FSC establishes standards for financial reporting and carries out licensing and supervision of participants in the ROC securities market.

The FSC has responsibility for implementing ROC Securities and Exchange Act and for overall administration of governmental policies in the ROC securities market. It has extensive regulatory authority over the offering, issuance and trading of securities. In addition, ROC Securities and Exchange Act specifically empowers the FSC to promulgate necessary rules. ROC Securities and Exchange Act prohibits market manipulation. For example, it permits an issuer to recover short-swing trading profits made through purchases and sales within six months by directors, managerial personnel, supervisors, as well as the spouses, minor children and nominees of these parties, and shareholders (together with their spouses, minor children and nominees) who hold more than 10% of the shares of the issuer. ROC Securities and Exchange Act prohibits trading by "insiders" based on non-public information that materially affects share price movement prior to publication of such information and within 18 hours after publication of such information. "Insiders" include:

- directors, supervisors, managers, as well as the spouses, minor children and nominees of these parties, and shareholders (together with their spouses, minor children and nominees) who hold more than 10% of the issuing company's shares and any individual designated by a governmental or corporate director or supervisor to act on its behalf;

- any person who has learned material non-public information due to an occupational or controlling relationship with the issuing company;

- any person who has discharged from the status or position in the first and second bullet points for not more than six months; and

- any person who has learned material non-public information from any of the above.

Sanctions include imprisonment. In addition, damages may be awarded to persons injured by the transaction. ROC Securities and Exchange Act also imposes criminal liability on certified public accountants and lawyers who make false certifications in their examination and audit of an issuer's contracts, reports and other documents related to securities transactions. The FSC regulations require that financial reports of listed companies be audited by accounting firms consisting of at least three certified public accountants and be signed by at least two certified public accountants.

In addition, ROC Securities and Exchange Act provides for civil liability for material misstatements or omissions made by issuers and regulation of tender offers. Although the FSC does not have criminal or civil enforcement powers under the ROC Securities and Exchange Act, the FSC has the quasi-judicial power under the Organization Act Governing the Financial Supervisory Commission to investigate a person who violates the Banking Act, the Securities and Exchange Act, the Insurance Act, and other relevant laws. Criminal actions may be pursued only by government prosecutors. Civil actions may only be brought by plaintiffs who assert that they have suffered damages. The FSC is empowered to curb abuses and violations of laws and regulations only through administrative measures including:

- issuance of warnings;
- temporary suspension of operation;
- imposition of administrative fines; and
- revocation of licenses.

In addition to providing a market for securities trading, the TWSE reviews applications by ROC and foreign issuers to list securities on the TWSE. If issuers of listed securities violate laws and regulations or encounter significant difficulties, the TWSE may, with the approval of the FSC, delist the securities of these issuers.

APPENDIX B – FOREIGN INVESTMENT AND EXCHANGE CONTROLS IN THE ROC

The information presented in this section has been extracted from publicly available documents which have not been prepared or independently verified by the Company, the Initial Purchaser, the Trustee, the Agents, or any of its or their respective directors, officers, employees, representatives, agents, affiliates or advisors in connection with this offering, or any person who controls any of them.

Foreign Investment

Historically, foreign investment in the ROC securities markets has been restricted. Since 1983, the ROC Government has periodically enacted legislation and adopted regulations to permit foreign investment in the ROC securities market.

Regulations Governing Investment in Securities By Overseas Chinese and Foreign Nationals (the "**Foreign Regulations**"), which was approved by the ROC Executive Yuan on May 26, 1983 and has been amended from time to time, and the Regulations Governing Mainland Chinese Investors' Securities Investments and Futures Trading in Taiwan (the "**PRC Regulations**"), which was announced by the FSC on April 30, 2009, are two of the major regulations governing foreign investment in companies listed on TWSE or TPEx in the ROC.

Under the Foreign Regulations, foreign investors (other than PRC persons) are classified as either "onshore foreign investors" or "offshore foreign investors" according to their respective geographical location. Unless otherwise specified in the laws and regulations, both onshore and offshore foreign investors are allowed to trade securities listed on TWSE after they register with the TWSE; provided, the TWSE may terminate the registration if the application documents submitted by foreign investors are untrue or incomplete or if any material violation of laws or relevant regulations exists. The Foreign Regulations further classify foreign investors into foreign institutional investors and foreign individual investors. "Foreign institutional investors" refer to those investors incorporated and registered in accordance with foreign laws outside of the ROC (i.e., offshore foreign institutional investors) or their branches set up and recognized within the ROC (i.e., onshore foreign institutional investors). Offshore overseas Chinese and foreign individual investors may be subject to a maximum investment ceiling that will be separately determined by the FSC after consultation with the CBC. Currently, there is no maximum investment ceiling for offshore overseas Chinese and foreign individual investors. On the other hand, foreign institutional investors are not subject to any ceiling for investment in the ROC securities market.

In the past, PRC persons were prohibited from investing, whether directly or indirectly, in the ROC. The PRC Regulations loosened these restrictions. Under the PRC Regulations, QDIIs are allowed to invest in ROC securities (including less than 10% (or less in certain industries) shareholding of an ROC company listed on the TWSE or the TPEx). Nevertheless, the total investment amount of QDIIs cannot exceed US$500 million. For each QDII, the custodian of such QDII must apply with the TWSE for the remittance amount for each QDII, which cannot exceed US$100 million, and a QDII can only invest in the ROC securities market with the amount approved by the TWSE. In addition, QDIIs are currently prohibited from investing in certain industries, and their investment of certain other industries in a given company is restricted to a certain percentage pursuant to a list promulgated by the FSC and amended from time to time.

Depositary Receipts

In April 1992, the FSC enacted regulations permitting ROC companies with securities listed on the TWSE, with the prior approval of the FSC, to sponsor the issue and sale to foreign investors of depositary receipts. Depositary receipts represent deposited shares of ROC companies. In December 1994, the Ministry of Finance further allowed companies whose shares are traded on the TPEx or listed on the TWSE, upon approval of the FSC, to sponsor the issue and sale of depositary receipts.

A holder of depositary receipts may, after the issuance of the depositary receipts representing new shares and upon the listing of the underlying shares and (in practice, typically four to seven business days thereafter), request the depositary to either cause the underlying shares to be sold in the ROC and to distribute the sale proceeds to the holder or to withdraw from the depositary receipt facility the shares represented by the depositary receipts and deliver the shares to the holder. For depositary shares that represent previously issued and existing shares, a holder of the depositary receipts could, immediately after the issuance of the depositary receipts, request the depositary to conduct the foregoing. Currently, a holder of depositary shares who is a PRC person may not withdraw and hold shares unless (i) it is a QDII who will hold less than 10% (or less in certain industries) of the issuer's issued shares, or (ii) if all the businesses of the issuer are in the positive list promulgated by the ROC Executive Yuan, the holder withdraws shares which (together with its existing shareholding in the issuer) accounts for 10% or more (or other threshold required by the regulators) of the issuer’s issued shares and it otherwise obtains the approval of the DIR. However, QDIIs are currently prohibited from investing in certain industries, and their investment of certain other industries in a given company is restricted to a certain percentage pursuant to a list promulgated by the ROC Executive Yuan and amended from time to time. In addition, there are restrictions on the amount remitted to the ROC for investments by each individual QDII and for QDIIs in the aggregate in certain industries. Accordingly, the qualification criteria for a PRC person to make investment, the restrictions on investment in certain industries and the investment threshold imposed by the FSC might accordingly cause a holder of depositary shares who is a PRC person to be unable to withdraw and hold the underlying shares.

Under existing laws and regulations relating to foreign exchange control, a depositary or a holder of depositary receipts may, without obtaining further approvals from the CBC or any other governmental authority or agency of the ROC, convert NT dollars into other currencies, including US dollars, in respect of the following: (1) proceeds of the sale of shares represented by depositary receipts, (2) proceeds of the sale of shares received as stock dividends and deposited into the depositary receipt facility and (3) any cash dividends or cash distributions received. In addition, a depositary, also without any of these approvals, may convert inward remittances of payments into NT dollars for purchases of shares for deposit into the depositary receipt facility against the creation of additional depositary receipts. A depositary may be required to obtain foreign exchange approval from the CBC on a payment-by-payment basis for conversion from NT dollars into foreign currencies relating to the sale of subscription rights for new shares if the proceeds are in excess of US$100,000 per remittance. Proceeds from the sale of the underlying shares withdrawn from the depositary receipt facility may be used for reinvestment in the TWSE or the TPEx securities, subject to relevant regulations.

Under current ROC laws, a non-ROC holder of depositary receipts, when withdrawing the shares underlying the depositary receipts, will be required to register with the TWSE and appoint a local agent to open a securities trading account with a local brokerage firm and an NT dollar bank account, pay taxes, remit funds, exercise rights relating to the securities and perform such other matters as may be designated by such holder of depositary receipts on behalf of and as an agent for such holder of depositary receipts. Any such holder of depositary receipts is also required to appoint a local bank or securities firm to act as custodian to hold the securities and any cash proceeds in safekeeping, to make confirmations, to settle trades and to report all relevant information. In addition, such holder of depositary receipts is required to appoint a tax guarantor for filing tax returns and making tax payments. Without meeting the foregoing requirements, the withdrawing holder of depositary receipts would be unable to hold and subsequently sell or otherwise transfer the underlying shares withdrawn from the depositary receipt facility on the TWSE or otherwise.

Overseas Corporate Bonds

Since 1989, the FSC has approved a series of overseas bonds issued by ROC companies listed on the TWSE in offerings outside the ROC. Under current ROC law, such overseas corporate bonds (i) can be converted by bondholders into shares of ROC companies or (ii) subject to FSC approval, may be converted into depositary receipts issued by the same ROC company or by the issuing company of the exchange shares, in the case of exchangeable bonds. A PRC holder of convertible bonds may not convert bonds unless (i) it is a QDII who will hold less than 10% (or less in certain industries) of the issuer’s issued shares or (ii) if all the businesses of the issuer are in the positive list promulgated by the ROC Executive Yuan, the shares converted from overseas convertible bonds which (together with its existing shareholding in the issuer) accounts for 10% or more (or other threshold required by the regulators) of the issuer’s issued shares and it otherwise obtains the approval of the MOEA. However, QDIIs are currently prohibited from investing in certain industries, and their investment of certain other industries in a given company is restricted to a certain percentage pursuant to a list promulgated by the FSC and amended from time to time. In addition, there are restrictions on the amount remitted to the ROC for investments by QDIIs, separately and jointly. Accordingly, the qualification criteria for a PRC person to make investment, the restrictions on investment in certain industries and the investment threshold imposed by the FSC might accordingly cause a holder of the corporate bonds who is a PRC person to be unable to convert or exchange the bonds and hold the shares. The relevant regulations also permit public issuing companies to issue corporate debt in offerings outside the ROC. Proceeds from the sale of the shares converted from overseas convertible bonds may be used for reinvestment in securities listed on the TWSE or traded on the TPEx, subject to relevant regulations.

Under current ROC law, a non-ROC converting bondholder, when exercising his conversion right to convert bonds into common shares, is required to register with the TWSE and appoint a local agent to open a securities trading account with a local brokerage firm and an NT dollar bank account, pay taxes, remit funds, exercise rights relating to the securities and perform such other matters as may be designated by such converting bondholder on behalf of and as agent for such converting bondholder. Also, any such converting bondholder is also required to appoint a custodian bank to hold the securities and any cash proceeds in safekeeping, to make confirmations, to settle trades and to report all relevant information. In addition, such converting bondholder is required to appoint a tax guarantor for filing tax returns and making tax payments. Without meeting these requirements, the converting holder would not be able to receive, hold, or subsequently sell or otherwise transfer the shares into which the overseas bonds may have been converted on the TWSE or otherwise.

Unless otherwise limited by the CBC, an ROC company may, without obtaining further approvals from the CBC or any other government authority of the ROC, convert NT dollars to other non-ROC currencies, including US dollars, for making payments in respect of redemption of the bonds or repayment of principal of and interest on the bonds. A non-ROC converting bondholder may, through its local agent and without obtaining prior approval from the CBC, convert into foreign currencies net proceeds realized from the sale of converted common shares or any stock dividends relating to such shares, or any cash dividend or other cash distribution in respect of such common shares and, after becoming a shareholder, inward remittances of subscription payments in connection with a rights offering. However, a converting bondholder must obtain prior approval from the CBC on a payment-by-payment basis for conversion from NT dollars into other currencies in respect of the proceeds from the sale of subscription rights for newly issued shares if the proceeds are in excess of US$100,000 per remittance.

Other Foreign Investment

In addition to investments permitted under the Foreign Regulations and PRC Regulations, foreign investors (other than PRC persons) who wish to make (i) direct investments in the shares of ROC private companies or (ii) investment in 10% or more of the equity interest of an ROC company listed on the TWSE or the TPEx in any single transaction and PRC investors who wish to make (i) direct investment in the shares of ROC private companies or (ii) investments, individually or aggregately, in 10% or more (or other threshold required by the regulators) of the equity interest of an ROC company listed on the TWSE or the TPEx in certain industries on the positive list, as promulgated by the ROC Executive Yuan are required to submit an Investment Approval application to the DIR of the MOEA or other government authority. The DIR or such other government authority reviews Investment Approval application and approves or disapproves each application after consultation with other governmental agencies (such as the CBC and the FSC). PRC investors other than QDII are prohibited from making investments in an ROC company listed on the TWSE or the TPEx if the investment is less than 10% (or less in certain industries) of the equity interest of such ROC company.

Under current law, any non-ROC person possessing an Investment Approval may remit capital for the approved investment and is entitled to repatriate annual net profits, interest and cash dividends attributable to such investment. Dividends attributable to such investment may be repatriated upon submitting certain required documents to the remitting bank, and investment capital and capital gains attributable to such investment may be repatriated after approvals of the DIR or other authorities have been obtained.

In addition to the general restriction against direct investment by foreign investors in securities of ROC companies, foreign investors (other than PRC persons or except in certain limited cases) are currently prohibited from investing in certain industries in the ROC pursuant to a Negative List, as amended by the ROC Executive Yuan. The prohibition on foreign investment in the prohibited industries specified in the Negative List is absolute in the absence of specific exemption from the application of the Negative List. Pursuant to the Negative List, certain other industries are restricted so that foreign investors (except in certain limited cases) may invest in such industries only up to a specified level and with the specific approval of the relevant competent authority which is responsible for enforcing the relevant legislation which the Negative List is intended to implement.

On the other hand, in addition to the general restriction against direct investment by PRC investors in securities of ROC companies, PRC investors may only invest in certain industries in the Positive List, as promulgated by the ROC Executive Yuan. In addition, PRC investor who wishes to be elected as an ROC company's director or supervisor shall also submit an Investment Approval application to the DIR of the MOEA or other government authority for approval.

Exchange Controls

The ROC Foreign Exchange Control Statute and regulations provide that all foreign exchange transactions must be executed by banks designated by the FSC and the CBC to handle foreign exchange transactions. Current regulations favor trade-related foreign exchange transactions. Consequently, foreign currency earned from exports of merchandise and services may now be retained and used freely by exporters. All foreign currency needed for the importation of merchandise and services may be purchased freely from the designated foreign exchange banks.

Aside from trade-related foreign exchange transactions, ROC companies and individual residents of the ROC may, without foreign exchange approval, remit to and from the ROC in each calendar year foreign currencies of up to US$100 million (or its equivalent) and US$10 million (or its equivalent), respectively, or such other amount as determined by the CBC from time to time at its discretion in consideration of the ROC's economic and financial conditions or the needs to maintain the order of foreign exchange market in the ROC. These limits apply to remittances involving a conversion between NT dollars and US dollars or other foreign currencies. In addition, all private enterprises are required to register all medium- and long-term foreign debt with the CBC.

In addition, a foreign person may, subject to certain requirements but without foreign exchange approval, remit to and from the ROC foreign currencies of up to US$100,000 (or its equivalent) per remittance if the required documentation is provided to the ROC authorities. This limit applies to remittances involving a conversion between NT dollars and US dollars or other foreign currencies.

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