

**Macronix International Co., Ltd. and
Subsidiaries**

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

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Macronix International Co., Ltd.

Introduction

We have reviewed the accompanying consolidated balance sheets of Macronix International Co., Ltd. (the "Company") and its subsidiaries (collectively, the "Group") as of June 30, 2021 and 2020, the related consolidated statements of comprehensive income for the three months ended June 30, 2021 and 2020 and for the six months ended June 30, 2021 and 2020, the consolidated statements of changes in equity and cash flows for the six months ended June 30, 2021 and 2020, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As disclosed in Note 12 to the consolidated financial statements, the financial statements of some non-significant subsidiaries included in the consolidated financial statements were not reviewed. As of June 30, 2021 and 2020, combined total assets of these non-significant subsidiaries were NT\$6,521,052 thousand and NT\$5,519,405 thousand, respectively, representing 9.75% and 9.06%, respectively, of the consolidated total assets, and combined total liabilities of these subsidiaries were NT\$1,893,546 thousand and NT\$1,378,545 thousand, respectively, representing 6.87% and 4.94%, respectively, of the consolidated total liabilities; for the three months ended June 30, 2021 and 2020, the amounts of combined comprehensive income and loss of these subsidiaries were NT\$99,083 thousand and NT\$116,200 thousand, respectively, representing 5.34% and 6.15%, respectively, of the consolidated total comprehensive income and loss, and for the six months ended June 30, 2021 and 2020, the amounts of combined comprehensive income and loss of these subsidiaries were NT\$169,599 thousand and NT\$(33,010) thousand, respectively, representing 5.55% and (1.31)%, respectively, of the consolidated total comprehensive income and

loss. These amounts as well as the related financial information of the insignificant subsidiaries as disclosed in Note 37 to the consolidated financial statements were based on the insignificant subsidiaries' unreviewed financial statements for the same reporting periods as those of the Company.

Qualified Conclusion

Based on our reviews, except for adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2021 and 2020, and its consolidated financial performance for the three months ended June 30, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the six months ended June 30, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Tung Hui Yeh and Kuo Tyan Hong.



Deloitte & Touche
Taipei, Taiwan
Republic of China

July 27, 2021

Notice to Readers

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

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

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

	June 30, 2021 (Reviewed)		December 31, 2020 (Audited)		June 30, 2020 (Reviewed)	
ASSETS	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Notes 6 and 32)	\$ 11,796,163	18	\$ 11,879,299	18	\$ 9,889,795	16
Notes receivable and trade receivables, net (Notes 10 and 32)	4,807,291	7	3,454,719	5	3,875,670	7
Receivables from related parties, net (Notes 32 and 33)	923,814	1	1,647,427	3	1,285,745	2
Other receivables (Notes 10, 32 and 33)	152,580	-	116,930	-	127,798	-
Inventories (Note 11)	14,009,011	21	12,945,267	20	11,517,763	19
Other current assets (Note 17)	<u>328,581</u>	<u>1</u>	<u>118,182</u>	<u>-</u>	<u>199,532</u>	<u>-</u>
Total current assets	<u>32,017,440</u>	<u>48</u>	<u>30,161,824</u>	<u>46</u>	<u>26,896,303</u>	<u>44</u>
NON-CURRENT ASSETS						
Financial assets at fair value through profit or loss - non-current (Notes 4, 7 and 32)	83,580	-	-	-	-	-
Financial assets at fair value through other comprehensive income - non-current (Notes 8 and 32)	2,532,408	4	2,336,074	3	1,996,128	3
Financial assets measured at amortized cost - non-current (Notes 9 and 32)	43,090	-	-	-	-	-
Property, plant and equipment (Notes 4, 13, 18, 30, 34 and 35)	30,428,261	46	31,462,800	48	29,638,881	49
Right-of-use assets (Note 14)	997,116	1	1,042,394	2	1,096,313	2
Intangible assets (Note 15)	74,427	-	57,280	-	47,269	-
Deferred tax assets (Note 27)	537,876	1	660,294	1	1,046,739	2
Other financial assets - non-current (Notes 16, 32 and 34)	<u>168,335</u>	<u>-</u>	<u>171,552</u>	<u>-</u>	<u>171,411</u>	<u>-</u>
Total non-current assets	<u>34,865,093</u>	<u>52</u>	<u>35,730,394</u>	<u>54</u>	<u>33,996,741</u>	<u>56</u>
TOTAL	<u>\$ 66,882,533</u>	<u>100</u>	<u>\$ 65,892,218</u>	<u>100</u>	<u>\$ 60,893,044</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Contract liabilities (Note 25)	\$ 101,143	-	\$ 92,195	-	\$ 28,447	-
Notes payable and trade payables (Notes 19 and 32)	3,247,785	5	2,940,531	5	2,476,281	4
Payables to related parties (Notes 32 and 33)	4,699,484	7	4,161,427	6	3,216,178	5
Accrued compensation of employees and remuneration of directors (Notes 26, 32 and 33)	1,843,231	3	1,403,624	2	1,189,902	2
Payables for purchase of equipment (Note 32)	533,017	1	554,266	1	1,110,018	2
Other payables (Notes 20 and 32)	1,510,578	2	1,481,794	2	3,664,937	6
Other payables to related parties (Notes 32 and 33)	-	-	-	-	11,514	-
Current tax liabilities (Notes 4 and 27)	209,177	1	63,359	-	16,047	-
Provisions - current (Note 22)	28,220	-	22,687	-	26,320	-
Lease liabilities - current (Note 14)	114,161	-	104,598	-	103,488	-
Current portion of long-term borrowings (Notes 4, 18, 30, 32 and 34)	4,847,345	7	5,412,007	8	3,711,456	6
Other current liabilities (Note 21)	<u>204,768</u>	<u>-</u>	<u>332,270</u>	<u>1</u>	<u>214,621</u>	<u>1</u>
Total current liabilities	<u>17,338,909</u>	<u>26</u>	<u>16,568,758</u>	<u>25</u>	<u>15,769,209</u>	<u>26</u>
NON-CURRENT LIABILITIES						
Long-term borrowings (Notes 4, 18, 30, 32 and 34)	8,059,008	12	10,736,875	16	9,583,602	16
Lease liabilities - non-current (Note 14)	891,026	1	940,302	2	989,384	2
Net defined benefit liabilities (Notes 4 and 23)	1,264,075	2	1,432,473	2	1,435,452	2
Other non-current liabilities (Notes 4, 21 and 30)	<u>18,282</u>	<u>-</u>	<u>19,418</u>	<u>-</u>	<u>140,009</u>	<u>-</u>
Total non-current liabilities	<u>10,232,391</u>	<u>15</u>	<u>13,129,068</u>	<u>20</u>	<u>12,148,447</u>	<u>20</u>
Total liabilities	<u>27,571,300</u>	<u>41</u>	<u>29,697,826</u>	<u>45</u>	<u>27,917,656</u>	<u>46</u>
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY (Notes 24 and 29)						
Share capital						
Ordinary shares	18,561,270	28	18,563,017	28	18,563,091	30
Share capital to be cancelled	<u>(810)</u>	<u>-</u>	<u>(1,153)</u>	<u>-</u>	<u>(74)</u>	<u>-</u>
Total share capital	<u>18,560,460</u>	<u>28</u>	<u>18,561,864</u>	<u>28</u>	<u>18,563,017</u>	<u>30</u>
Capital surplus	<u>386,878</u>	<u>-</u>	<u>384,772</u>	<u>1</u>	<u>380,108</u>	<u>-</u>
Retained earnings						
Legal reserve	1,741,857	3	1,741,857	3	1,741,857	3
Special reserve	621,195	1	621,195	1	621,195	1
Unappropriated earnings	<u>18,070,642</u>	<u>27</u>	<u>15,408,584</u>	<u>23</u>	<u>12,650,605</u>	<u>21</u>
Total retained earnings	<u>20,433,694</u>	<u>31</u>	<u>17,771,636</u>	<u>27</u>	<u>15,013,657</u>	<u>25</u>
Other equity	<u>88,459</u>	<u>-</u>	<u>(365,619)</u>	<u>(1)</u>	<u>(823,372)</u>	<u>(1)</u>
Treasury shares	<u>(159,061)</u>	<u>-</u>	<u>(159,061)</u>	<u>-</u>	<u>(159,061)</u>	<u>-</u>
Equity attributable to shareholders of the Company	39,310,430	59	36,193,592	55	32,974,349	54
NON-CONTROLLING INTERESTS (Note 24)	<u>803</u>	<u>-</u>	<u>800</u>	<u>-</u>	<u>1,039</u>	<u>-</u>
Total equity	<u>39,311,233</u>	<u>59</u>	<u>36,194,392</u>	<u>55</u>	<u>32,975,388</u>	<u>54</u>
TOTAL	<u>\$ 66,882,533</u>	<u>100</u>	<u>\$ 65,892,218</u>	<u>100</u>	<u>\$ 60,893,044</u>	<u>100</u>

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

(With Deloitte & Touche review report dated July 27, 2021)

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
NET OPERATING REVENUE (Notes 25, 33 and 38)	\$ 11,426,446	100	\$ 9,271,289	100	\$ 21,053,591	100	\$ 18,686,447	100
OPERATING COSTS (Notes 11, 23, 26 and 33)	<u>6,960,874</u>	<u>61</u>	<u>6,028,249</u>	<u>65</u>	<u>13,287,298</u>	<u>63</u>	<u>12,498,077</u>	<u>67</u>
GROSS PROFIT	<u>4,465,572</u>	<u>39</u>	<u>3,243,040</u>	<u>35</u>	<u>7,766,293</u>	<u>37</u>	<u>6,188,370</u>	<u>33</u>
OPERATING EXPENSES (Notes 23, 26 and 33)								
Selling and marketing expenses	402,983	3	371,113	4	785,925	4	754,048	4
General and administrative expenses	552,693	5	441,937	5	998,732	5	868,639	4
Research and development expenses	<u>1,204,694</u>	<u>11</u>	<u>1,037,240</u>	<u>11</u>	<u>2,508,371</u>	<u>12</u>	<u>2,006,463</u>	<u>11</u>
Total operating expenses	<u>2,160,370</u>	<u>19</u>	<u>1,850,290</u>	<u>20</u>	<u>4,293,028</u>	<u>21</u>	<u>3,629,150</u>	<u>19</u>
INCOME FROM OPERATIONS	<u>2,305,202</u>	<u>20</u>	<u>1,392,750</u>	<u>15</u>	<u>3,473,265</u>	<u>16</u>	<u>2,559,220</u>	<u>14</u>
NON-OPERATING INCOME AND EXPENSES								
Interest income (Note 26)	5,118	-	10,252	-	9,801	-	20,461	-
Other income (Notes 14, 26 and 30)	56,222	-	57,445	1	61,471	-	62,803	-
Other gains and losses (Note 26)	(133,481)	(1)	(1,684)	-	(250,744)	(1)	97,288	1
Finance costs (Notes 26 and 30)	<u>(59,112)</u>	<u>-</u>	<u>(58,307)</u>	<u>(1)</u>	<u>(128,851)</u>	<u>-</u>	<u>(112,941)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>(131,253)</u>	<u>(1)</u>	<u>7,706</u>	<u>-</u>	<u>(308,323)</u>	<u>(1)</u>	<u>67,611</u>	<u>-</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	2,173,949	19	1,400,456	15	3,164,942	15	2,626,831	14
INCOME TAX EXPENSE (Notes 4 and 27)	<u>(248,468)</u>	<u>(2)</u>	<u>(70,576)</u>	<u>(1)</u>	<u>(323,274)</u>	<u>(2)</u>	<u>(74,781)</u>	<u>-</u>
NET INCOME FOR THE PERIOD	<u>1,925,481</u>	<u>17</u>	<u>1,329,880</u>	<u>14</u>	<u>2,841,668</u>	<u>13</u>	<u>2,552,050</u>	<u>14</u>
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized loss on investments in equity instruments at FVTOCI (Note 24)	8,441	-	629,663	7	296,968	1	22,672	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translation of the financial statements of foreign operations (Note 24)	<u>(77,298)</u>	<u>(1)</u>	<u>(69,737)</u>	<u>(1)</u>	<u>(85,132)</u>	<u>-</u>	<u>(51,529)</u>	<u>-</u>
Other comprehensive income (loss) for the period, net of income tax	<u>(68,857)</u>	<u>(1)</u>	<u>559,926</u>	<u>6</u>	<u>211,836</u>	<u>1</u>	<u>(28,857)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 1,856,624</u>	<u>16</u>	<u>\$ 1,889,806</u>	<u>20</u>	<u>\$ 3,053,504</u>	<u>14</u>	<u>\$ 2,523,193</u>	<u>14</u>
NET INCOME (LOSS) ATTRIBUTABLE TO:								
Shareholders of the Company	\$ 1,925,326	17	\$ 1,330,003	14	\$ 2,841,664	13	\$ 2,552,284	14
Non-controlling interests	<u>155</u>	<u>-</u>	<u>(123)</u>	<u>-</u>	<u>4</u>	<u>-</u>	<u>(234)</u>	<u>-</u>
	<u>\$ 1,925,481</u>	<u>17</u>	<u>\$ 1,329,880</u>	<u>14</u>	<u>\$ 2,841,668</u>	<u>13</u>	<u>\$ 2,552,050</u>	<u>14</u>

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MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
TOTAL COMPREHENSIVE INCOME (LOSS)								
ATTRIBUTABLE TO:								
Shareholders of the Company	\$ 1,856,470	16	\$ 1,889,930	20	\$ 3,053,501	14	\$ 2,523,430	14
Non-controlling interests	<u>154</u>	<u>-</u>	<u>(124)</u>	<u>-</u>	<u>3</u>	<u>-</u>	<u>(237)</u>	<u>-</u>
	<u>\$ 1,856,624</u>	<u>16</u>	<u>\$ 1,889,806</u>	<u>20</u>	<u>\$ 3,053,504</u>	<u>14</u>	<u>\$ 2,523,193</u>	<u>14</u>
EARNINGS PER SHARE (Note 28)								
Basic	<u>\$ 1.04</u>		<u>\$ 0.72</u>		<u>\$ 1.54</u>		<u>\$ 1.39</u>	
Diluted	<u>\$ 1.03</u>		<u>\$ 0.72</u>		<u>\$ 1.52</u>		<u>\$ 1.37</u>	

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

(With Deloitte & Touche review report dated July 27, 2021)

(Concluded)

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Shareholders of the Company										Other Equity			
	Share Capital			Capital Surplus	Retained Earnings			Exchange Differences on Translating of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Employee Unearned Compensation	Treasury Shares	Total	Non-controlling Interests	Total Equity
	Share (Thousands)	Ordinary Shares	Capital Stock to be Cancelled		Legal Reserve	Special Reserve	Unappropriated Earnings							
BALANCE AT JANUARY 1, 2020	1,839,927	\$ 18,399,271	\$ (182)	\$ 543,920	\$ 1,440,661	\$ 1,007,052	\$ 12,237,717	\$ (235,880)	\$ (299,040)	\$ (443,066)	\$ (159,061)	\$ 32,491,392	\$ 1,276	\$ 32,492,668
Legal reserve	-	-	-	-	301,196	-	(301,196)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	(385,857)	385,857	-	-	-	-	-	-	-
Cash dividends distributed by the Company - \$1.20 per share	-	-	-	-	-	-	(2,207,891)	-	-	-	-	(2,207,891)	-	(2,207,891)
Net profit (loss) for the six months ended June 30, 2020	-	-	-	-	-	-	2,552,284	-	-	-	-	2,552,284	(234)	2,552,050
Other comprehensive income (loss) for the six months ended June 30, 2020, net of income tax	-	-	-	-	-	-	-	(51,526)	22,672	-	-	(28,854)	(3)	(28,857)
Total comprehensive income (loss) for the six months ended June 30, 2020	-	-	-	-	-	-	2,552,284	(51,526)	22,672	-	-	2,523,430	(237)	2,523,193
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	(16,050)	-	16,050	-	-	-	-	-
Issuance of ordinary shares under employee share options	16,400	164,002	-	(164,002)	-	-	-	-	-	-	-	-	-	-
Compensation cost of restricted shares for employees	-	-	-	116	-	-	(116)	-	-	167,418	-	167,418	-	167,418
Retirement of restricted shares for employees	(18)	(182)	108	74	-	-	-	-	-	-	-	-	-	-
BALANCE AT JUNE 30, 2020	<u>1,856,309</u>	<u>\$ 18,563,091</u>	<u>\$ (74)</u>	<u>\$ 380,108</u>	<u>\$ 1,741,857</u>	<u>\$ 621,195</u>	<u>\$ 12,650,605</u>	<u>\$ (287,406)</u>	<u>\$ (260,318)</u>	<u>\$ (275,648)</u>	<u>\$ (159,061)</u>	<u>\$ 32,974,349</u>	<u>\$ 1,039</u>	<u>\$ 32,975,388</u>
BALANCE AT JANUARY 1, 2021	1,856,302	\$ 18,563,017	\$ (1,153)	\$ 384,772	\$ 1,741,857	\$ 621,195	\$ 15,408,584	\$ (386,090)	\$ 171,026	\$ (150,555)	\$ (159,061)	\$ 36,193,592	\$ 800	\$ 36,194,392
Net profit for the six months ended June 30, 2021	-	-	-	-	-	-	2,841,664	-	-	-	-	2,841,664	4	2,841,668
Other comprehensive income (loss) for the six months ended June 30, 2021, net of income tax	-	-	-	-	-	-	-	(85,131)	296,968	-	-	211,837	(1)	211,836
Total comprehensive income (loss) for the six months ended June 30, 2021	-	-	-	-	-	-	2,841,664	(85,131)	296,968	-	-	3,053,501	3	3,053,504
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	(179,606)	-	179,606	-	-	-	-	-
Compensation cost of restricted shares for employees	-	-	-	702	-	-	-	-	-	62,635	-	63,337	-	63,337
Retirement of restricted shares for employees	(175)	(1,747)	343	1,404	-	-	-	-	-	-	-	-	-	-
BALANCE AT JUNE 30, 2021	<u>1,856,127</u>	<u>\$ 18,561,270</u>	<u>\$ (810)</u>	<u>\$ 386,878</u>	<u>\$ 1,741,857</u>	<u>\$ 621,195</u>	<u>\$ 18,070,642</u>	<u>\$ (471,221)</u>	<u>\$ 647,600</u>	<u>\$ (87,920)</u>	<u>\$ (159,061)</u>	<u>\$ 39,310,430</u>	<u>\$ 803</u>	<u>\$ 39,311,233</u>

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

(With Deloitte & Touche review report dated July 27, 2021)

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 3,164,942	\$ 2,626,831
Adjustments for:		
Depreciation expense	2,072,447	1,742,097
Amortization expense	19,901	16,320
Expected credit loss reversed on trade receivables	(63)	-
Finance costs	128,851	112,941
Interest income	(9,801)	(20,461)
Dividend income	(47,007)	(48,821)
Compensation cost of employee restricted shares	63,337	167,418
Gain on disposal of property, plant and equipment	(63,055)	(1,423)
Net loss (gain) on foreign currency exchange	126,994	(36,796)
Amortization of government grants deferred revenue	(99)	-
Changes in operating assets and liabilities		
Trade receivables	(1,338,831)	104,014
Receivables from related parties	710,588	(296,172)
Other receivables	(33,955)	29,485
Inventories	(1,063,744)	1,292,674
Other current assets	(205,587)	48,646
Contract liabilities	8,948	(70,110)
Notes payable and trade payables	296,741	330,901
Payables to related parties	822,750	(1,502,556)
Payables for compensation of employees and directors' remuneration	439,607	(95,872)
Other payables	25,466	(16,772)
Other payables to related parties	3,051	9,515
Provisions	5,533	5,860
Other current liabilities	31,786	(16,772)
Net defined benefit liabilities	(168,398)	(176,110)
Cash generated from operations	4,990,402	4,204,837
Interest received	8,104	19,205
Dividend received	47,007	48,821
Interest paid	(129,271)	(136,575)
Income tax paid	(59,850)	(4,949)
Net cash generated from operating activities	4,856,392	4,131,339
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of financial assets at fair value through other comprehensive income	65,270	4,827
Purchase of financial assets at amortized cost	(43,840)	-
Financial assets at amortized cost after maturity	-	20,955
Acquisition of financial assets at fair value through profit or loss	(85,605)	-

(Continued)

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2021	2020
Payments for property, plant and equipment	\$ (1,013,691)	\$ (1,726,527)
Proceeds from disposal of property, plant and equipment	65,014	1,438
Increase in refundable deposits	-	62
Decrease in refundable deposits	(37)	(10)
Payments for intangible assets	(36,925)	(16,648)
Decrease in other financial assets	<u>2,516</u>	<u>-</u>
Net cash used in investing activities	<u>(1,047,298)</u>	<u>(1,715,903)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	-	(1,550,000)
Proceeds from long-term borrowings	369,000	2,000,000
Repayments of long-term borrowings	(3,604,070)	(1,746,472)
Proceeds from guarantee deposits received	2,094	130,775
Repayment of guarantee deposits received	(177,557)	(194)
Repayment of leased liabilities	(56,290)	(51,462)
Decrease in other liabilities	<u>(1)</u>	<u>-</u>
Net cash used in financing activities	<u>(3,466,824)</u>	<u>(1,217,353)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(425,406)</u>	<u>(33,377)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(83,136)	1,164,706
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>11,879,299</u>	<u>8,725,089</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 11,796,163</u>	<u>\$ 9,889,795</u>

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

(With Deloitte & Touche review report dated July 27, 2021)

(Concluded)

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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

1. GENERAL INFORMATION

Macronix International Co., Ltd. (the “Company”) was incorporated in the Republic of China (ROC) on December 9, 1989 and commenced business in December 1989. The Company operates principally as a designer, manufacturer and supplier of integrated circuits (ICs) and memory chips. The Company also performs design, research and development, consultation and trade of relevant products.

The Company’s shares have been listed on the Taiwan Stock Exchange (TWSE) since March 15, 1995.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors and were authorized for issue on July 27, 2021.

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

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Group’s accounting policies.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 8)

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts-Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)
	(Concluded)

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

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022.

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

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

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

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: 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 8: Except that deferred taxes will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

These 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. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and defined benefit liabilities.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Group directly disposed of the related assets or liabilities.

See Note 12, Tables 5 and 6 for detailed information on subsidiaries (including the percentages of ownership and main businesses).

d. Other important accounting policies

Except for the following, the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2020. For the summary of other significant accounting policies, refer to the consolidated financial statements for the year ended December 31, 2020.

1) Retirement benefits

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.

2) 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.

3) Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to such grants and that the grants will be received.

Government grants related to income are recognized in other income on a systematic basis during the period when the related costs in which the government intends to compensate are recognized by the Group as expenses. Specifically, the primary condition of government grants is that the Group should purchase, construct or otherwise acquire non-current assets that are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

The benefit of a government loan received below the market interest rate is treated as a government grant, which is measured as the difference between the proceeds received and the fair value of the loan based on the prevailing market interest rate.

4) Financial assets at fair value through profit or loss

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 FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends or interest earned on such financial assets are recognized in other income and interest income, respectively; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 32 Financial Instruments.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgments and key sources of estimation uncertainty have been followed in these consolidated financial statements as were applied in the preparation of the consolidated financial statements for the year ended December 31, 2020.

6. CASH AND CASH EQUIVALENTS

	June 30, 2021	December 31, 2020	June 30, 2020
Cash on hand	\$ 10	\$ 11	\$ 11
Checking accounts and demand deposits	7,180,760	9,730,077	5,670,834
Cash equivalents			
Time deposits	<u>4,615,393</u>	<u>2,149,211</u>	<u>4,218,950</u>
	<u>\$ 11,796,163</u>	<u>\$ 11,879,299</u>	<u>\$ 9,889,795</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Financial assets at FVTPL - non-current</u>			
Financial assets mandatorily classified as at FVTPL			
Hybrid financial assets			
Foreign convertible preference shares	<u>\$ 83,580</u>	<u>\$ -</u>	<u>\$ -</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Non-current</u>			
Investments in equity instruments at FVTOCI			
Domestic investments			
Listed shares	\$ 1,703,384	\$ 1,461,804	\$ 1,213,248
Unlisted shares	<u>391,478</u>	<u>420,699</u>	<u>418,989</u>
	2,094,862	1,882,503	1,632,237
Foreign investments			
Listed shares	437,546	453,571	327,250
Unlisted shares	<u>-</u>	<u>-</u>	<u>36,641</u>
	<u>\$ 2,532,408</u>	<u>\$ 2,336,074</u>	<u>\$ 1,996,128</u>

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

The Group sold its ordinary shares in Tower Semiconductor Ltd. at a fair value of \$65,270 thousand and \$4,827 thousand in January 2021, February 2021 and June 2021 and January 2020, respectively. The related unrealized loss of financial assets at FVTOCI of \$179,606 thousand and \$16,050 thousand under other equity was transferred to retained earnings.

Due to the liquidation and dissolution of Global Strategic Investment Inc. (Cayman) and Global Strategic Investment Inc. (Samoa), cash in the amount of \$33,280 thousand at fair value and 49,116 shares of Amphastar Pharmaceuticals, Inc. were allocated to the Group in August 2020 based on the shareholding ratio. The related unrealized loss on financial assets at FVTOCI of \$13,050 thousand under other equity was transferred to retained earnings.

The Group recognized dividend income of NT\$47,007 thousand and NT\$48,821 thousand for the three months ended June 30, 2021 and 2020, respectively. It recognized dividend income of NT\$47,007 thousand and NT\$48,821 thousand for the six months ended June 30, 2021 and 2020, respectively. As of June 30, 2021 and 2020, the Group's related investments still held amounted to NT\$359,547 thousand and NT\$387,570 thousand, respectively.

9. FINANCIAL ASSETS AT AMORTIZED COST

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Non-Current</u>			
Time deposits with original maturities exceeding 1 year	\$ 43,090	\$ -	\$ -

The interest rate for time deposits with original maturities exceeding 1 year was 3.15% per annum as of June 30, 2021.

10. TRADE RECEIVABLES AND OTHER RECEIVABLES

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Trade receivables</u>			
Total amounts of trade receivables measured at amortized cost	\$ 4,824,246	\$ 3,471,737	\$ 3,892,465
Less: Allowance for impairment loss	<u>(16,955)</u>	<u>(17,018)</u>	<u>(16,795)</u>
	<u>\$ 4,807,291</u>	<u>\$ 3,454,719</u>	<u>\$ 3,875,670</u>
<u>Other receivables</u>			
Tax receivable	\$ 138,628	\$ 110,103	\$ 120,952
Others	<u>13,952</u>	<u>6,827</u>	<u>6,846</u>
	<u>\$ 152,580</u>	<u>\$ 116,930</u>	<u>\$ 127,798</u>

a. Trade receivables

The average credit period for sales of goods was 60 days.

In determining the recoverability of a trade receivable, the Group evaluates each customer's credibility and financial position and considers any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs.

The expected credit losses on trade receivables are estimated using a provision matrix approach considering the past default experience with the respective debtors and an analysis of the debtors' current financial positions, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of conditions at the reporting date. The Group estimates expected credit losses based on the number of days for which receivables are past due. As the Group's historical credit loss experience shows significantly different loss patterns for different customer segments, the provision for losses based on past due status of receivables is not further distinguished according to different segments of the Group's customer base.

The aging of trade receivables was as follows:

	June 30, 2021	December 31, 2020	June 30, 2020
Neither past due nor impaired	\$ 4,720,501	\$ 3,384,849	\$ 3,809,707
Past due but not impaired			
Within 60 days	86,790	69,837	65,963
61-120 days	-	33	-
Over 120 days	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,807,291</u>	<u>\$ 3,454,719</u>	<u>\$ 3,875,670</u>

The above aging schedule was based on the past due days from the end of the credit term.

As of June 30, 2021 and 2020, the Group did not hold collateral for most of its receivables.

The movements of the allowance for doubtful trade receivables are as follows:

	June 30	
	2021	2020
Balance at January 1	\$ 17,018	\$ 16,795
Less: Amounts reversed	<u>(63)</u>	<u>-</u>
Balance at June 30	<u>\$ 16,955</u>	<u>\$ 16,795</u>

b. Other receivables

No allowance for impairment loss of other receivables was recognized since the other receivables of the Group were not past due and the Group assessed that there was no uncertainty of recoverability.

11. INVENTORIES

	June 30, 2021	December 31, 2020	June 30, 2020
Finished goods and merchandise	\$ 939,832	\$ 932,686	\$ 900,385
Work in progress	12,274,054	11,327,960	9,804,625
Raw materials	<u>795,125</u>	<u>684,621</u>	<u>812,753</u>
	<u>\$ 14,009,011</u>	<u>\$ 12,945,267</u>	<u>\$ 11,517,763</u>

For the three months ended June 30, 2021 and 2020 and the six months ended June 30, 2021 and 2020, the costs of inventories recognized as cost of goods sold included inventory loss that resulted from the

write-downs of inventory to net realizable value and reversal of inventory loss due to sold of part of the written-down inventory. The amounts were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Loss on inventory write-downs (reversal of inventory loss)	<u>\$ (218,889)</u>	<u>\$ 106,148</u>	<u>\$ (171,135)</u>	<u>\$ 88,747</u>

12. SUBSIDIARIES

Subsidiaries included in consolidated financial statements

As of June 30, 2021, December 31, 2020 and June 30, 2020, the Company has direct and indirect majority ownership in the following subsidiaries: Run Hong Investment Ltd. (Run Hong), Hui Ying Investment Ltd. (Hui Ying), Mxtran Inc. (Mxtran), Macronix America, Inc. (MXA), Macronix (BVI) Co., Ltd. (MXBVI), Mxtran Holding (Samoa) Co., Ltd. (Mxtran Samoa), Mxtran (H.K.) Holding Co., Limited (Mxtran HK), New Trend Technology Inc. (NTTI), Macronix (Asia) Limited (MX Asia), Macronix Pte Ltd (MPL), Macronix Europe N.V. (MXE), Macronix (Hong Kong) Co., Limited (MXHK) and Macronix Microelectronics (Suzhou) Co., Ltd. (MXm).

Investor	Investee	Nature of Activities	% of Ownership		
			June 30, 2021	December 31, 2020	June 30 2020
The Company	Run Hong	Investment company	100.00	100.00	100.00
The Company	Hui Ying	Investment company	100.00	100.00	100.00
The Company and Run Hong	Mxtran	IC design	94.84	94.84	94.84
The Company	MXA	Sales and marketing	100.00	100.00	100.00
The Company	MXBVI	Investment holding company	100.00	100.00	100.00
Mxtran	Mxtran Samoa	Investment holding company	100.00	100.00	100.00
Mxtran Samoa	Mxtran HK	Investment holding company	100.00	100.00	100.00
MXBVI	NTTI	IC design	100.00	100.00	100.00
MXBVI	MX Asia	After-sales services	100.00	100.00	100.00
MXBVI	MPL	After-sales services	100.00	100.00	100.00
MXBVI	MXE	After-sales services	100.00	100.00	100.00
MXBVI	MXHK	Sales and marketing	100.00	100.00	100.00
MXHK	MXm	Development of integrated circuit system and software	100.00	100.00	100.00

The subsidiaries included in the consolidated financial statements are immaterial, and their financial statements have not been reviewed.

13. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2021	December 31, 2020	June 30, 2020
Assets used by the Group	<u>\$ 30,428,261</u>	<u>\$ 31,462,800</u>	<u>\$ 29,638,881</u>

For the Six Months Ended June 30, 2021						
	Balance at Beginning of Period	Additions	Disposals	Effects of Foreign Currency Exchange Differences	Reclassification	Balance at End of Period
<u>Cost</u>						
Freehold land	\$ 1,224,746	\$ -	\$ -	\$ (13,643)	\$ -	\$ 1,211,103
Buildings	25,439,896	-	-	(3,366)	208,737	25,645,267
Machinery equipment	100,853,676	-	335,831	-	574,412	101,092,257
Research and development equipment	4,236,751	-	1,823	(593)	1,150,955	5,385,290
Transportation equipment	22,633	-	3,300	(30)	5,650	24,953
Leasehold improvements	15,045	-	-	(553)	-	14,492
Miscellaneous equipment	1,188,858	863	20,693	(2,756)	46,341	1,212,613
Advance payments and construction in progress	5,090,704	986,537	-	-	(1,986,629)	4,090,612
	<u>138,072,309</u>	<u>\$ 987,400</u>	<u>\$ 361,647</u>	<u>\$ (20,941)</u>	<u>\$ (534)</u>	<u>138,676,587</u>
<u>Accumulated depreciation and impairment</u>						
Freehold land	353,863	\$ -	\$ -	\$ (7,704)	\$ -	346,159
Buildings	20,992,618	214,028	-	(1,136)	-	21,205,510
Machinery equipment	82,255,045	1,572,275	333,951	-	-	83,493,369
Research and development equipment	1,962,791	180,183	1,747	(458)	-	2,140,769
Transportation equipment	14,037	1,824	3,300	(17)	-	12,544
Leasehold improvements	13,990	267	-	(516)	-	13,741
Miscellaneous equipment	1,017,165	42,575	20,690	(2,438)	(378)	1,036,234
	<u>106,609,509</u>	<u>\$ 2,011,152</u>	<u>\$ 359,688</u>	<u>\$ (12,269)</u>	<u>\$ (378)</u>	<u>108,248,326</u>
Carrying amount at June 30, 2021	<u>\$ 31,462,800</u>					<u>\$ 30,428,261</u>
For the Six Months Ended June 30, 2020						
	Balance at Beginning of Period	Additions	Disposals	Effects of Foreign Currency Exchange Differences	Reclassification	Balance at End of Period
<u>Cost</u>						
Freehold land	\$ 1,257,751	\$ -	\$ -	\$ (7,701)	\$ -	\$ 1,250,050
Buildings	25,161,752	-	750	(5,643)	113,372	25,268,731
Machinery equipment	91,635,490	-	37,544	-	6,835,373	98,433,319
Research and development equipment	3,634,881	-	9,574	(946)	254,317	3,878,678
Transportation equipment	28,642	-	-	(49)	-	28,593
Leasehold improvements	18,057	48	-	(177)	84	18,012
Miscellaneous equipment	1,225,083	4,729	13,734	(2,178)	55,728	1,269,628
Advance payments and construction in progress	9,822,103	1,958,307	63	2	(7,258,874)	4,521,475
	<u>132,783,759</u>	<u>\$ 1,963,084</u>	<u>\$ 61,665</u>	<u>\$ (16,692)</u>	<u>\$ -</u>	<u>134,668,486</u>
<u>Accumulated depreciation and impairment</u>						
Freehold land	372,499	\$ -	\$ -	\$ (4,348)	\$ -	368,151
Buildings	20,577,580	204,591	750	(1,729)	-	20,779,692
Machinery equipment	79,413,703	1,321,225	37,544	-	189,149	80,886,533
Research and development equipment	1,921,379	120,723	9,574	(695)	(189,149)	1,842,684
Transportation equipment	17,637	1,540	-	(18)	-	19,159
Leasehold improvements	16,359	364	-	(171)	84	16,636
Miscellaneous equipment	1,099,095	33,361	13,719	(1,903)	(84)	1,116,750
	<u>103,418,252</u>	<u>\$ 1,681,804</u>	<u>\$ 61,587</u>	<u>\$ (8,864)</u>	<u>\$ -</u>	<u>105,029,605</u>
Carrying amount at June 30, 2020	<u>\$ 29,365,507</u>					<u>\$ 29,638,881</u>

For the three months ended June 30, 2021 and 2020 and six months ended June 30, 2021 and 2020, the Group assessed that no indication of an impairment loss was present; therefore, no impairment assessment was performed.

The carrying amount of the freehold land in the U.S.A. which was unutilized by the Group as of June 30, 2021, December 31, 2020 and June 30, 2020 was US\$9,579 thousand, respectively.

The Group's 6-inch fab ceased production in May 2021 and is currently idle. For the six months ended June 30, 2021, the Group assessed that no indication of impairment loss was present.

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Main buildings	31-40 years
Electronic equipment	11-20 years
Facility equipment	15 years
Landscape engineering	20 years
Machinery equipment	11 years
Research and development equipment	5-11 years
Transportation equipment	5 years
Leasehold improvements	6-16 years
Miscellaneous equipment	2-16 years

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 34.

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Carrying amount</u>			
Freehold land	\$ 884,365	\$ 919,621	\$ 953,836
Buildings	100,843	107,825	124,057
Machinery equipment	7,014	9,445	12,398
Transportation equipment	3,395	5,003	4,521
Miscellaneous equipment	<u>1,499</u>	<u>500</u>	<u>1,501</u>
	<u>\$ 997,116</u>	<u>\$ 1,042,394</u>	<u>\$ 1,096,313</u>
	For the Three Months Ended June 30		For the Six Months Ended June 30
	2021	2020	2021
			2020
Additions to right-of-use assets			<u>\$ 24,550</u>
Depreciation charge for right-of-use assets			<u>\$ 67,847</u>
Freehold land	\$ 17,490	\$ 17,530	\$ 34,982
Buildings	9,526	9,819	19,192
Machinery equipment	3,109	1,240	4,626
Transportation equipment	686	928	1,495
Miscellaneous equipment	<u>500</u>	<u>500</u>	<u>1,000</u>
	<u>\$ 31,311</u>	<u>\$ 30,017</u>	<u>\$ 61,295</u>
Income from the subleasing of right-of-use assets (included in other income)	<u>\$ (930)</u>	<u>\$ (1,057)</u>	<u>\$ (1,859)</u>
			<u>\$ (2,049)</u>

Except for the recognized depreciation, the Group did not have impairment of right-of-use assets for the three months ended June 30, 2021 and 2020 and the six months ended June 30, 2021 and 2020.

b. Lease liabilities

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Carrying amount</u>			
Current	\$ 114,161	\$ 104,598	\$ 103,488
Non-current	\$ 891,026	\$ 940,302	\$ 989,384

Range of discount rates for lease liabilities was as follows:

	June 30, 2021	December 31, 2020	June 30, 2020
Freehold land	1.67%-1.73%	1.67%-1.73%	1.67%-1.73%
Buildings	1.03%-6.00%	1.03%-6.00%	1.03%-5.00%
Machinery equipment	1.19%-1.28%	1.05%	1.05%
Transportation equipment	1.03%-1.22%	1.03%-1.22%	1.22%
Miscellaneous equipment	1.19%	1.03%-1.22%	1.03%

c. Material lease-in activities and terms

The Group also leased certain land and buildings for the use as plant and office in a period of one to twenty years. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Expenses relating to short-term leases	\$ 198	\$ -	\$ 227	\$ -
Expenses relating to low-value asset leases	\$ 15	\$ 67	\$ 105	\$ 138
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$ 2,075	\$ 3,089	\$ 5,159	\$ 5,824
Total cash outflow for leases	\$ (36,067)	\$ (33,768)	\$ (71,644)	\$ (67,713)

The Group leases certain office buildings which qualify as short-term leases and certain office equipment which qualifies as low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

15. INTANGIBLE ASSETS

For the Six Months Ended June 30, 2021						
	Balance at Beginning of Period	Additions	Disposals	Net Exchange Differences	Reclassified	Balance at End of Period
<u>Cost</u>						
Software	\$ 108,622	\$ 36,925	\$ (4,541)	\$ (373)	\$ 5,044	\$ 145,677
<u>Accumulated amortization</u>						
Software	51,342	19,901	(4,541)	(340)	4,888	71,250
Carrying amount at June 30, 2021	\$ 57,280					\$ 74,427

For the Six Months Ended June 30, 2020						
	Balance at Beginning of Period	Additions	Disposals	Net Exchange Differences		Balance at End of Period
<u>Cost</u>						
Software	\$ 108,386	\$ 16,648	\$ 26,791	\$ (478)		\$ 97,765
Others	13,000	-	13,000	-		-
	<u>121,386</u>	<u>16,648</u>	<u>39,791</u>	<u>(478)</u>		<u>97,765</u>
<u>Accumulated amortization</u>						
Software	62,447	\$ 15,237	\$ 26,791	\$ (397)		50,496
Others	11,917	1,083	13,000	-		-
	<u>74,364</u>	<u>16,320</u>	<u>39,791</u>	<u>(397)</u>		<u>50,496</u>
Carrying amount at June 30, 2020	\$ 47,022					\$ 47,269

Intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Software	3 years
Others	3 years

16. OTHER FINANCIAL ASSETS

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Non-current</u>			
Restricted time deposits (Note 34)	\$ 155,149	\$ 157,665	\$ 157,665
Refundable deposits	<u>13,186</u>	<u>13,887</u>	<u>13,746</u>
	<u>\$ 168,335</u>	<u>\$ 171,552</u>	<u>\$ 171,411</u>

17. OTHER ASSETS

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Current</u>			
Prepayments	<u>\$ 328,581</u>	<u>\$ 118,182</u>	<u>\$ 199,532</u>

18. BORROWINGS

Long-term borrowings

	June 30, 2021	December 31, 2020	June 30, 2020
Secured borrowings from financial institutions	\$ 7,921,875	\$ 10,291,437	\$ 8,720,887
Unsecured borrowings from financial institutions	<u>5,004,000</u>	<u>5,880,000</u>	<u>4,605,000</u>
	12,925,875	16,171,437	13,325,887
Less: Current portion	4,847,345	5,412,007	3,711,456
Less: Arrangement fee	12,400	22,555	30,829
Less: Government loan discount	<u>7,122</u>	<u>-</u>	<u>-</u>
Long-term borrowings	<u>\$ 8,059,008</u>	<u>\$ 10,736,875</u>	<u>\$ 9,583,602</u>
Interest rate	0.50%-1.79%	0.93%-1.79%	0.92%-1.79%

	Repayment Term	June 30, 2021	December 31, 2020	June 30, 2020
Secured syndicated loan denominated in NT\$	From June 2019 to February 2024	\$ 7,700,000	\$ 7,700,000	\$ 4,600,000
Unsecured bank borrowings denominated in NT\$	From March 2020 to March 2022	1,200,000	1,200,000	1,200,000
Unsecured bank borrowings denominated in NT\$	From December 2020 to December 2023	600,000	600,000	-
Unsecured bank borrowings denominated in NT\$	From August 2020 to February 2023	600,000	600,000	-
Unsecured bank borrowings denominated in NT\$	From August 2020 to August 2023	500,000	500,000	-
Unsecured bank borrowings denominated in NT\$	From August 2020 to August 2023	500,000	500,000	-
Unsecured bank borrowings denominated in NT\$	From June 2020 to June 2023	500,000	500,000	500,000
Unsecured bank borrowings denominated in NT\$	From April 2019 to April 2022	300,000	450,000	600,000
Unsecured bank borrowings denominated in NT\$	From June 2020 to June 2023	300,000	300,000	300,000
Secured bank borrowings denominated in NT\$	From September 2017 to September 2022	156,250	218,750	281,250
Unsecured bank borrowings denominated in NT\$	From April 2021 to April 2028	84,000	-	-
Unsecured bank borrowings denominated in NT\$	From April 2021 to April 2028	83,000	-	-
Unsecured bank borrowings denominated in NT\$	From April 2021 to April 2031	82,000	-	-
Unsecured bank borrowings denominated in NT\$	From July 2019 to July 2022	75,000	150,000	225,000
Unsecured bank borrowings denominated in NT\$	From April 2021 to April 2028	68,000	-	-
Secured bank borrowings denominated in NT\$	From September 2018 to September 2021	65,625	196,875	328,125

(Continued)

	Repayment Term	June 30, 2021	December 31, 2020	June 30, 2020
Unsecured bank borrowings denominated in NT\$	From September 2018 to September 2021	\$ 60,000	\$ 120,000	\$ 180,000
Unsecured bank borrowings denominated in NT\$	From April 2021 to April 2028	52,000	-	-
Unsecured bank borrowings denominated in NT\$	Pay off in June 2021	-	960,000	1,200,000
Secured syndicated loan denominated in NT\$	Pay off in January 2021	-	2,175,812	3,511,512
Unsecured bank borrowings denominated in NT\$	Pay off in December 2020	-	-	300,000
Unsecured bank borrowings denominated in NT\$	Pay off in September 2020	-	-	100,000
Less: Current portion		4,847,345	5,412,007	3,711,456
Less: Arrangement fee		12,400	22,555	30,829
Less: Government loan discount		<u>7,122</u>	<u>-</u>	<u>-</u>
Total long-term borrowings		<u>\$ 8,059,008</u>	<u>\$ 10,736,875</u>	<u>\$ 9,583,602</u> (Concluded)

To repay the vested liabilities, purchase equipment or machinery and increase operating funds, the Group signed a 5-year syndicated loan agreement with 7 financial institutions in November 2017 with a total amount of NT\$7.7 billion. In January 2021, the Group repaid all of the loan in advance.

To purchase equipment or machinery, the Group has entered into a 5-year syndicated loan agreement with 9 financial institutions including the Taiwan Cooperative Bank in January 2019 with the total amount of NT\$8 billion. The Group provided notes used as refundable guarantees for syndicated loan mentioned above that will be cancelled upon termination of the guarantee.

The Ministry of Economic Affairs implemented the “Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan” on January 1, 2019, which provided enterprises to make compliant investments with financial institutions at preferential interest rates. The Group has obtained the approval of the Ministry of Economic Affairs to qualify for the project loan and signed a loan contract with a financial institution to obtain a financing line of NT\$6.7 billion, with a credit period of seven to 10 years. The funds obtained are used for investment in expanded factory, purchased machinery and equipment, buildings and operating turnover, etc. The details of government grants are set out in Note 30.

In addition, the Group’s floating borrowing rate on the above borrowing is reset every one to three months.

The loan agreement requires the maintenance of a current ratio, debt ratio, and interest coverage ratio based on the Group’s semi-annual and annual consolidated financial statements. For the six months ended June 30, 2021 and 2020 and the year ended December 31, 2020, the Group met the financial ratio covenants.

The details of assets pledged as collaterals for long-term loans are set in Note 34.

19. NOTES PAYABLE AND TRADE PAYABLES

	June 30, 2021	December 31, 2020	June 30, 2020
Trade payables	\$ 3,247,785	\$ 2,940,531	\$ 2,476,281

The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

20. OTHER PAYABLES

	June 30, 2021	December 31, 2020	June 30, 2020
Payable for donation	\$ 290,837	\$ 177,957	\$ 97,956
Payable for bonuses	192,505	260,131	323,794
Payable for maintenance and repair	184,557	192,006	188,016
Payable for patents	125,798	129,333	162,552
Payable for insurance	98,879	71,324	75,929
Payable for dividends	12,935	13,333	2,219,514
Others	<u>605,067</u>	<u>637,710</u>	<u>587,176</u>
	<u>\$ 1,510,578</u>	<u>\$ 1,481,794</u>	<u>\$ 3,664,937</u>

21. OTHER LIABILITIES

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Current</u>			
Refund liabilities	\$ 154,261	\$ 128,992	\$ 172,507
Receipts under custody	42,794	35,032	32,614
Temporary credits	7,713	7,525	9,500
Guarantee deposits	<u>-</u>	<u>160,721</u>	<u>-</u>
	<u>\$ 204,768</u>	<u>\$ 332,270</u>	<u>\$ 214,621</u>
<u>Non-current</u>			
Guarantee deposits	\$ 10,914	\$ 19,409	\$ 140,000
Government grants deferred revenue (Note 30)	7,360	-	-
Others	<u>8</u>	<u>9</u>	<u>9</u>
	<u>\$ 18,282</u>	<u>\$ 19,418</u>	<u>\$ 140,009</u>

22. PROVISIONS

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Current</u>			
Employee benefits (a)	<u>\$ 28,220</u>	<u>\$ 22,687</u>	<u>\$ 26,320</u>

- a. The provision for employee benefits represents vested long service leave entitlements accrued.

23. RETIREMENT BENEFIT PLANS

- a. Defined contribution plans

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

The Group's subsidiaries in Hong Kong, the USA, Europe, Japan, Korea, Singapore and China 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

Employee benefit expenses in respect of the Group's defined benefit retirement plans were NT\$2,075 thousand and NT\$3,447 thousand for the three months ended June 30, 2021 and 2020, respectively, and NT\$4,149 thousand and NT\$6,894 thousand for the six months ended June 30, 2021 and 2020, respectively, and were calculated using the actuarially determined pension cost discount rate as of December 31, 2020 and 2019.

The Group maintains a separate executive pension plan, and the net periodic pension costs were NT\$1,304 thousand and NT\$1,708 thousand for the three months ended June 30, 2021 and 2020 and NT\$2,609 thousand and NT\$3,417 thousand for the six months ended June 30, 2021 and 2020, respectively.

24. EQUITY

- a. Share capital

Ordinary shares

	June 30, 2021	December 31, 2020	June 30, 2020
Numbers of shares authorized (in thousands)	<u>6,550,000</u>	<u>6,550,000</u>	<u>6,550,000</u>
Share authorized	<u>\$ 65,500,000</u>	<u>\$ 65,500,000</u>	<u>\$ 65,500,000</u>
Numbers of shares issued and fully paid (in thousands)	<u>1,856,127</u>	<u>1,856,302</u>	<u>1,856,309</u>
Shares issued	<u>\$ 18,561,270</u>	<u>\$ 18,563,017</u>	<u>\$ 18,563,091</u>

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and carry a right to dividends.

A total of 864,704 thousand shares and 650,000 thousand shares of the Company's authorized shares were reserved for the issuance of convertible bonds and employee share options.

b. Capital surplus

	June 30, 2021	December 31, 2020	June 30, 2020
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)			
Donations	\$ 37	\$ 37	\$ 37
Treasury share transactions	<u>33,096</u>	<u>33,096</u>	<u>30,769</u>
	<u>\$ 33,133</u>	<u>\$ 33,133</u>	<u>\$ 30,806</u>
May be used to offset a deficit only			
Issuance of ordinary shares	\$ 145,590	\$ 145,378	\$ -
Changes in percentage of ownership interests in subsidiaries (2)	<u>4,609</u>	<u>4,609</u>	<u>4,609</u>
	<u>\$ 150,199</u>	<u>\$ 149,987</u>	<u>\$ 4,609</u>
May not be used for any purpose			
Employee restricted shares	<u>\$ 203,546</u>	<u>\$ 201,652</u>	<u>\$ 344,693</u>

1) 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 paid-in capital and once a year).

2) Such capital surplus arises from changes in capital surplus of subsidiaries accounted for by using the equity method.

c. Retained earnings and dividends policy

The Company's Articles of Incorporation, state that, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside a legal reserve 10% of the remaining profit (until the amount of the legal reserve equals the amount of the Company's paid-in capital), 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. For the policies on the distribution of compensation of employees and remuneration of directors after the amendment, refer to "Compensation of employees and remuneration of directors" in Note 26 (g).

The Company is classified under the capital intensive industry. In accordance with the long-term financial program of the Company, the above shareholders' dividends can be retained as undistributed earnings, and then be distributed in future, as determined by the shareholders at the Annual General Meeting.

Distributions shall be prioritized to take the form of cash dividends. Nevertheless, it still depends on the Company's financial, sales or operating conditions. The Company's Articles of Incorporation provide that no more than 50% of the current year's total amount of distributable earnings can be distributed in the form of share dividends.

The 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 any deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriation of earnings for 2020 and 2019, which had been proposed by the Company's board of directors on February 26, 2021 and resolved by the shareholders in the Company's general meeting of shareholders on May 27, 2020, respectively, were as follows:

	Appropriation of Earnings	
	For the Year Ended December 31	
	2020	2019
Legal reserve	\$ 529,410	\$ 301,196
Special reserve	\$ (329,835)	\$ (385,857)
Cash dividends	\$ 2,227,424	\$ 2,207,891
Cash dividends per share (NT\$)	\$ 1.2	\$ 1.2

The Group suspends its originally scheduled shareholders' meeting in response to the FSC's announcement: "For pandemic prevention, the FSC demands public companies to postpone their shareholders' meetings". The appropriation of earnings for 2020 is subject to the resolution of the shareholders in the shareholders' meeting to be held on August 17, 2021.

d. Special reserve

	For the Six Months Ended	
	June 30	
	2021	2020
Beginning at January 1	\$ 621,195	\$ 1,007,052
Appropriations in respect of		
Treasury shares reversal	-	(36,882)
Reversal of the debits to other equity items	-	(348,975)
Balance at June 30	\$ 621,195	\$ 621,195

According to the shareholding ratio, the special reserve is calculated based on the difference between the market value of the parent company's shareholdings and the carrying amount, and the special reserve will be partially reversed on market price.

e. Others equity items

1) Exchange differences on translation of the financial statements of foreign operations

	For the Six Months Ended June 30	
	2021	2020
Balance at January 1	\$ (386,090)	\$ (235,880)
Exchange differences on translation of the financial statements of foreign operations	<u>(85,131)</u>	<u>(51,526)</u>
Balance at June 30	<u>\$ (471,221)</u>	<u>\$ (287,406)</u>

2) Unrealized gain on financial assets at FVTOCI

	For the Six Months Ended June 30	
	2021	2020
Balance at January 1	\$ 171,026	\$ (299,040)
Recognized for the period		
Unrealized gain - equity instrument	<u>296,968</u>	<u>22,672</u>
Other comprehensive income recognized for the period	467,994	(276,368)
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	<u>179,606</u>	<u>16,050</u>
Balance at June 30	<u>\$ 647,600</u>	<u>\$ (260,318)</u>

3) Employee unearned benefit

In the meeting of shareholders on June 16, 2016 and June 18, 2019, the shareholders approved a restricted share plan for employees. Refer to Note 29 for the information of restricted shares issued.

	For the Six Months Ended June 30	
	2021	2020
Balance at January 1	\$ (150,555)	\$ (443,066)
Share-based payment expenses recognized	63,337	167,418
Adjustments for change of turnover rate	<u>(702)</u>	<u>-</u>
Balance at June 30	<u>\$ (87,920)</u>	<u>\$ (275,648)</u>

f. Non-controlling interests

	For the Six Months Ended June 30	
	2021	2020
Balance at January 1	\$ 800	\$ 1,276
Share of gain (loss) for the period	4	(234)
Other comprehensive income (loss) for the period		
Exchange difference on translation of the financial statements of foreign operations	<u>(1)</u>	<u>(3)</u>
Balance at June 30	<u>\$ 803</u>	<u>\$ 1,039</u>

g. Treasury shares

The Company's shares held by its subsidiaries at June 30, 2021, December 31, 2020 and June 30, 2020 were as follows:

Name of Subsidiary	Number of Shares Held (In Thousands)	Carrying Amount	Market Price
<u>June 30, 2021</u>			
Hui Ying	1,957	\$ 159,061	\$ 89,417
<u>December 31, 2020</u>			
Hui Ying	1,957	\$ 159,061	\$ 82,765
<u>June 30, 2020</u>			
Hui Ying	1,957	\$ 159,061	\$ 60,655

The Company's shares held by subsidiaries are regarded as treasury shares; shareholder's rights are retained, except the rights to participate in any share issuance for cash and to vote.

25. REVENUE

a. Disaggregation of revenue from contracts with customers

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
<u>Products</u>				
Flash	\$ 7,596,039	\$ 5,509,686	\$ 13,749,613	\$ 10,865,486
ROM	3,001,197	3,113,437	5,497,921	6,609,560
Foundry	827,853	623,097	1,803,181	1,184,956
Other	<u>1,357</u>	<u>25,069</u>	<u>2,876</u>	<u>26,445</u>
	<u>\$ 11,426,446</u>	<u>\$ 9,271,289</u>	<u>\$ 21,053,591</u>	<u>\$ 18,686,447</u>

b. Contract balances

	June 30, 2021	December 31, 2020	June 30, 2020
Contract liabilities (classified as current liabilities)	<u>\$ 101,143</u>	<u>\$ 92,195</u>	<u>\$ 28,447</u>

The changes in the contract liability balances primarily result from the timing difference between the satisfaction of the performance obligation and the customer's payment.

The Company recognized revenue from the beginning balance of contract liabilities as follow:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
From the beginning balance of contract liabilities				
Sale of goods	<u>\$ 9,458</u>	<u>\$ 5,649</u>	<u>\$ 70,562</u>	<u>\$ 97,172</u>

26. NET PROFIT (LOSS) AND OTHER COMPREHENSIVE INCOME (LOSS) FROM CONTINUING OPERATIONS

a. Interest income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Bank deposits	<u>\$ 5,118</u>	<u>\$ 10,252</u>	<u>\$ 9,801</u>	<u>\$ 20,461</u>

b. Other income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Dividend income	\$ 47,007	\$ 48,821	\$ 47,007	\$ 48,821
Others	<u>9,215</u>	<u>8,624</u>	<u>14,464</u>	<u>13,982</u>
	<u>\$ 56,222</u>	<u>\$ 57,445</u>	<u>\$ 61,471</u>	<u>\$ 62,803</u>

c. Other gains and losses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Net foreign exchange (losses)				
gains	\$ (125,293)	\$ 7,821	\$ (239,320)	\$ 115,428
Others	<u>(8,188)</u>	<u>(9,505)</u>	<u>(11,424)</u>	<u>(18,140)</u>
	<u>\$ (133,481)</u>	<u>\$ (1,684)</u>	<u>\$ (250,744)</u>	<u>\$ 97,288</u>

d. Finance costs

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Interest on loans	\$ 54,570	\$ 59,341	\$ 119,408	\$ 123,809
Interest on lease liabilities	4,869	5,139	9,863	10,289
Less: Amounts included in the cost of qualifying assets	<u>(327)</u>	<u>(6,173)</u>	<u>(420)</u>	<u>(21,157)</u>
	<u>\$ 59,112</u>	<u>\$ 58,307</u>	<u>\$ 128,851</u>	<u>\$ 112,941</u>

Information about capitalized interest was as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Capitalized interest	\$ 327	\$ 6,173	\$ 420	\$ 21,157
Capitalization rate	0.67%	1.78%	1.68%	1.81%

e. Depreciation and amortization

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
An analysis of depreciation by function				
Operating costs	\$ 895,827	\$ 814,055	\$ 1,789,119	\$ 1,520,874
Operating expenses	<u>149,799</u>	<u>113,986</u>	<u>283,328</u>	<u>221,223</u>
	<u>\$ 1,045,626</u>	<u>\$ 928,041</u>	<u>\$ 2,072,447</u>	<u>\$ 1,742,097</u>
An analysis of amortization by function				
Operating costs	\$ 4,457	\$ 2,916	\$ 8,922	\$ 6,177
Operating expenses	<u>6,073</u>	<u>4,386</u>	<u>10,979</u>	<u>10,143</u>
	<u>\$ 10,530</u>	<u>\$ 7,302</u>	<u>\$ 19,901</u>	<u>\$ 16,320</u>

f. Employee benefits expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Post-employment benefits (Note 23)				
Defined contribution plans	\$ 60,267	\$ 49,590	\$ 121,785	\$ 99,650
Defined benefit plans	<u>3,379</u>	<u>5,155</u>	<u>6,758</u>	<u>10,311</u>
	63,646	54,745	128,543	109,961

(Continued)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Share-based payments				
Equity-settled	\$ 32,455	\$ 83,709	\$ 63,337	\$ 167,418
Other employee benefits	<u>2,000,186</u>	<u>1,737,236</u>	<u>3,945,570</u>	<u>3,426,052</u>
Total employee benefits expense	<u>\$ 2,096,287</u>	<u>\$ 1,875,690</u>	<u>\$ 4,137,450</u>	<u>\$ 3,703,431</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 911,519	\$ 819,200	\$ 1,799,140	\$ 1,612,237
Operating expenses	<u>1,184,768</u>	<u>1,056,490</u>	<u>2,338,310</u>	<u>2,091,194</u>
	<u>\$ 2,096,287</u>	<u>\$ 1,875,690</u>	<u>\$ 4,137,450</u>	<u>\$ 3,703,431</u>

(Concluded)

g. Compensation of employees and remuneration of directors

In compliance with the Articles of Incorporation, the Company accrued compensation of employees and remuneration of directors at the rates of 15% and no higher than 2%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. For the three months ended June 30, 2021 and 2020 and the six months ended June 30, 2021 and 2020, the estimated compensation of employees and the remuneration of directors were as follows:

Amount

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Compensation of employees	<u>\$ 389,160</u>	<u>\$ 251,498</u>	<u>\$ 567,100</u>	<u>\$ 472,391</u>
Remuneration of directors	<u>\$ 51,888</u>	<u>\$ 33,534</u>	<u>\$ 75,613</u>	<u>\$ 62,986</u>

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

The appropriations of compensation of employees and remuneration of directors for 2020 and 2019 that were resolved by the board of directors on February 26, 2021 and February 17, 2020, respectively, are as shown below:

Amount

	For the Year Ended December 31	
	2020	2019
	Cash	Cash
Compensation of employees	<u>\$ 1,050,180</u>	<u>\$ 544,330</u>
Remuneration of directors	<u>\$ 140,024</u>	<u>\$ 72,577</u>

There is no difference between the actual amounts of the compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2020 and 2019.

Information on the compensation of employees 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. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Current tax				
In respect of the current period	\$ 122,105	\$ 9,487	\$ 196,539	\$ 13,274
Adjustments for prior period	3,585	(7)	3,585	(7)
Overseas income tax	454	472	826	890
Deferred tax				
In respect of the current period	<u>122,324</u>	<u>60,624</u>	<u>122,324</u>	<u>60,624</u>
Income tax expense recognized in loss	<u>\$ 248,468</u>	<u>\$ 70,576</u>	<u>\$ 323,274</u>	<u>\$ 74,781</u>

b. Income tax assessments

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

28. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Basic earnings per share	<u>\$ 1.04</u>	<u>\$ 0.72</u>	<u>\$ 1.54</u>	<u>\$ 1.39</u>
Diluted earnings per share	<u>\$ 1.03</u>	<u>\$ 0.72</u>	<u>\$ 1.52</u>	<u>\$ 1.37</u>

The income and weighted average number of ordinary shares outstanding in the computation of earnings per share from continuing operations were as follows:

Net income for the period

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Income for the period attributable to owners of the Company	<u>\$ 1,925,326</u>	<u>\$ 1,330,003</u>	<u>\$ 2,841,664</u>	<u>\$ 2,552,284</u>

Weighted average number of ordinary shares outstanding (in thousand shares):

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Weighted average number of ordinary shares in computation of basic earnings per share	1,844,403	1,837,936	1,844,400	1,837,933
Effects of potentially dilutive ordinary shares:				
Restricted shares to employees	7,434	8,015	7,503	8,308
Compensation of employees or bonus issue to employees	<u>12,409</u>	<u>8,113</u>	<u>19,242</u>	<u>20,878</u>
Weighted average number of ordinary shares in computation of diluted earnings per share	<u>1,864,246</u>	<u>1,854,064</u>	<u>\$1,871,145</u>	<u>1,867,119</u>

The Group may settle compensation or bonuses paid to employees in cash or shares; therefore, the Group assumes that the entire amount of the compensation or bonus will be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

29. SHARE-BASED PAYMENT ARRANGEMENTS

Restricted share plan for employees

Information on share plan for employees was as below:

Approved Date	Grant Shares (Thousand)	Shares Granted by the Board of Directors (Thousand)	Grant Date	Issued Date	Issued Shares (Thousand)	Fair Value
2016/06/16	123,535	58,971	2016/10/25	2017/01/03	57,476	\$ 4.73
2019/06/18	35,294	16,815	2019/10/21	2020/06/16	16,400	32.55

To meet the vesting conditions, an employee has to meet performance and other conditions over the vesting period listed as follows:

- If an employee remains employed by the Company for one year after the grant date; and has a current year's performance rating of "successful" (or higher) /A0 or A1, 40% of the restricted shares will be vested;
- If an employee remains employed by the Company for two years after the grant date; and has a current year's performance rating of "successful" (or higher) /A0 or A1, 30% of the restricted shares will be vested;
- If an employee remains employed by the Company for three years after grant date; and has a current year's performance rating of "successful" (or higher) /A0 or A1, 30% of the restricted shares will be vested.

In addition to the vesting conditions, the limitations are as follows:

- a. Employees, except for inheritance, should not sell, transfer, pledge, donate or in any other way dispose of the shares.
- b. The shares should be held in shares trust.
- c. Except for the above two paragraphs, the other rights of the restricted share plan for employees, which include, but are not limited to, dividends, bonuses, the distribution rights of the legal reserve and capital surplus, share options of cash capital voting rights of shareholders, etc., are the same as the Group's issued ordinary shares.
- d. The dividends of restricted share plan for employees are not restricted by existing conditions.
- e. When a new share is returned in cash due to the Company's capital reduction, the refund of the vested capital loss shall be under custodian trust. In accordance with the issuance method, such capital and shares shall be granted if the vesting conditions for new restricted employee shares are met. The vested shares are granted to employees without interests; if the vested conditions are not met, such cash will be recovered by the Company (applicable to the shareholders' resolution of restricted share plan in the 2019 shareholders' meeting).

When employees do not reach the vesting conditions of restricted share plan for employees during the year, the Company will recover and cancel the shares.

Information on restricted share plan for employees was as follows:

	Number of Shares (In Thousands)	
	For the Six Months Ended	
	June 30	
	2021	2020
Balance at January 1	9,836	23
Issued	-	16,400
Vested	(10)	(11)
Forfeited (Note)	<u>(140)</u>	<u>(7)</u>
Balance at June 30	<u>9,686</u>	<u>16,405</u>

Note: The forfeited shares for the six months ended June 30, 2021 were 81 thousand shares which will be cancelled and 59 thousand shares which were already cancelled, and the forfeited shares for the six months ended June 30, 2020 include 7 thousand shares which will be cancelled.

For the three months ended June 30, 2021 and 2020, the compensation cost recognized was \$32,455 thousand and \$83,709 thousand, respectively. For the six months ended June 30, 2021 and 2020, the compensation cost recognized was \$63,337 thousand and \$167,418 thousand, respectively.

30. GOVERNMENT GRANTS

As of June 30, 2021, the Company obtained a government preferential interest rate loan of \$369,000 thousand from the "Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan". The loan will be repaid on an average monthly basis after the date of expiry. At the time of the borrowing, the fair value of the borrowing was estimated based on the market interest rate. The difference between the amount obtained and the fair value of the loan is \$7,459 thousand, which is regarded as a government low interest loan and recognized as deferred income. For the six months ended June 30, 2021, the Company recognized other income of \$99 thousand and the interest expense of the loan of \$337 thousand, respectively.

31. CAPITAL MANAGEMENT

The Group manages its capital to ensure that the Group will be able to operate under the premises of going concerns and growth while maximizing the return to shareholders through the optimization of the debt and equity balance.

The Group's strategy for managing the capital structure is to lay out the plan of product development and expand the market share considering the growth and the magnitude of industry and further developing an integral plan founded on the required capacity, capital outlay, and magnitude of assets in long-term development. Ultimately, considering the risk factors such as the fluctuation of the industry cycle and the life cycle of products, the Group determines the optimal capital structure by estimating the profitability of products, operating profit ratio, and cash flow based on the competitiveness of products.

The management of the Group periodically examines the capital structure and contemplates on the potential costs and risks involved while exerting different financial tools. In general, the Group implements prudent strategy of risk management.

32. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

The management considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values or their fair values cannot be reliably measured.

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

<u>June 30, 2021</u>	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Foreign convertible preference shares	\$ -	\$ -	\$ 83,580	\$ 83,580
Financial assets at FVTOCI				
Equity securities				
Securities listed in ROC	\$ 1,703,384	\$ -	\$ -	\$ 1,703,384
Securities listed in other countries	437,546	-	-	437,546
Securities unlisted	-	-	391,478	391,478
	<u>\$ 2,140,930</u>	<u>\$ -</u>	<u>\$ 391,478</u>	<u>\$ 2,532,408</u>
<u>December 31, 2020</u>	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Equity securities				
Securities listed in ROC	\$ 1,461,804	\$ -	\$ -	\$ 1,461,804
Securities listed in other countries	453,571	-	-	453,571
Severities unlisted	-	-	420,699	420,699
	<u>\$ 1,915,375</u>	<u>\$ -</u>	<u>\$ 420,699</u>	<u>\$ 2,336,074</u>

June 30, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Equity securities				
Securities listed in ROC	\$ 1,213,248	\$ -	\$ -	\$ 1,213,248
Securities listed in other countries	327,250	-	-	327,250
Securities unlisted	<u>-</u>	<u>-</u>	<u>455,630</u>	<u>455,630</u>
	<u>\$ 1,540,498</u>	<u>\$ -</u>	<u>\$ 455,630</u>	<u>\$ 1,996,128</u>

There were no transfers between Level 1 and Level 2 in the current and prior periods.

2) Reconciliation of Level 3 fair value measurements of financial assets

For the Six Months Ended June 30, 2021

Financial Assets	Financial Assets at FVTPL	Financial Assets at FVTOCI	Total
Balance at January 1	\$ -	\$ 420,699	\$ 420,699
Additions	85,605	-	85,605
Total gain (loss) recognized in other comprehensive income (unrealized gain (loss) on financial assets at FVTOCI)	-	(29,221)	(29,221)
Effects of foreign currency exchange differences	<u>(2,025)</u>	<u>-</u>	<u>(2,025)</u>
Balance at June 30	<u>\$ 83,580</u>	<u>\$ 391,478</u>	<u>\$ 475,058</u>

For the Six Months Ended June 30, 2020

Financial Assets	Financial Assets at FVTPL - Foreign Convertible Preference Shares	Financial Assets at FVTOCI - Equity Instruments	Total
Balance at January 1	\$ -	\$ 396,986	\$ 396,986
Total gain (loss) recognized in other comprehensive income (unrealized gain (loss) on financial assets at FVTOCI)	<u>-</u>	<u>58,644</u>	<u>58,644</u>
Balance at June 30	<u>\$ -</u>	<u>\$ 455,630</u>	<u>\$ 455,630</u>

3) Valuation used in Level 3 fair value measurement

The fair values of equity securities listed in the ROC and other countries and foreign convertible preference shares was arrived at using either the asset-based approach or based on the multiplier evaluated in the active market by the market approach and adjustments of liquidity.

c. Categories of financial instruments

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Financial assets</u>			
Measured at amortized costs (1)	\$ 17,752,645	\$ 17,159,824	\$ 15,229,465
Measured at FVTPL	83,580	-	-
Measured at FVTOCI	2,532,408	2,336,074	1,996,128

Financial liabilities

Measured at amortized cost (2)	22,663,287	25,167,034	23,531,051
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- 1) The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, trade receivables (including receivables from related parties), other receivables and other financial assets.
- 2) The balances included financial liabilities measured at amortized cost, which comprise, notes payable and trade payables (including payables to related parties), other payables (including other payables to related parties), payables for purchases of equipment, guarantee deposits received and long-term loans (including current portion).

d. Financial risk management objectives and policies

The Group manages its exposure to risks relating to the operations through market risk, credit risk, and liquidity risk with the objective to reduce the potentially adverse effects the market uncertainties may have on its financial performance.

The plans for material treasury activities are reviewed by management in accordance with procedures required by relevant regulations or internal controls. During the implementation of such plans, the Group must comply with certain treasury procedures that provide guiding principles for overall financial risk management.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below), interest rates (see (b) below), and other price risk (see (c) below).

a) Foreign currency risk

The Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts.

Sensitivity analysis

The Group was mainly exposed to the USD and JPY.

The sensitivity analysis of foreign currency risk focuses mainly on exchange rates for transactions in currencies other than the entity's functional currency (i.e., foreign currencies) which are recognized at the rates of exchange prevailing at the end of each reporting period.

The following table details the Group's sensitivity to a 3% and 10% increase in New Taiwan dollars (i.e., the functional currency) against the USD and JPY, respectively. The sensitivity rates used are 3% and 10% when reporting foreign currency risk internally to key management personnel.

	USD Impact		JPY Impact	
	For the Six Months Ended		For the Six Months Ended	
	June 30		June 30	
	2021	2020	2021	2020
Pre-tax profit decrease (increase)	<u>\$ 89,245</u>	<u>\$ 78,387</u>	<u>\$ 51,654</u>	<u>\$ (12,596)</u>

b) Interest rate risk

The Group is exposed to interest rate risk from outstanding bank loans. Interest rates of the Group's long-term bank loans are floating, and changes in interest rates would affect the future cash flows but not the fair value.

The sensitivity analysis of interest is performed based on the financial liabilities exposed to cash flow interest rate risk at the end of each reporting period.

If interest rates had been 50 basis points higher/lower, the Group's pre-tax loss for the six months ended June 30, 2021 and 2020 would have decreased/increased by \$32,266 thousand and \$33,238 thousand, respectively.

c) Other price risk

The Group was exposed to equity price risk through its investments in equity securities. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments.

Sensitive analysis

A sensitivity analysis of equity price is performed based on the fair values of equity investments at the end of each reporting period.

If equity prices had been 10% higher/lower, equity for the six months ended June 30, 2021 and 2020 would have increased/decreased by \$253,241 thousand and \$199,613 thousand, respectively, as a result of the changes in fair value of available-for-sale investments.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's exposure to credit risk mainly arises from trade receivables - operating, bank deposits, and other financial instruments. Credit risk is managed separately for business related and financial related exposures.

Business related credit risk

In order to maintain the credit quality of trade receivables, the Group has established procedures to monitor and limit exposure to credit risk on trade receivables.

Credit evaluation is performed in the consideration of the relevant factors, such as financial condition, external and internal credit scoring, historical experience, and economic conditions, which may affect the customer's paying ability. The Group holds some of the credit enhancements such as prepayments and collateral to mitigate its credit risks.

Trade receivables consisted of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of trade receivables and, where appropriate, credit guarantee insurance cover is purchased.

As of June 30, 2021, December 31, 2020 and June 30, 2020, the Group's ten largest customers accounted for 48%, 57% and 57% of its total trade receivables (including receivables from related parties), respectively. The Group believed that the concentration of credit risk is relatively insignificant for the remaining trade receivables.

Financial credit risk

The Group's exposure to financial credit risk which pertained to bank deposits and other financial instruments were evaluated and monitored by Corporate Treasury function. The Group only deals with creditworthy counterparties and banks so that no significant credit risk was identified.

3) Liquidity risk

The objective of liquidity risk management is to ensure the Group has sufficient liquidity to fund its business requirements of cash and cash equivalents and the unused of financing facilities associated with existing operations.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual, undiscounted payments, including principal and estimated interest of interest bearing.

June 30, 2021

	On Demand or Less than 1 Year	1-3 Years	3-5 Years	5+ Years	Total
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	\$ 11,834,095	\$ -	\$ -	\$ -	\$ 11,834,095
Lease liabilities	133,027	210,139	177,664	591,005	1,111,835
Interest bearing	<u>5,019,102</u>	<u>7,861,584</u>	<u>171,905</u>	<u>189,046</u>	<u>13,241,637</u>
	<u>\$ 16,986,224</u>	<u>\$ 8,071,723</u>	<u>\$ 349,569</u>	<u>\$ 780,051</u>	<u>\$ 26,187,567</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 133,027</u>	<u>\$ 387,803</u>	<u>\$ 368,148</u>	<u>\$ 215,135</u>	<u>\$ 7,722</u>	<u>\$ -</u>

December 31, 2020

	On Demand or Less than 1 Year	1-3 Years	3-5 Years	5+ Years	Total
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	\$ 10,702,363	\$ -	\$ -	\$ -	\$ 10,702,363
Lease liabilities	128,813	227,291	188,559	630,296	1,174,959
Interest bearing	<u>5,626,283</u>	<u>8,046,662</u>	<u>2,891,576</u>	<u>-</u>	<u>16,564,521</u>
	<u>\$ 16,457,459</u>	<u>\$ 8,273,953</u>	<u>\$ 3,080,135</u>	<u>\$ 630,296</u>	<u>\$ 28,441,843</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 128,813</u>	<u>\$ 415,850</u>	<u>\$ 376,402</u>	<u>\$ 245,069</u>	<u>\$ 8,825</u>	<u>\$ -</u>

June 30, 2020

	On Demand or Less than 1 Year	1-3 Years	3-5 Years	5+ Years	Total
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	\$ 11,657,317	\$ -	\$ -	\$ -	\$ 11,657,317
Lease liabilities	124,072	226,133	198,400	671,124	1,219,729
Interest bearing	<u>3,921,154</u>	<u>7,487,297</u>	<u>2,319,428</u>	<u>-</u>	<u>13,727,879</u>
	<u>\$ 15,702,543</u>	<u>\$ 7,713,430</u>	<u>\$ 2,517,828</u>	<u>\$ 671,124</u>	<u>\$ 26,604,925</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 124,072</u>	<u>\$ 424,533</u>	<u>\$ 386,193</u>	<u>\$ 275,003</u>	<u>\$ 9,928</u>	<u>\$ -</u>

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities were subject to change if changes in variable interest rates were to differ from those estimates of interest rates determined at the end of the reporting period.

33. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

- a. Related parties and their relationships associated with the Company:

Related Party	Relationship with the Company
MegaChips Corporation (MegaChips)	Key management personnel
Ardentec Corporation (Ardentec)	The Company is its major management authority
Etron Technology, Inc. (Etron)	Other related party
Macronix Education Foundation (MXIC Education)	Other related party

- b. Operating revenues

Items	Related Party Category/Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
		2021	2020	2021	2020
Sales	Key management personnel MegaChips	<u>\$ 3,043,052</u>	<u>\$ 3,144,796</u>	<u>\$ 5,568,244</u>	<u>\$ 6,613,150</u>

Sales prices for the related parties were not comparable to those for external customers as the Group was the sole provider of these customers. The sales terms for the related parties was 30 days after the monthly closing.

c. Purchases

Related Party Category/Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Key management personnel MegaChips	<u>\$ 1,933,508</u>	<u>\$ 1,798,465</u>	<u>\$ 2,971,759</u>	<u>\$ 1,830,167</u>

Materials purchased from related parties were for manufacturing process. The payment term was 30 days after monthly closing and after acceptance of material.

d. Receivables from related parties

Item	Related Party Category/ Names	June 30, 2021	December 31, 2020	June 30, 2020
Receivables from related parties, net	Key management personnel MegaChips	<u>\$ 923,814</u>	<u>\$ 1,647,427</u>	<u>\$ 1,285,745</u>
Other receivables	Others MXIC Education	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3</u>

The outstanding trade receivables from related parties are unsecured. For the six months ended June 30, 2021 and 2020, no impairment loss was recognized for trade receivables from related parties.

e. Payables to related parties

Item	Related Party Category/ Names	June 30, 2021	December 31, 2020	June 30, 2020
Payables to related parties	Key management personnel MegaChips	<u>\$ 4,606,049</u>	<u>\$ 4,062,278</u>	<u>\$ 3,147,638</u>
	The Group is its major management authority	<u>93,435</u>	<u>99,149</u>	<u>68,540</u>
		<u>\$ 4,699,484</u>	<u>\$ 4,161,427</u>	<u>\$ 3,216,178</u>
Other payables to related parties	Others MXIC Education	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,514</u>

The outstanding trade payables from related parties are unsecured and will be settled in cash.

f. Other transactions with related parties

Item	Related Party Category/Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
		2021	2020	2021	2020
Manufacturing expenses	The Group is its major management authority Ardentec	<u>\$ 81,273</u>	<u>\$ 66,684</u>	<u>\$ 163,765</u>	<u>\$ 127,558</u>
Operating expenses	Others				
	MXIC Education	\$ 5,407	\$ 5,757	\$ 10,814	\$ 11,514
	Etron	<u>-</u>	<u>91</u>	<u>-</u>	<u>91</u>
		<u>\$ 5,407</u>	<u>\$ 5,848</u>	<u>\$ 10,814</u>	<u>\$ 11,605</u>

The manufacturing expenses of related parties were comparable to those with other vendors. The payment term was 75 days after monthly closing.

g. Compensation of key management personnel

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Short-term benefits	\$ 168,599	\$ 135,769	\$ 260,697	\$ 238,513
Post-employment benefits	1,304	1,709	2,609	3,418
Share-based payments	5,261	13,878	10,522	27,757
Other long-term employee benefits	<u>11</u>	<u>68</u>	<u>21</u>	<u>18</u>
	<u>\$ 175,175</u>	<u>\$ 151,424</u>	<u>\$ 273,849</u>	<u>\$ 269,706</u>

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

34. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings, the tariff of imported raw materials guarantees, natural gas agreement, land and dormitory lease agreement:

	June 30, 2021	December 31, 2020	June 30, 2020
Property, plant and equipment, net	\$ 10,998,988	\$ 12,915,218	\$ 13,861,668
Pledge deposits (classified as other financial assets - non-current)	<u>155,149</u>	<u>157,665</u>	<u>157,665</u>
	<u>\$ 11,154,137</u>	<u>\$ 13,072,883</u>	<u>\$ 14,019,333</u>

35. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of June 30, 2020 were as follows:

- a. As of June 30, 2021, December 31, 2020 and June 30, 2020, unused letters of credit amounted to approximately \$445,760 thousand, \$0 thousand and \$418,873 thousand, respectively.
- b. Unrecognized commitments are as follows:

	June 30, 2021	December 31, 2020	June 30, 2020
Acquisition of property plant and equipment	<u>\$ 4,534,884</u>	<u>\$ 2,137,663</u>	<u>\$ 4,362,950</u>

- c. In January 2019, the Company again signed an agreement with IBM to continue the joint development of phase-change memory technology, and the agreement is effective from January 2019 to January 2022. Under the agreement, both parties share the related expenditures of the technology development, and the unrecognized contract amounts were US\$1,000 thousand.
- d. The Company's board of directors passed a resolution to donate the Innovation Center - Macronix Hall to National Cheng Kung University with a donation amount of \$420,000 thousand. As of June 30, 2021, the Company's unrecognized amount is \$70,000 thousand.
- e. The Company's board of directors passed a resolution to donate to National Cheng Kung University to establish the "School of Computing" to cultivate cross domain innovative talents with dual expertise "specific discipline" and "computing" to feedback to the society, and to fulfill Company's social responsibilities with a donation amount of \$100,000 thousand per year for the following ten years on June 2, 2020. As of June 30, 2021, the Company has allocated \$100,000 thousand.

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 currencies of the entities in the Group and the related exchange rates between foreign currencies and respective functional currencies were as follows:

June 30, 2021

	Foreign Currency (In thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
JPY	\$ 20,662,650	0.2521	\$ 5,209,054
USD	163,823	27.86	<u>4,564,123</u>
			<u>\$ 9,773,177</u>
<u>Financial liabilities</u>			
Monetary items			
JPY	18,613,684	0.2521	\$ 4,692,510
USD	57,045	27.86	<u>1,589,274</u>
			<u>\$ 6,281,784</u>

December 31, 2020

	Foreign Currency (In thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
JPY	\$ 20,790,537	0.2763	\$ 5,744,425
USD	155,570	28.48	<u>4,430,634</u>
			<u>\$ 10,175,059</u>
<u>Financial liabilities</u>			
Monetary items			
JPY	14,996,812	0.2763	\$ 4,143,619
USD	46,026	28.48	<u>1,310,820</u>
			<u>\$ 5,454,439</u>

June 30, 2020

	Foreign Currency (In thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
JPY	\$ 13,007,464	0.2751	\$ 3,578,353
USD	146,423	29.63	<u>4,338,513</u>
			<u>\$ 7,916,866</u>
<u>Financial liabilities</u>			
Monetary items			
JPY	13,465,316	0.2751	\$ 3,704,308
USD	58,239	29.63	<u>1,725,622</u>
			<u>\$ 5,429,930</u>

For the three and the six months ended June 30, 2021, realized and unrealized net foreign exchange losses were \$(125,293) thousand and \$(239,320) thousand, respectively. For the three and the six months ended June 30, 2020, realized and unrealized net foreign exchange gains were NT\$7,821 thousand and NT\$115,428 thousand, respectively. It is impractical to disclose net foreign exchange 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. SEPARATELY DISCLOSED ITEMS

- a. Information about significant transactions:
 - 1) Financing provided to others: None
 - 2) Endorsements/guarantees provided: None
 - 3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures): Table 1 (attached)
 - 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 at costs of at least NT \$300 million or 20% of the paid-in capital: None
 - 6) Disposal of individual real estate 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 amounting to at least NT\$100 million or 20% of the paid-in capital: Table 2 (attached)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 3 (attached)
 - 9) Trading in derivative instruments: None
 - 10) Intercompany relationships and significant intercompany transactions: Table 4 (attached)
- b. Information on investees: Table 5 (attached)
- c. Information on investments in mainland China:
 - 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, investment gains or losses, carrying amount of the investment at the end of the period, repatriation of investment gains or losses, and limit on the amount of investment in the mainland China area: Table 6 (attached)
 - 2) Any of the significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses: Table 4 (attached)
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: None

38. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and the assessment of segment performance emphasizes on the types of goods or services delivered or provided. Considering the nature of the product and the process of manufacture, the management integrated those divisions of similar operation functions into one operation segment. The reporting segments of the Group were as follows:

Memory products and wafer fabrication

IC design

There was no material difference between the accounting policies of the reportable segment and those described in Note 4.

a. Segment revenue and results

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

	Segment Net Operating Revenue			
	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2021	2020	2021	2020
Memory products and wafer fabrication	\$ 11,426,446	\$ 9,271,289	\$ 21,053,591	\$ 18,686,417
IC design	-	-	-	30
Total	<u>\$ 11,426,446</u>	<u>\$ 9,271,289</u>	<u>\$ 21,053,591</u>	<u>\$ 18,686,447</u>
	Segment Income from Operations and Net Income			
	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2021	2020	2021	2020
Memory products and wafer fabrication	\$ 2,308,780	\$ 1,395,376	\$ 3,479,770	\$ 2,564,038
IC design	(3,578)	(2,626)	(6,505)	(4,818)
Total	2,305,202	1,392,750	3,473,265	2,559,220
Interest income	5,118	10,252	9,801	20,461
Other income	56,222	57,445	61,471	62,803
Other gains and losses	(133,481)	(1,684)	(250,744)	97,288
Finance costs	(59,112)	(58,307)	(128,851)	(112,941)
Income before tax (continuing operations)	<u>\$ 2,173,949</u>	<u>\$ 1,400,456</u>	<u>\$ 3,164,942</u>	<u>\$ 2,626,831</u>

b. Segment total assets and liabilities

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Segment assets</u>			
Memory products and wafer fabrication	\$ 66,155,001	\$ 65,040,620	\$ 59,650,490
IC design	<u>21,321</u>	<u>19,751</u>	<u>24,405</u>
Total segment assets	66,176,322	65,060,371	59,674,895
Uncollected assets	<u>706,211</u>	<u>831,847</u>	<u>1,218,149</u>
Consolidated total assets	<u>\$ 66,882,533</u>	<u>\$ 65,892,218</u>	<u>\$ 60,893,044</u>
<u>Segment liabilities</u>			
Memory products and wafer fabrication	\$ 14,449,994	\$ 13,481,320	\$ 14,602,278
IC design	<u>5,768</u>	<u>4,256</u>	<u>4,264</u>
Total segment liabilities	14,455,762	13,485,576	14,606,542
Uncollected liabilities	<u>13,115,538</u>	<u>16,212,250</u>	<u>13,311,114</u>
Consolidated total liabilities	<u>\$ 27,571,300</u>	<u>\$ 29,697,826</u>	<u>\$ 27,917,656</u>

For the purpose of monitoring segment performance and allocating resources between segments:

- 1) All assets were allocated to reportable segments other than interests in associates accounted for using the equity method, other financial assets, and current and deferred tax assets. Assets used jointly by reportable segments were allocated on the basis of the revenue earned by individual reportable segments; and
- 2) All liabilities were allocated to reportable segments other than borrowings and other financial liabilities. Liabilities for which reportable segments are jointly liable were allocated in proportion to segment assets.

TABLE 1**MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARY****MARKETABLE SECURITIES HELD****JUNE 30, 2021****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	June 30, 2021				Shares as Collateral
				Shares/Unit	Carrying Amount	Percentage of Ownership	Fair Value	
The Company	<u>Shares</u> Ardentec Corporation	The Company serves as member of its board of directors	Financial assets at FVTOCI - non-current	35,951,871	\$ 1,625,025	7.33	\$ 1,625,025	None
	United Industrial Gases Co., Ltd.	None	"	6,671,877	359,547	3.06	359,547	None
	Zowie Technology Co., Ltd.	None	"	20,426	-	0.09	-	None
MXBVI	<u>Shares</u> Chipbond Technology Corporation	None	Financial assets at FVTOCI - non-current	1,088,319	78,359	0.16	78,359	None
	Tower Semiconductor Ltd.	None	"	500,000	409,960	0.46	409,960	None
	Amphastar Pharmaceuticals, Inc.	None	"	49,116	27,586	0.10	27,586	None
	<u>Foreign Convertible Preference Shares</u> Kneron Holding Corporation	None	Financial assets at FVTPL - non-current	566,711	83,580	1.06	83,580	None
Hui Ying	<u>Shares</u> Macronix International Co., Ltd.	The Company	Financial assets at FVTOCI - non-current	1,956,619	89,417	0.11	89,417	None
	Raio Technology Co., Ltd.	None	"	1,247,288	31,931	10.03	31,931	None

TABLE 2

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARY

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Term	Unit Price	Payment Term	Ending Balance	% to Total	
The Company	MegaChips	Its subsidiary, Shun Ying Investment, is represented in MXIC’s board of directors	Sales	\$ 5,568,244	27	30 days after monthly closing	Note 33	Note 33	\$ 923,814	14	-
	MXHK	Indirect subsidiary	Sales	3,439,001	17	45 days after monthly closing	Note 33	Note 33	1,305,272	20	-
	MXA	Subsidiary	Sales	825,749	4	Net 60 days	Note 33	Note 33	217,090	3	-
	MegaChips	Its subsidiary, Shun Ying Investment, is represented in MXIC’s board of directors	Purchase	2,971,759	49	30 days after monthly closing and after acceptance of materials	Note 33	Note 33	4,606,049	58	-
MXHK	The Company	Indirect subsidiary	Purchase	US\$ 122,405	100	45 days after monthly closing	No material difference	No material difference	US\$ 46,868	100	-
MXA	The Company	Subsidiary	Purchase	US\$ 29,340	100	Net 60 days	No material difference	No material difference	US\$ 7,792	100	-

TABLE 3

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARY

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
JUNE 30, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
The Company	MegaChips	Its subsidiary, Shun Ying Investment, is represented in MXIC’s board of directors	\$ 923,814	8.66 times	\$ -	-	\$ - thousand	\$ -
	MXHK	Indirect subsidiary	1,305,272	7.27 times	-	-	694,987 thousand	-
	MXA	Subsidiary	217,090	10.46 times	-	-	154,647 thousand	-

TABLE 4

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARY

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investee Company	Counterparty	Relationship (Note 1)		Transaction Details		
			Financial Statement Accounts	Amount	Payment Term	% to Total Revenue or Assets
The Company	MXHK	1	Sales	\$ 3,439,001	Note 2	16
			Net receivable from related parties	1,305,272	-	2
	MXE	1	Operating expenses	72,046	-	
			Other payables to related parties	46,839	-	
	MXA	1	Sales	825,749	Note 2	4
			Operating expenses	117,915	-	1
			Net receivable from related parties	217,090	-	
			Other payables to related parties	85,939	-	
	Mxtran	1	Rental revenue	218	Note 3	
	MX Asia	1	Operating expenses	59,232	-	
			Other payables to related parties	22,727	-	
MXHK	Mxm	3	Operating expenses	170,174	-	1

Note 1: The transactions from the parent company to the subsidiary are denoted as 1.

The transactions from the subsidiary to the parent company are denoted as 2.

The transactions between two subsidiaries are denoted as 3.

Note 2: The sale price referred to the product price to end customer.

Note 3: The Company leased office to related parties and collected rental revenue according to the floor space per month.

Note 4: The transaction terms with related parties were 30 to 60 days after monthly closing and were similar to those with third parties.

TABLE 5

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARY

INFORMATION ON INVESTEEES
FOR THE SIX MONTHS ENDED JUNE 30, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of June 30, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				June 30, 2021	December 31, 2020	Shares	%	Carrying Amount			
The Company	MXA	San Jose, California, U.S.A.	Sales and marketing	\$ 2,640	\$ 2,640	100,000	100.00	\$ 204,484	\$ 38,216	\$ 38,216	Subsidiary
	MXBVI	Tortola, British Virgin Islands	Investment holding company	7,348,057	7,348,057	212,048,000	100.00	2,298,638	77,982	77,982	Subsidiary
MXBVI	Hui Ying	Taipei, Taiwan	Investment	500,000	500,000	-	100.00	84,614	96	96	Subsidiary
	Run Hong	Taipei, Taiwan	Investment	984,432	984,432	-	100.00	14,052	(61)	(61)	Subsidiary
	Mxtran	Hsinchu, Taiwan	IC design	755,287	755,287	69,627,323	90.43	14,072	79	72	Subsidiary
	NTTI	San Jose, California, U.S.A.	IC design	899,931	899,931	27,450,000	100.00	267,961	(4,402)	Note	Subsidiary
	MXE	Belgium	After-sales services	2,106	2,106	999	100.00	130,005	3,721	Note	Subsidiary
	MPL	Singapore	After-sales services	3,291	3,291	174,000	100.00	21,700	626	Note	Subsidiary
	MXHK	Hong Kong	Sales and marketing	378,427	378,427	89,700,000	100.00	974,555	75,106	Note	Subsidiary
	MX Asia	Cayman Island	After-sales services	23,035	23,035	700,000	100.00	69,398	2,433	Note	Subsidiary
	Mxtran	Hsinchu, Taiwan	IC design	40,318	40,318	3,393,200	4.41	686	79	Note	Subsidiary
	Mxtran	Samoa	Investment holding company	35,979	35,979	1,170,000	100.00	963	-	Note	Subsidiary
Mxtran Samoa	Mxtran HK	Hong Kong	Investment holding company	23,880	23,880	6,152,000	100.00	410	-	Note	Subsidiary

Note: Under relevant regulations, no disclosure of investment gain (loss) is needed.

TABLE 6

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARY

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of June 30, 2021	Net Income (Loss) of the Investee	% Ownership for Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of June 30, 2021	Accumulated Repatriation of Investment Income as of June 30, 2021
					Outward	Inward						
MXm	Development of integrated circuit system and software	\$ 296,160	MXHK (Note 2)	\$ 296,160	\$ -	\$ -	\$ 296,160	\$ 6,979	100	\$ 6,979	\$ 401,145	\$ -

Accumulated Outward Remittance for Investment in Mainland China as of June 30, 2021	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amounts of Investment Stipulated by Investment Commission, MOEA
\$ 296,160	\$ 296,160	\$23,586,258

Note 1: The amount was recognized based on the unreviewed financial statements of the investee company.

Note 2: The Company invested in a company located in mainland China indirectly through the existing company in a third country.