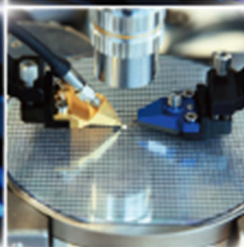




**Vanguard International
Semiconductor Corporation**

2020 Annual Report



Printed on February 28, 2021

Taiwan Stock Exchange Market Observation Post System:
<http://mops.twse.com.tw/mops/web/index>

Company Website: <http://www.vis.com.tw>

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Name of any exchanges where the company's securities are traded offshore, and method by which to access information on said offshore securities: Not applicable

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I. A Letter to Shareholders

In 2020, with the addition of the Singapore Fab, as well as the collective effort of our employees, VIS achieved record high in both consolidated revenue and profit despite the global outbreak of the COVID-19 pandemic and the ongoing trade war between China and the U.S. The annual consolidated revenue reached TWD 33.131 billion, an increase of approximately 17% compared to the year before. Net income was approximately TWD 6.306 billion, and earnings per share was TWD 3.81, an increase of approximately 8% compared to the previous year. Due to the new Singapore Fab joining operations and appreciation of TWD, the annual gross profit margin decreased from 36.5% in the previous year to 34%, while the return on equity was 21.3%.

The added capacity of the Singapore Fab has already brought substantial benefits to the company's profit. We believe, operational benefits brought by continued expansion of capacity and intelligent transformation, and the company's competitiveness in applications such as power management, display, automotive electronics, fingerprint sensor, IoT, and MEMS, will become our greatest strengths to continually create values for our customers.

Capacity and Sales

Annual capacity of VIS in 2020 reached about 2.875 million 8-inch wafers, with shipment amounting to 2.588 million wafers at a utilization rate of 91%. Total capital expenditure was NT\$3.55 billion. VIS continues to actively invest in R&D, advanced processes and device technologies, cultivate new customers, and diversify product portfolio in order to meet customer needs and continuously enhance shareholders' profits.

The end markets closely related to VIS operations include televisions, smartphones, 5G base stations, computers and automobiles. With continued expansion of panel manufacturers in China and increasing penetration rate of ultra-high-resolution panels, the demand for driver IC foundry is expected to remain stable, which will contribute to our performances in 2021.

Further, the significant growth of power management ICs and discrete devices driven by 5G base stations and smartphones have led to constant new orders for power management products with diversified special process technologies, which VIS has devoted much effort for years. This, in turn, facilitated the optimization of overall product portfolio.



Moreover, our commitment to the development of automotive electronics has shown promising results. VIS not only introduced a number of process technologies, but has also utilized these technologies for volume production of products like display driver IC and power management products, and earned the recognition of leading customers in the international market.

Technology Development

In order to provide customers with more competitive technologies and services, VIS not only has developed more specialty processes and next-generation platforms from our core technologies to expand the fields of application, but also has continuously enhanced values to customers, strengthened partnerships with customers, and incorporated diverse processes and customer services to meet customer needs.

In terms of technology development of display driver IC, the 0.2/0.18/0.15/0.11 micrometer high-voltage processes have already been introduced to volume production. The advantage of this method is that it can reduce the size of the components and the number of photo mask layers, while maintaining the characteristics of the components for cost reduction. On top of that, VIS leads the development of different high-standard processes, which meet customization demand and enhance customer competitiveness, and are applied, to high end products such as ultra-high-resolution televisions, smartphones, laptops and various consumer electronics.

As for power management products, VIS focused on the technology development for smartphones, MIPI interfaces, 5G telecommunication equipment, lithium batteries for electric vehicles and high efficiency / high-voltage discrete devices. The 0.5/0.4/0.35/0.25/0.15/0.11 micrometer BCD (Bipolar-CMOS-DMOS) processes have all been in volume production or tape out. Among them, the development of 0.15 micrometer BCD technology focused on low resistance and reduced the number of photo mask layers, in order to reduce production cost and offer high-efficiency, low-energy consumption power management supply and flexible new processes that meet customers' specific applications, tailoring for customers' 60V server level shifters and 80-120V Brushless Direct Current (BLDC) motor drivers. Concurrently, development for the second-generation ultra-low on-resistance streamlined 0.5 micrometer ultra-high voltage (UHV) process and 0.25/0.15 micrometer Silicon on Insulator (SOI) processes have been completed and taped out with certain customers, and adopted for volume production. The applications of these

processes included high-end products such as 5G smartphones and base stations. Meanwhile, the third-generation 0.5 micrometer UHV process was further expanded to include brushless motor and AC/DC power management application, offering streamlined gate controllers and high-reliability / high-voltage device processes, which have been taped out with specific customers and volume production began in 2020. Moreover, the development of high-efficiency high-voltage discrete devices applied in motors and automotive electronics is the critical roadmap for VIS to stay ahead of the industry.

In the field of automotive electronics, the 0.4/0.25 micrometer BCD processes and 0.5/0.4/0.25 micrometer SOI processes have passed automotive electronics-related certifications and accumulated a significant amount of shipment. At the same time, the process reliability has met world-class automotive specifications. The development of the new-generation 0.15 micrometer BCD and SOI processes has also succeeded, and volume production is projected to be launched in 2021. Moreover, the 0.16/0.11 micrometer high-voltage processes with embedded non-volatile memory for automotive display panels have also been in volume production.

As for optical sensor technology, the 0.18um process for applications of proximity sensor and ambient light sensor has been certified and is ready for volume production. The 0.18/0.11 micrometer processes for ultra-thin optical fingerprint sensor have all been certified, and demonstrates the latest optical fingerprint on display (FoD) functions in line with the integration of supply chain and demand of pilot customers.

In the area of magnetoresistive sensor technology, in addition to volume production capabilities for standalone and SoC electronic compass sensors, VIS has also improved and refined manufacturing processes to meet the highest automotive standards for applications of automotive electronics. Furthermore, in the area of MEMS sensor technology, other than applying to production of inertial measurement accelerometer and gyroscope, VIS has also met customers' needs and introduced the technology to processes of ultrasound FoD sensor, microphone, and pressure sensor, showcasing new functions in response to customer needs and successfully developing applications in various domains.

Welcoming the era of IoT, VIS continued to invest resources in the development of embedded flash memory. The 0.18 micrometer process has been introduced to the productions of general MCU and touch control IC, whereas the development of the 0.11 micrometer processes is underway to offer customers more diversified options.



For wide bandgap power semiconductors, VIS has also achieved initial results in the R&D of gallium nitride (GaN); Not only were the epitaxial fabrication and development on special substrates completed, the power semiconductors were also able to meet the needs of dynamic on-resistance. Furthermore, we continued to optimize components and look forward to providing customers with choices superior to traditional silicon substrates in the next generation of power control and high frequency components in 2021.

Intelligent Manufacturing and Management

VIS' operational development is based on continuous technology development and the intelligent manufacturing and intelligent management models introduced in 2020 also moved the company toward a path for comprehensive intelligent transformation. Tools such as Robotic Process Automation (RPA), big data intelligence and artificial intelligence (AI), have been introduced to existing semiconductor information technology (IT) and computer integrated manufacturing (CIM) platforms, which were established in the age of Industry 3.0, to create a highly automated decision-making semiconductor manufacturing environment. As VIS gradually intellectualized its daily operations, the value of human resources is elevated, and the production efficiency, productivity and quality are sufficiently optimized. More importantly, VIS has accumulated many years of experience in production and operation management that can be gathered and developed into effective and valuable knowledge, helping the company to make use of data for all kinds of decisions and plans in real time, driving the growth of the value of VIS.

Awards and Honors

In 2020, VIS earned the honor of Top 5% Listed Companies at TPEx in the corporate governance evaluation conducted by Taiwan Stock Exchange for the sixth consecutive year. VIS also garnered the recognition of national prizes and evaluations by the government, media, and professional organizations, in the areas of corporate social responsibility, environmental protection, environmental education, workplace safety, and healthy workplace. Especially in the area of environmental protection, VIS won the the National Environmental Education Excellent Award and Enterprise Environmental Protection Award, and was rated A- among 9,617 global companies that participated in the evaluation of Carbon Disclosure Project (CDP), which recognized VIS' achievements in the areas of environmental sustainability, carbon reduction, and mitigation of climate change.

Prospects and Outlook

The COVID-19 pandemic has changed the lifestyle and consumption behavior of people, and driven the business opportunities in areas such as remote working, remote teaching, and home entertainment. Consequently, the total output value of the semiconductor industry increased by 7.3% in 2020. According to the global GDP growth forecast released by the International Monetary Fund in October 2020, the global GDP in 2021 will rise from -4.4% in the previous year to 5.2% in 2021, showing a V-shaped reversal of economic growth, with the easing down of the trade war between China and the U.S., development of COVID-19 vaccines and reduced impact of the pandemic on end consumer market. Coupled with the favourable factors driven by the growth of 5G smartphones, the future looks promising for the semiconductor industry. According to the latest forecast by Gartner, a global research and advisory company, the overall output of global semiconductor industry will reach USD 450 billion in 2021, with an annual growth of 7.3%. Memory and logic products of foundry market are main forces behind the rebound, and among which the demand for 8-inch wafer is greater than supply. Having already achieved significant performances in display driver IC and power management products, VIS will continue to accelerate the development projects relating to sensor IC, fingerprint sensor, high frequency power management products, and embedded flash, in addition to existing high-voltage analog, BCD, and UHV processes, in order to diversify product and market centralization, reduce operating risks and extend its reach in the high-margin market, adapt to the energy saving and carbon reduction era and satisfy the demand from the automotive electronics and IoT markets.

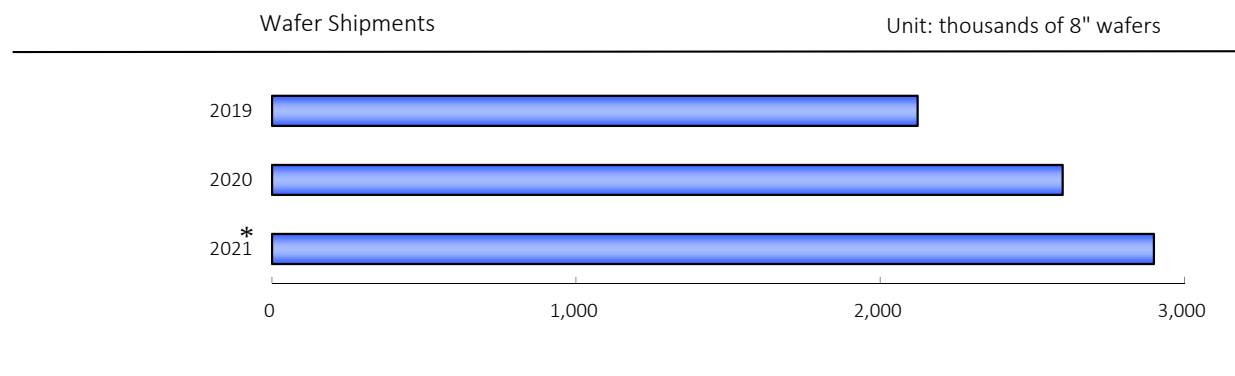
We believe that these aforementioned efforts will help us expand our business and maintain our leading position in the field of specialty IC foundry. At the same time, VIS will continue to enhance production efficiency and expand capacity to satisfy global customers' demand for 8-inch foundry. Furthermore, we will continue to seek various growth opportunities to cultivate long-term partnerships with customers, as well as to enhance shareholders' profits.

The COVID-19 pandemic spread across the world in 2020. The four VIS fabs in Taiwan and Singapore were unaffected by the pandemic, sustaining normal operations, and the expansion of production capacity brought substantial value growth to the company. At the same time, while creating value for shareholders, customers and employees, we have



also established a risk management committee, to ensure sustainability of all stakeholders' values and cautiously explore new opportunities in the turbulent global competition with a more forward-looking and prudent approach.

VIS appreciates the long-term support from our shareholders, customers and employees, and would like to express our most sincere gratitude and blessing to all of you. We believe that the future will be even better! Thank you.



*Y2021 sales forecast: 2,900 thousand 8-inch wafers

Chairman & President

Leuh Fang

II. A Brief Introduction of VIS

Company Profile

Vanguard International Semiconductor Corporation (VIS) is a leading specialty IC foundry service provider. Since its founding in December 5th, 1994 in Hsinchu Science Park, Taiwan, VIS has been achieving continuous success in its technology development and production efficiency improvement. VIS has also been consistently offering its customers cost-effective solutions and high value-added services. VIS has four 8-inch fabs with a monthly capacity of approximately 240 thousand wafers in Y2020.

VIS is a spin-off of the Sub-Micron Project, sponsored by the Industrial Technology Research Institute (ITRI). Original investors include Taiwan Semiconductor Manufacturing Corporation (TSMC) and 13 other institutional investors. VIS was founded with the primary focuses on the production and development of DRAM and other memory IC. In March 1998, VIS became a listed company on the Taiwan Over-The-Counter Stock Exchange (OTC). Its main shareholders include Taiwan Semiconductor Manufacturing Corporation (TSMC), National Development Fund and other institutional investors.

In 1999, VIS started to work as a subcontractor for TSMC for the manufacturing of logic products. In Y2000, VIS officially announced its plan to transform from a DRAM manufacturer into a foundry service provider. After that, VIS offers a various foundry process technologies, including High Voltage, and 0.18um flash and entered into mass production. In July 2004, VIS completely terminated its DRAM production and became a pure-play foundry company. In Y2007, VIS announced the procurement of 8" fabs from Winbond. In 2014, VIS acquired Nanya Technology's 8-inch fab located in Taoyuan County and machineries and equipment from Sumpro Electronic. In January 2019, VIS announced the acquisition of GF's Fab 3E in Tampines, Singapore. The transaction includes buildings, facilities, and equipment, as well as IP associated with GF's MEMS business has been completed by end of 2019. The above mentioned transactions not only granted VIS the opportunity to expand its production capacity, but also enabled VIS to grow continually and earn profits steadily.

VIS has continued its investment in the product development and process technology for the market needs. VIS offers a wide range of process technologies, including High Voltage, Ultra High Voltage, Bipolar CMOS DMOS (BCD), Silicon on Insulator (SOI), Discrete, Logic, Mixed-Signal, Analog, High Precision Analog, Embedded Memory, and MEMS to further help increase its foundry customers' global competitiveness.

In order to enhance its IP service capability, VIS has continued its IP development by strengthening strategic relationship with its IP provision partners. Currently available IPs are standard cell

library, SRAM, one-time programmable, multiple-time programmable, electrical fuse, power phantom cell, etc...With the help from strategic IP partners, VIS can also provide IPs that are required by specialty ICs.

VIS has total about 6 thousand employees. We are committed to adhere to our customer-oriented business philosophy to provide our customers with continuously improved and enhanced specialty IC foundry services. To better serve its worldwide customers, VIS has established sales offices in Taiwan and sales representatives in worldwide main IC clusters.

With our display driver IC, power management and discrete power devices all exhibiting distinctive operational performances, and in order to diversify product and market centralization, reduce operating risks and extend its reaches in the high-margin market. In addition to our existing high-voltage analog, BCD, and ultra-high-voltage processes, the company will continue to accelerate the development projects relating to sensing devices, fingerprint sensor ICs, high current power management ICs, and embedded flash, to adapt to the energy saving and carbon reduction era and to satisfy market demand for automobile electronics and Internet of Things applications. We believe those efforts will be beneficial toward enhancing our business operations and forge long-lasting partnerships with customers to secure our leading position among specialty IC foundry industries, and ultimately to become one of the world's leading companies in HV, PMIC and discrete power in foundry industry.

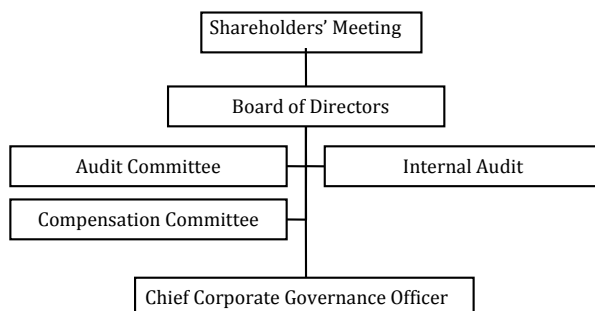


III. CORPORATE GOVERNANCE REPORT

A. Company Organization

1. Company's structure:

Organization Chart of Corporate Governance:

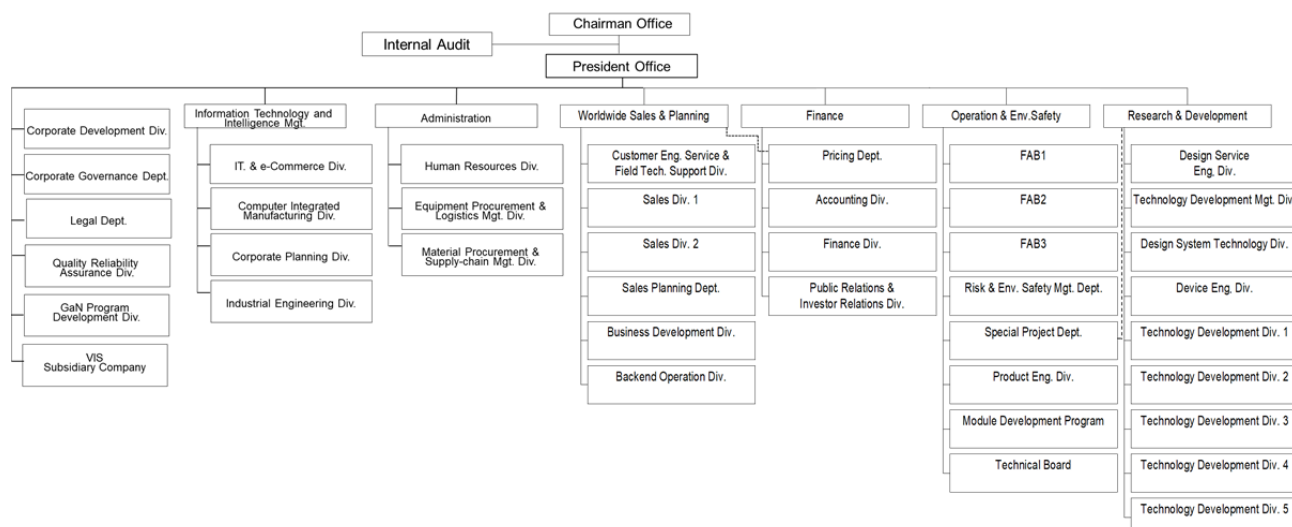


For the purpose of implementing corporate governance and reinforcing the management capabilities of the Board of Directors, the Company established the Audit Committee and Compensation Committee under the Board of Directors. In addition, Board of Directors appointed Chief Corporate Governance Officer on April 29, 2019. The main duties of Chief Corporate Governance Officer at the company include, but not limited to, providing information required by directors to carry out corporate affairs, handle matters related to Board of Directors' meetings and shareholders' meetings in accordance with the laws, prepare minutes of Board of Directors' meetings and shareholders' meetings, assist in onboarding and undergoing continuing education and training of directors, assist directors in complying with laws and regulations and other matters stipulated in the company's Articles of Incorporation or contracts.

The Chief Corporate Governance Officer has over three years of experience serving as a supervisor in charge of legal affairs at public companies, and is a qualified attorney-at-law.



Company Organization:



2. Tasks of its principal divisions:

President	Management of company-wide operations. Establish VIS business strategy and target.
Finance	Corporate Pricing Dept., Accounting Div., Finance Div. and PR & IR Div. Responsible for planning and maneuvering of company funds and investment management, planning and execution of accounting system and tax matters, evaluation of budget and costs, establishing the company's external communication channel, and maintaining the company's corporate image, investor relationship.
Worldwide Sales and Planning	Corporate Customer Engr. Service & Field Tech. Support Div., Sales Div.1-2, Sales Planning Dept., Business Development Div. and Backend Operation Div.. Planning of company products, including sales and marketing for these products. Responsible for product service, market analysis and development, and establishing and execution of sales plan, and coordinating sources to provide customer-oriented turnkey solution operation.
Research & Development	Lead specialty technology and IP development, as well as providing IC design supports and services of IP libraries, eNVM, ESD, LAD, PDK, SPICE, layout, photomask solutions, and CAD tool management. Organization includes Design Service Engineering Div., Technology Development Management Div., Design System Technology Div., Device Engineering Div., and Technology Development Div.1-5.
Operation & Environment Safety	Corporate Wafer Production, Risk & Env. Safety Management Dept., Product Engineering Div., Module Development Program, Special Project Dept. and Technical Board. Improve operation efficiency, and ensure timely delivery of high quality products to customers.
Administration	Lead Human Resources Div., Equipment Procurement & Logistics Management Div., and Material Procurement & Supply-chain Management Div.. This position is responsible for enhancing the talent force and build up good labor relations. And also, to maintain a strong supply-chain position and high efficient materials management.
Information Technology and Intelligence Management	Lead IT & E-commerce Div., Computer Int. Mfg. Div., Corporate Planning Div., and Industrial Engineering Div. to define, design, implement, operate Vanguard's Manufacturing Excellence with high-first-time-success rate, high quality, fast cycle time and high productivity's based on I4.0 Smart Manufacturing with "high auto-decision" operation.
Legal & Corporate Governance	Corporate legal affairs, Intellectual property protection and corporate governance.
Quality Reliability Assurance Div.	Corporate Quality Assurance Dept., Reliability Assurance Dept., Quality System Management Dept., and in charge of product inspection, quality control, and promoting quality policy and strategy in VIS.



GaN Program Development Div.	Corporate GaN technology development.
Internal Auditing	Evaluate the design and operating effectiveness of internal control systems, and provide suggestions to achieve the objectives of internal control systems.
Corporate Development Div.	Formulate the company's growth and development direction, business and competition strategy planning; foreign investment, mergers and acquisitions, strategic cooperation opportunities for business, financial evaluation and implementation.
VIS Subsidiary	Please refer to VIII. SPECIAL NOTES (A. Affiliated Information) in this annual report.



B. Information on the company's directors, supervisors, general manager, assistant general managers, deputy assistant general managers, and the chiefs of all the company's divisions and branches

1. Directors:

February 28, 2021

Title	Nationality	Name	Sex	Date Elected	Tenure (Year)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education & Selected Past Positions	Selected Current Positions	Managers Are Spouse or Within Second-degree Relative of Consanguinity to Each Other			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	R.O.C.	Taiwan Semiconductor Manufacturing Co., Ltd. (tsmc) Representatives: Leuh Fang	M	2018.06.14	3	1994.11.10	464,223,493	28.32	464,223,493	28.32		0	0	0	Former Fab Director, Taiwan Semiconductor Manufacturing Company, Ltd. Former Vice President, SSMC MS, Materials Science and Engineering, University of Washington	President, Vanguard International Semiconductor Corporation Director and President, VIS Associates Inc. Director and President, VIS Investment Holding, Inc. Director, VIS Micro, Inc. Director and CEO, VANGUARD INTERNATIONAL SEMICONDUCTOR SINGAPORE PTE. LTD. Director, J-MEX Inc.	None	None	None	Rationale for the chairman also acting as the president: The semiconductor industry is a highly dynamic and competitive industry. Mr. Leuh Fang has a wealth of experience in semiconductor industry, and VIS not only needs under his leadership to increase VIS's operational efficiency, but also needs his insights to guide VIS's future direction. On the other hand, VIS has set up independent directors and Audit Committee to enhance the supervising function of the board as well as more than half of the directors do not serve concurrently as employees or managers of VIS.

Title	Nationality	Name	Sex	Date Elected	Tenure (Year)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education & Selected Past Positions	Selected Current Positions	Managers Are Spouse or Within Second-degree Relative of Consanguinity to Each Other			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Vice Chairman	R.O.C.	Taiwan Semiconductor Manufacturing Co., Ltd. (tsmc) Representatives: F.C. Tseng	M	2018.06.14	3	1994.11.10	464,223,493	28.32	464,223,493	28.32					Former Vice Chairman, TSMC Former President, TSMC Former President, Vanguard International Semiconductor Corp. Ph.D. in Electrical Engineering, National Chengkung University, Taiwan	Chairman, TSMC China Company Ltd. Chairman, Global Unichip Corp. Director, TSMC Chairman, the foundation of Taiwan Semiconductor Manufacturing Company Ltd	None	None	None	None
							1,444,282	0.09	1,444,282	0.09			0	0						
Director	R.O.C.	National Development Fund Executive Yuan Representative: Lai Shou Su	M	2018.06.14	3	1999.03.01	274,029,592	16.72	274,029,592	16.72					North Texas University, USA Master of Business Administration National Chung Hsing University, Taiwan Bachelor of Business Administration	Executive Secretary, National Development Fund, Executive Yuan Member of the Transformation and Withdrawal for Colleges and Universities Fund Managing Committee, Ministry of Education Director, Taiwan Aerospace Ltd. Member of Investment Board, Eminent Venture Capital Corporation Committee member of National Credit Guarantee Administration	None	None	None	None
							0	0	0	0	0	0	0	0						
Director	R.O.C.	Edward Y. Way	M	2018.06.14	3	2010.05.26	0	0	0	0	0	0	0	0	Former Managing Partner & CEO, Deloitte Taiwan MBA, University of Georgia	Independent Director; Synnex Technology International Corp. Independent Director; Far Eastern Department Stores, Ltd. Independent Director; Cathay Financial Holdings Independent Director; Cathay United Bank	None	None	None	None
							0	0	0	0	0	0	0	0						



Title	Nationality	Name	Sex	Date Elected	Tenure (Year)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education & Selected Past Positions	Selected Current Positions	Managers Are Spouse or Within Second-degree Relative of Consanguinity to Each Other			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
																Independent Director, Cathay Securities Corporation Director, MITAC Holdings Corp., Representative Director, Iron Force Industrial Co., Ltd. Chairman, Yungchin Enterprise Co., Ltd				
Independent Director	R.O.C.	Chintay Shih	M	2018.06.14	3	2012.06.12	0	0	0	0	0	0	0	0	Former Chairman, Institute for Information Industry Former President, Industrial Technology Research Institute Former Dean, College of Technology Management, National Tsing Hua University Ph.D. Electric Engineering, Princeton University, USA	Honorary Chair Professor, College of Technology Management, National Tsing Hua University Independent Director, Focal Tech Systems, Ltd. Independent Director, Sercomm Corp. Supervisor, Tsing-Hua Entrepreneur Network	None	None	None	None
Independent Director	R.O.C.	Benson W.C. Liu	M	2018.06.14	3	2012.06.12	0	0	0	0	0	0	0	0	Former Chairman & GM, Bristol-Myers Squibb (Taiwan) Ltd. Master, International Business Administration, University of Northrop, USA	Standing Director, Taiwan Corporate Governance Association Independent Director, Global Unichip Corp. Independent Director, Advantech Co., Ltd. Director, Maywua Company Ltd., Representative	None	None	None	None
Independent Director	R.O.C.	Kenneth Kin	M	2018.06.14	3	2012.06.12	0	0	0	0	0	0	0	0	Former Senior Vice President, TSMC Former Vice President, Worldwide Sales & Services, IBM Microelectronics Division Ph.D. Nuclear Engineering and Applied Physics, Columbia University, USA	Honorary Chair Professor, College of Technology Management, National Tsing Hua University Independent Director, eMemory Technology Inc. Independent Director, Global Unichip Corp. Director, MediaTek Inc.	None	None	None	None

Major Shareholders of the Institutional Shareholders

As of 2020.12.23

Director that is an Institutional Shareholder	Top 10 Shareholders	Ownership (%)
Taiwan Semiconductor Manufacturing Co., Ltd.	ADR Taiwan Semiconductor Manufacturing Company, Ltd.	20.52%
	National Development Fund, Executive Yuan	6.38%
	Citibank (Taiwan) Ltd. in custody for Government of Singapore	2.56%
	Citibank (Taiwan) Ltd. in custody for Norges Bank	1.54%
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.33%
	New Labor Pension Fund	1.08%
	Fubon Life Insurance Co., Ltd	0.95%
	JPMorgan Chase Bank N.A. Taipei Branch in custody for Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds	0.83%
	JPMorgan Chase Bank N.A. Taipei Branch in custody for Invesco Oppenheimer Developing Markets Fund	0.81%
	JPMorgan Chase Bank N.A., Taipei Branch in custody for New Perspective Fund	0.80%
National Development Fund, Executive Yuan	Not Applicable (Government Agency)	Not Applicable

* Others Institutional Shareholders listed in our Top10 shareholders were all non-company organization.

Major Shareholders of Institutional Shareholders Whom Are Major Shareholders of VIS's Institutional Shareholders

As of 2020.12.23

Institutional Shareholders	Major Shareholders of the Institutional Shareholders
ADR Taiwan Semiconductor Manufacturing Company, Ltd. Citibank (Taiwan) Ltd. in custody for Government of Singapore Citibank (Taiwan) Ltd. in custody for Norges Bank JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds New Labor Pension Fund JPMorgan Chase Bank N.A. Taipei Branch in custody for Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds JPMorgan Chase Bank N.A. Taipei Branch in custody for Invesco Oppenheimer Developing Markets Fund JPMorgan Chase Bank N.A., Taipei Branch in custody for New Perspective Fund	Not Applicable (Institutional Shareholders)
Fubon Life Insurance Co., Ltd	Fubon Financial 100%
National Development Fund, Executive Yuan	Not Applicable (Government Agency)

Independence Analysis of Board Members under Taiwan SFC Criteria:

February 28, 2021

Name	Over 5 years of working experience			Criteria (Note)												Number of other public companies that concurrently serve as an independent director
	College Instructor or higher level in Business, Legal, Finance, Accounting or company business related area	Court Judge, Prosecutor, Lawyer, Accountant, or other Certified Professional expert related to company business	Business, Legal, Finance, Accounting or company business required working experience	1	2	3	4	5	6	7	8	9	10	11	12	
Leuh Fang			✓				✓	✓	✓	✓	✓	✓	✓	✓		0
F.C. Tseng			✓	✓		✓	✓		✓	✓		✓	✓	✓		0
Benson W.C. Liu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Kenneth Kin	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Chintay Shih	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Lai Shou Su			✓	✓		✓	✓		✓	✓	✓	✓	✓	✓		0
Edward Y. Way		✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	4

Note :

- Not an employee of affiliated companies of the company and company.
- Not a director, supervisor of affiliated companies of the company.
- Not a natural person shareholder directly or indirectly owning more than 1% of the Company outstanding shares, nor one of the Company top 10 natural person shareholders.
- Not a spouse or a first-or-second-degree relative to any person specified in Criteria 1-3.
- Not a director, supervisor or employee of a shareholder of juridical person of the Company directly or indirectly owning more than 5% of the Company's outstanding shares, nor one of the Company's top five share-holders of juridical person.
- Not directors, supervisors or employees of other companies controlled by the same person holding a majority of the company's director seats or voting shares of the company. (However, this restriction shall not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent).
- Not directors (governors), supervisors or employees of other companies or institutions who are the same person or spouse as the chairperson, general manager or person holding an equivalent position of the company. (However, this restriction shall not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a company and its parent or subsidiary or a subsidiary of the same parent)
- Not a director, supervisor, manager or shareholder holding more than 5% of the outstanding shares of certain companies or institutions that have financial or business relationship with the Company.
- Not an owner, partner, director, supervisor, manager of any sole proprietor, partnership, company or institution and his/her spouse, or the specialist and his/her spouse, that provides finance, commerce, legal consultation and services to the Company or affiliated companies within one year.
- Not a spouse or first-or-second-degree relative to any other director.
- Not a juridical person or its representative as defined in Article 30 of Company Law.
- Not a juridical person or its representative as defined in Article 27 of Company Law.

Diversity of directors:

Vanguard International Semiconductor Corporation Corporate Governance Practice Principles:

The composition of the board of directors should be diversified, such as different professional backgrounds, fields of work or gender, and possesses the necessary knowledge, skills and literacy to perform his duties.

This year the Company enlarges the definition to consider the difference in nationality and ethnicity to align with the development of international ESG roadmap.

To achieve the ideal corporate governance, the board of directors shall possess the following abilities:

1. Ability to make operational judgments.
2. Ability to perform accounting and financial analysis.
3. Ability to conduct management administration.
4. Ability to conduct crisis management.
5. Knowledge of the industry.
6. An international market perspective.
7. Ability to lead.
8. Ability to make policy decisions.

Item Name	Operational judgments / Management administration	Accounting and Financial	Knowledge of the industry	Crisis management	International market perspective	Lead and make policy decisions
Leuh Fang	V		V	V	V	V
F.C. Tseng	V		V	V	V	V
Benson W.C. Liu	V	V		V	V	V
Kenneth Kin	V		V	V	V	V
Chintay Shih	V		V	V	V	V
Lai Shou Su	V	V		V	V	V
Edward Y. Way	V	V		V	V	V

The Company's Board of Directors has met the diversity requirement. However, in order to meet the needs of future development, we will continue to review the composition of diversity, and continue to strengthen the goal of diversity of board members during the re-election process.

Current specific management objectives:

1. The Company places emphasis on gender equality in the composition of the Board of Directors, with a target of one female Board member or a ratio of 10% or more.
2. To gradually increase the number of board members with professional backgrounds in corporate governance, environmental sustainability, corporate sustainability, and legal related fields, so that they can better oversee and guide the Company in response to international ESG development trends.

2. Managers:

February 28, 2021

Title	Nationality	Name	Sex	Date Elected	Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education & Selected Past Positions	Selected Current Positions	Managers Are Spouse or Within Second-degree Relative of Consanguinity to Each Other		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
President	R.O.C.	Leuh Fang	M	2009.2.20	3,475,846	0.21%	0	0	0	0	MS, Materials Science and Engineering, University of Washington Fab Director, Taiwan Semiconductor Manufacturing Company, Ltd. Vice President, SSMC	Director and President, VIS Associates Inc. Director and President, VIS Investment Holding, Inc. Director, VIS Micro, Inc. Director and CEO, Vanguard International Semiconductor Singapore Pte. Ltd Director, J-MEX Inc.	None	None	None
Project Vice President	R.O.C.	Chan-Jen Kuo	M	2007.5.21	70,718	0.00%	0	0	0	0	MS, Electronics Engineering, National Tsing Hua University	None	None	None	None
Associate Vice President Research & Development	R.O.C.	Chrong-Jung Lin	M	2015.12.01	28,530	0.00%	0	0	0	0	Ph. D, Electronics Engineering, National Tsing Hua University Professor, Electronics Engineering, National Tsing Hua University R&D Project Manager, TSMC	None	None	None	None
Vice President Research & Development	USA	Yang Du	M	2018.1.22	19,033	0.00%	0	0	0	0	Ph.D. in Solid State Engineering, Columbia University, USA Senior Director of Research and Development, Qualcomm Inc.	None	None	None	None
General Counsel/Chief Corporate Governance Officer	R.O.C.	Ellen Lin	F	2019.4.29	29,540	0.00%	0	0	0	0	MS, Georgetown University, USA Sr. Attorney of Lee and Li Legal Director of Ralink Sr. Manager of MediaTek	None	None	None	None
Associate Vice President, Information Technology and Intelligence Management	R.O.C.	Jonathan Chang	M	2019.6.17	0	0.00%	0	0	0	0	Ph.D., Institute of Manufacturing Information and Systems of National Cheng-Kung University Sr. Manager of TSMC Sr. Director of Infineon CIO of TFME and GM of Xiamen TFME	None	None	None	None
Vice President, Finance Chief Finance Officer	R.O.C.	Amanda Haug	F	2019.9.1	48,544	0.00%	0	0	0	0	MS, Accounting, National Taiwan University Sr. Director of Accounting, Vanguard International Semiconductor Corp.	Director, VIS Associates Inc. Director, VIS Investment Holding, Inc. Director, VIS Micro Inc. Director, Vanguard International Semiconductor Singapore Pte. Ltd.	None	None	None





Title	Nationality	Name	Sex	Date Elected	Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education & Selected Past Positions	Selected Current Positions	Managers Are Spouse or Within Second-degree Relative of Consanguinity to Each Other		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Vice President, Worldwide Sales & Planning	R.O.C.	Claire Chen	F	2019.10.29	0	0.00%	0	0	0	0	Ph.D., Materials Science and Engineering, Virginia Tech, Blacksburg, VA, USA Director of TSMC	None	None	None	None
Vice President Operation & Environment Safety	R.O.C.	P.S. Chin	M	2021.2.1	0	0.00%	0	0	0	0	Bachelor, Electrical Engineering, National Cheng-Kung University Director of TSMC	None	None	None	None
Associate Vice President, Operation & Environment Safety	R.O.C.	Tom Tseng	M	2021.2.1	33,944	0.00%	55,000	0.00%	0	0	MS, Electronics Engineering, National Cheng-Kung University Vice President of Xintec	None	None	None	None
Associate Vice President,	Singapore	Inn-Swee Goh	M	2021.2.1	119,384	0.01%	0	0	0	0	Ph.D. in Semiconductor, University of Liverpool, UK President, Vanguard International Semiconductor Singapore Pte. Ltd	None	None	None	None
Associate Vice President Research & Development	R.O.C.	Benjamin Liao	M	2021.2.1	42,885	0.00%	2,000	0.00%	0	0	MS, Chemistry, Fu Jen Catholic University Sr. Director, Vanguard International Semiconductor Corp.	None	None	None	None

Note: Rationale for the chairman also acting as the president: The semiconductor industry is a highly dynamic and competitive industry. Mr. Leuh Fang has a wealth of experience in semiconductor industry, and VIS not only needs under his leadership to increase VIS's operational efficiency, but also needs his insights to guide VIS's future direction. On the other hand, VIS has set up independent directors and Audit Committee to enhance the supervising function of the board as well as more than half of the directors do not serve concurrently as employees or managers of VIS.

C. Remuneration to Directors, Supervisors & Managers

1. Remuneration to Directors and Independent Director:

Unit: NT\$, in thousands

Title	Name	Remuneration to Directors						A+B+C+D as % of Net Income		Remuneration to Concurrent Employment						A+B+C+D+E+F+G as % of Net Income		Other remuneration from investment business except subsidiary or parent company		
		Retirement pay (B)		directors' compensation (C) (Note1)		Allowances(D) (Note2)		VIS & Affiliates	VIS & Affiliates	Salary, Bonuses & Allowances (E)	Retirement pay (F) (Note3)	employees' compensation (G) (Note1)				VIS	VIS & Affiliates			
		VIS & Affiliates	VIS	VIS & Affiliates	VIS	VIS & Affiliates	VIS					VIS & Affiliates	Cash	Stock						
															Cash				Stock	Cash
Director	Chairman																			
	Vice Chairman	1,440	1,440	0	0	23,120	23,120	445	445	0.40%	0.40%	35,203	35,203	74	74	50,410	0	1.76%	1.76%	None
	Director																			
	Director																			
Independent Director		4,320	4,320	0	0	14,100	14,100	510	510	0.30%	0.30%	0	0	0	0	0	0	0.30%	0.30%	None
1. The policy, system, standards and structure of independent directors' remuneration and the correlation with the amount of remuneration according to the responsibilities, risks, and investment time: Independent directors and directors may have different structures and standards for their remuneration due to their different duties and risks. However, they should all be based on the degree of participation and contribution of the directors, and refer to the typical pay levels adopted by peer companies. The main purpose is to find qualified directors for the company and does not lead the director to engage in activities that exceed the tolerable risk level of the company.																				
2. Except above-mentioned, paid to directors for providing other service last year: 0																				

1. The policy, system, standards and structure of independent directors' remuneration and the correlation with the amount of remuneration according to the responsibilities, risks, and investment time: Independent directors and directors may have different structures and standards for their remuneration due to their different duties and risks. However, they should all be based on the degree of participation and contribution of the directors, and refer to the typical pay levels adopted by peer companies. The main purpose is to find qualified directors for the company and does not lead the director to engage in activities that exceed the tolerable risk level of the company.

2. Except above-mentioned, paid to directors for providing other service last year: 0

Note 1: As of the annual report publication date, the figure above is a tentative estimate.

Note 2:

	Transportation Allowances	Professional Practice Allowances	Total
Allowances(D)	720	235	955

Note 3: The amount is the number of appropriation.



Range of Remuneration to Directors (NT\$)	Number of Director			
	A+B+C+D		A+B+C+D+E+F+G	
	VIS	VIS & Affiliates	VIS	VIS & Affiliates
Less than 1,000,000				
1,000,000 ~ 1,999,999				
2,000,000 ~ 3,499,999				
3,500,000 ~ 4,999,999				
5,000,000 ~ 9,999,999	Taiwan Semiconductor Manufacturing Co., Ltd. Representatives: Leuh Fang Taiwan Semiconductor Manufacturing Co., Ltd. Representatives: F.C. Tseng National Development Fund, Executive Yuan Representative: Lai Shou Su Edward Y. Way Benson W.C. Liu Kenneth Kin Chintay Shih	Taiwan Semiconductor Manufacturing Co., Ltd. Representatives: Leuh Fang Taiwan Semiconductor Manufacturing Co., Ltd. Representatives: F.C. Tseng National Development Fund, Executive Yuan Representative: Lai Shou Su Edward Y. Way Benson W.C. Liu Kenneth Kin Chintay Shih	Taiwan Semiconductor Manufacturing Co., Ltd. Representatives: F.C. Tseng National Development Fund, Executive Yuan Representative: Lai Shou Su Edward Y. Way Benson W.C. Liu Kenneth Kin Chintay Shih	Taiwan Semiconductor Manufacturing Co., Ltd. Representatives: F.C. Tseng National Development Fund, Executive Yuan Representative: Lai Shou Su Edward Y. Way Benson W.C. Liu Kenneth Kin Chintay Shih
10,000,000 ~ 14,999,999				
15,000,000 ~ 29,999,999				
30,000,000 ~ 49,999,999				
50,000,000 ~ 99,999,999			Taiwan Semiconductor Manufacturing Co., Ltd. Representatives: Leuh Fang	Taiwan Semiconductor Manufacturing Co., Ltd. Representatives: Leuh Fang
100,000,000 ~				
Total	7	7	7	7

2. Remuneration to Supervisors: None

3. Remuneration to President and Vice Presidents:

Unit: NT\$, in thousands

Title	Name	Salary (A)		Retirement pay (B) (Note 2)		Bonus (C)		Employee Profit Sharing (D) (Note 3)				A+B+C+D as % of Net Income		Other Remuneration
		VIS	VIS & Affiliates	VIS	VIS & Affiliates	VIS	VIS & Affiliates	Cash	Stock	VIS & Affiliates	Stock	VIS	VIS & Affiliates	
President	Leuh Fang													
Vice President Worldwide Sales and Planning	Thomas Chang (Note 1)													
Vice President Worldwide Sales and Planning	Claire Chen													
Vice President Finance & Chief Finance Officer	Amanda Huang													
Vice President Research & Development	Yang Du													
Vice President Operation & Environment Safety	Chan-Jen Kuo	36,364	40,090	2,451		75,216	75,216	122,907	0	122,907	0	3,76	3,82	None
Associate Vice President Research & Development	Chrong-Jung Lin													
Vice President Administration	Tommy Liu													
Associate Vice President, Information Technology and Intelligence Management	Jonathan Chang													
General Counsel/ Chief Corporate Governance Officer	Ellen Lin													

Note 1: Thomas Chang resigned as VP on January 10, 2020.

Note 2: The amount is the number of appropriation.

Note 3: As of the annual report publication date, the figure above is a tentative estimate.



Range of Remuneration to President and Vice President (NT\$)	Name of President, Vice President, and Associate Vice President	
	VIS	VIS & Affiliates
Less than 1,000,000	Thomas Chang	Thomas Chang
1,000,000 ~ 1,999,999		
2,000,000 ~ 3,499,999		
3,500,000 ~ 4,999,999		
5,000,000 ~ 9,999,999		
10,000,000 ~ 14,999,999	Ellen Lin	Ellen Lin,
15,000,000 ~ 29,999,999	Claire Chen, Chan-jen Kuo, Amanda Huang, Tommy Liu, Yang Du, Jonathan Chang, Chrong-Jung Lin	Claire Chen, Chan-jen Kuo, Amanda Huang, Tommy Liu, Yang Du, Jonathan Chang, Chrong-Jung Lin
30,000,000 ~ 49,999,999		
50,000,000 ~ 99,999,999	Leuh Fang	Leuh Fang
Total	10	10

Employee Profit Sharing Granted to Management Team:

February 28, 2021

Title	Name	Stock	Cash (Note 2)	Total	Total as % of Net Income
President	Leuh Fang				
Vice President Marketing & Sales (Note 1)	Thomas Chang				
Vice President Marketing & Sales	Claire Chen				
Vice President Operation & Environment Safety	Chan-jen Kuo				
Vice President Finance & Chief Finance Officer	Amanda Huang				
Vice President Administration	Tommy Liu	0	122,907	122,907	1.95
Vice President Research & Development	Yang Du				
Associate Vice President Research & Development	Chrong-Jung Lin				
Associate Vice President, Information Technology and Intelligence Management	Jonathan Chang				
General Counsel/ Chief Corporate Governance Officer	Ellen Lin				

Note 1: Thomas Chang resigned as VP on January 10, 2020.

Note 2: The amount is the number of appropriation.

Note 3: As of the annual report publication date, the figure above is a tentative estimate.

4. Comparison and Description of all Company Paid Remuneration to Net Income Ratio Analysis and Company Remuneration Policy, Pattern, Procedures and Ties to the Operational Result

a. Analysis of Remuneration to Net Income Ratio in the last two years for Company Directors, Supervisors and Executive Officers:

Unit: NT\$, in thousands

Title	VIS Paid Remuneration as % of Net Income					
	Y2019			Y2020		
	Remuneration	Net Income	Remuneration as % of Net Income	Remuneration	Net Income	Remuneration as % of Net Income
Directors	27,695	5,860,497	0.47%	43,935	6,305,520	0.70%
Supervisors	0		0.00%	0		0.00%
Managers	197,953		3.38%	236,938		3.76%

Unit: NT\$, in thousands

Title	VIS & Affiliates Paid Remuneration as % of Net Income					
	Y2019			Y2020		
	Remuneration	Net Income	Remuneration as % of Net Income	Remuneration	Net Income	Remuneration as % of Net Income
Directors	27,695	5,860,497	0.47%	43,935	6,305,520	0.70%
Supervisors	0		0.00%	0		0.00%
Managers	205,612		3.51%	240,664		3.82%

b. Company Remuneration Policy, Pattern, Procedures and Ties to the Operational Result:

In accordance with the regulations set forth under Article 29 of the Company's Articles of Incorporation concerning remuneration of the Company's directors and employees, no more than 1% of the profit for the year may be distributed as remuneration to directors, and no less than 10% of the profit for the year as employees' compensation. The Company's business results shall be taken into consideration, and reasonable compensation shall be provided which is commensurate with the extent to which individual directors participate in the Company's operations and contribute to the Company; the remuneration policy for the President and Vice President takes into consideration a necessary level of industry competitiveness and aims to be able to attract and retain outstanding managers as well as incentivize managers to, contingent on the Company's risk appetite, achieve the best short-term and long-term performance.

The procedures for formulating remuneration packages are reviewed in accordance with the Company's "Policies, Systems, Standards, and Structure of the Performance Assessment and Remuneration of Directors" and the "Policies, Systems, Standards, and Structure of the Performance Assessment and Remuneration of Managers", and reasonable

compensation is provided which takes into consideration the Company's overall operating performance, individual performance achievement rate, and level of contribution to the Company's performance. Relevant performance evaluations and compensation are subject to review by the Compensation Committee and the Board of Directors, and regularly reviews and adjustments are conducted annually. In principle, significant changes are not made unless a material change occurs either in the prevailing industry standards or the Company's performance targets.

The remuneration for the Board of Directors is paid in accordance with the Company's Articles of Incorporation and the Company's annual profit. Hence, it is closely related to the operating performance. The Remuneration Committee of the Company shall regularly review the remuneration system for Board of Directors. The remuneration of the President and Vice President takes into consideration on the individual and the Company's operating performance, and the calculation standard is based on risk control, development strategy and personal contribution to the Company's performance.

c. Regularly review policies, systems, standards and structures of performance evaluation, salary and remuneration for directors and managers

The company has measures on "directors' performance evaluation and salary and remuneration policies, systems, standards and structures" and "managers' performance evaluation and salary and remuneration policies, systems, standards and structures", which stipulate regular review and adjustment every year. The Compensation Committee shall review regularly in the third quarter of each year, and the 2020 regular review has been submitted to the Board of Directors for approval on August 4, 2020.

i. Director:

In the fourth quarter of each year, the Compensation Committee shall prepare the annual evaluation items and evaluation forms for the performance evaluation of individual directors, and conduct the evaluation in the first quarter after the end of the next year.

The salary and remuneration structure and standards of directors shall be reviewed and adjusted on a regular basis every year. The amount of fixed remuneration shall be evaluated by the Compensation Committee in the first quarter of each year, and then submitted to the Board of Directors for approval.

ii. Manager:

For performance evaluation of managers, in the fourth quarter of each year, the Chairman and the President shall prepare the manager performance evaluation

items and evaluation forms for the next year in accordance with their respective rights and responsibilities. After discussion and approval by the Compensation Committee and the Board of Directors, the performance evaluation shall be conducted in the first quarter after the end of the next year.

The salary and remuneration structure and standards of managers are reviewed and adjusted regularly every year. For fixed amount of annual remuneration for individual managers, in the first quarter of each year, the Compensation Committee shall make suggestions after evaluating the performance of individual managers and submit them to the Board of Directors for approval.

- iii. Please refer to the meeting information of the Compensation Committee for the annual performance evaluation and remuneration review of the Compensation Committee.

Furthermore, VIS appointed the Taiwan Corporate Governance Association (TCGA) to conduct the external assessment based on eight major aspects and 38-question indicators on October 14, 2019, including the composition, guidance, authorization, supervision, communication and self-discipline of the Board of Directors as well as internal control, risk management and others, via questionnaire survey and on-site visit. TCGA has no dealings with the Company, and is independent of the Company. And the BOD performance assessment results have been submitted and reported to BOD meeting held on February 20, 2020 as follows:

Period: January 1 to December 31, 2019

Individual board members' performance assessment results: All directors' performances have met expectations.

BOD and functional committees' performance assessment results: the performances of the board and functional committees have met expectations.

D. Implementation of Corporate Governance

1. Implementation of Board Meeting:

The Board convened 7 meetings in Y2020. Meeting attendance was as follows:

Title	Name	No. of Meetings Attended	No. of Meetings Substituted	Attendance Rate	Note
Chairman	Leuh Fang	7	0	100%	
Vice Chairman	F.C. Tseng	5	2	71%	
Independent Director	Benson W.C. Liu	7	0	100%	
Independent Director	Chintay Shih	6	1	86%	
Independent Director	Kenneth Kin	7	0	100%	
Director	Edward Y. Way	7	0	100%	
Director	Lai Shou Su	6	1	86%	

Y2020 Meeting attendance of Independent Directors was as follows: ☉:Attendance ; ☆:Proxy ; * :Absence

Y2020	1st	2nd	3rd	4th	5th	6th	7th
Benson W.C. Liu	☉	☉	☉	☉	☉	☉	☉
Chintay Shih	☉	☉	☉	☉	☉	☉	☆
Kenneth Kin	☉	☉	☉	☉	☉	☉	☉

Supplement Notes:

- There were no written or otherwise recorded resolutions on which an independent director had a dissenting opinion or qualified opinion in Y2020

Opinions of Independent Directors in Respect of Important Proposals:

BOD Meeting	Important Proposals	List on Article14-3 of the Securities and Exchange Act	Independent Director Expresses an Objection or Reservation
13 th BOD meeting (9 th Term) 2020.2.20	To amend the Procedure for Lending Funds to Other Parties.	V	
	To amend the Internal Control System.	V	
	To approve loaning funds to VANGUARD INTERNATIONAL SEMICONDUCTOR SINGAPORE PTE. LTD.	V	
15 th BOD meeting (9 th Term) 2020.8.4	To approve present Internal Audit Officer retirement and appoint successor and approve the compensation given thereto	V	
17 th BOD meeting (9 th Term) 2020.11.3	To approve the hiring of attesting CPA of VANGUARD INTERNATIONAL SEMICONDUCTOR SINGAPORE PTE. LTD. and the compensation given thereto.	V	
20 th BOD meeting (9 th Term) 2021.2.1	To amend the Internal Control System.	V	

Opinions of Independent directors in respect of the above proposals : None

The responses to opinions of Independent directors : None

Resolved: The above proposals were approved unanimously.

2. Recusals of directors due to conflicts of interests in 2020:
Chairman and President: Leuh Fang recused himself from the discussion and voting of his performance and compensation resolution.
3. Information about the evaluation cycle and period, evaluation scope, method, and evaluation content of the Board of Directors Performance Evaluation:

Evaluation cycle	Period of Evaluation	Scope	Evaluation methods	Assessment Content
Executed every year.	From January 1 to December 31, 2020	Individual board members, overall Board of Directors and functional committees	The methods of internal evaluation include self-evaluation of directors, self-evaluation of the Board of Directors, self-evaluation of the functional committee, review of the Compensation Committee, and resolution of the Board of Directors.	The performance evaluation of individual directors includes the attendance and continuous learning of the Board of Directors, the participation in the direction and strategy of the company, the guidance and communication to the management, the supervision of the implementation and tracking of the operation plan, and internal control. The performance evaluation of the Board of Directors includes the degree of participation in the operation of the company, the quality of the decision-making of the Board of Directors, the composition and structure of the Board of Directors, the selection and appointment of directors, continuous learning and internal control. The performance evaluation of functional committee includes the degree of participation in the operation of the company, the quality of decision-making of functional committee and internal control. In 2020, the internal performance evaluation results of individual members of the Board of Directors, the overall Board of Directors and each functional committee met the expectations. Performance assessment results for the Board of Directors have been reported to the Board of Directors on February 1, 2021.

4. Measures taken to strengthen the functionality of the Board:
- Continue strengthening the supervisory function of the board of directors, VIS Board delegates various responsibilities and authority to two Board Committees, Audit Committee and Compensation Committee. Both the two Committees consist solely of the three Independent Directors. Each Committee's chairperson regularly reports to the Board on the activities and actions of the relevant committee.
 - Strengthening the directors' remuneration be combined with performance, VIS Board established Board of Directors performance Assessment Policy, and conduct Board's self-evaluation every year. Also, the company appointed the Taiwan Corporate Governance Association to conduct external assessment of Board performance in 2019.
 - Increasing support for directors and enhancing the Board functions, appointed Chief Corporate Governance Officer to be in charge of corporate governance affairs.

2. Implementation and Focus of Audit Committee Meeting:

The qualifications of members of the Audit Committee are identical to those of the Compensation Committee. The primary purpose of establishing the Audit Committee is to reinforce the oversight capabilities of the Board of Directors. The Audit Committee is tasked with overseeing adequate representation of the Company's financial statements, appointment (or dismissal) of certified public accountants as well as their competence, independence, and performance, effective implementation of the Company's internal controls, the Company's compliance with relevant laws and regulations, and control



over existing or potential risks to the Company. The main scope of authority of the Audit Committee consists of the following:

- a. The adoption of or amendments to the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
- b. Assessment of the effectiveness of the internal control system.
- c. The adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of the procedures for handling financial or business activities of a material nature, such as acquisition or disposal of assets, derivatives trading, lending of funds to others, and endorsements or guarantees for others.
- d. Matters in which a director is an interested party.
- e. Asset transactions or derivatives trading of a material nature.
- f. Lending of funds, endorsements, or provision of guarantees of a material nature.
- g. The offering, issuance, or private placement of equity-type securities.
- h. The hiring or dismissal of a certified public accountant, or their service fees.
- i. The appointment or discharge of the head of financial, accounting, or internal audit.
- j. Annual and quarterly financial reports, which are signed or sealed by the chairperson, managerial officer, and accounting officer.
- k. Review of the annual business report, the retained earning distribution, or loss make-up proposal.
- l. Review the changes of accounting policies or accounting estimate and other material matters as may be required by this Corporation or by the competent authority.

The Audit Committee convened 4 regular meetings in Y2020. Meeting attendance was as follows:

Title	Name	No. of Meetings Attended	No. of Meetings Substituted	Attendance Rate	Note
Independent Director	Benson W.C. Liu	4	0	100%	
Independent Director	Chintay Shih	4	0	100%	
Independent Director	Kenneth Kin	4	0	100%	

Supplement Notes:

1. In the event that the Audit Committee encounters any of the following conditions during the course of its operations, a description of the date, term, and content of the proposed motion of the Board of Directors along with the result of the Audit Committee's resolution and the Company's handling of the Audit Committee's opinion shall be provided.

a. Conditions stipulated in Article 14-5 of the Securities and Exchange Act:

Board of Directors	Proposed Motions	Resolution Adopted by the Audit Committee	Action Taken by the Company in Response to Opinion of the Audit Committee
13th Meeting (9th Term) 2020.2.20	1. Individual and Consolidated Financial Statements of the Company for Y2019 2. Amended the Procedure for Lending Funds to Other Parties 3. Approved to loan funds to VANGUARD INTERNATIONAL SEMICONDUCTOR SINGAPORE PTE. LTD 4. Revision to the Company's Internal Control System 5. Review of the effectiveness of the Company's annual internal control system for Y2019, and reaching an agreement to issue a statement on the effectiveness of the internal control's design and implementation.	All committee members present Reviewed and approved (2020.2.20)	All directors present Unanimously resolved
15th Meeting (9th Term) 2020.8.4	The appointment or discharge of the head of Internal Audit.	All committee members present Reviewed and approved (2020.8.4)	All directors present Unanimously resolved
16th Meeting (9th Term) 2020.11.3	Agreed to Deloitte Touche Tohmatsu Limited to audit Y2021 financial statements of Vanguard and the subsidiaries.	All committee members present Reviewed and approved (2020.11.3)	All directors present Unanimously resolved
20th Meeting (9th Term) 2021.2.1	1. Individual and Consolidated Financial Statements of the Company for Y2020 2. Revision to the Company's Internal Control System 3. Review of the effectiveness of the Company's annual internal control system for Y2020, and reaching an agreement to issue a statement on the effectiveness of the internal control's design and implementation.	All committee members present Reviewed and approved (2021.2.1)	All directors present Unanimously resolved

b. There were no other resolutions which was not approved by the Audit Committee but was approved by two thirds or more of all directors in 2020.

2 There were no recusals of independent directors due to conflicts of interests in 2020.

3. Descriptions of the communications between the independent directors, the internal auditors, and the independent auditors in 2020 (which should include the material items, channels, and results of the audits on the corporate finance and/or operations, etc.):

a. There are direct channels of communication available between all of the Company's independent directors and the head of Internal Audit, resulting in a satisfactory level of communication. An Audit Committee meeting is convened at least once each quarter,



consisting of a closed-door meeting with the head of Internal Audit. The meeting shall include discussing and verifying the annual audit plan and current status of implementation of the Company's internal audit procedures. Each month, the head of Internal Audit would submit a report in writing to the independent directors and communicate important points of concern as deemed necessary.

- b. There is a satisfactory level of communication between the Company's independent directors and accountants. Each quarter, a closed-door meeting is held between the Audit Committee and the Company's accountants. The Company's accountants are tasked with discussing and communicating various matters with the independent directors, including submitting a report on the results of audits/reviews of the financial statements of VIS and other companies in which VIS is invested along with matters pertaining to material changes in accounting estimates, accounting principles, and important issues discussed with the supervisory authority, changes in securities and tax laws, and the statement of independence issued by the Company's accountants. To read a summary of the current state of communication between the Company's independent directors, internal audit supervisors, and accountants, please visit the official VIS website: http://www.vis.com.tw/en/cg_committees

The State of Participation in Board Meetings by the Supervisors: NA



3. VIS Implementation as Required by Taiwan Financial Supervisory Commission:

Item	Implementation Status		Non-implementation and Its Reason(s)
	Yes	No	
1. Did the company formulate and disclose corporate governance practice principles according to the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies?	V		VIS formulated our Corporate Governance Practice Principles on Nov. 1, 2016 (last modified: Apr. 29, 2019). It upholds principles regarding protecting the rights and interests of shareholders, strengthening the powers of the board of directors, fulfilling the function of Audit Committee, respecting the rights and interests of stakeholders and enhancing information transparency. For the details of Company's Corporate Governance Practice Principles, please refer to our website via www.vis.com.tw .
2. Shareholding Structure & Shareholders' Rights (1) Did the company establish internal operating procedures to process shareholders' suggestions, doubts, disputes, and litigation matters, and implement the procedures accordingly?	V		VIS has specific staff to handle shareholders' suggestions, doubts, and disputes. Meanwhile, the "Procedures for Handling Shareholder Complaints" were formulated on Feb. 21, 2017 as an addition to the Company's internal control system. Matters related to shareholder complaints are solely handled by the Legal Department and are implemented in accordance with the aforementioned procedures, and written records of all handling procedures are retained for future reference. Handling of litigation proceedings and duties and responsibilities of the Legal Department are as follows: 1. Notify the Finance Department and make an announcement where required by law. 2. Conduct an internal investigation of matters relating to the alleged legal violation or contravention of company bylaws. 3. Present a report on the investigation to board members or management executives who do not have conflict of interest in the matter, and confirm the results of the investigation. 4. Provide a response or negotiate a settlement on the basis of the result of the investigation. 5. Depending on the complexity of the case in question, after it has been examined and a decision has been reached by the chairman or a responsible supervisor authorized by the chairman, an external attorney may be appointed to handle the litigation proceedings and assistance is provided to the appointed attorney during the litigation proceedings to formulate a legal defense.
			None



Item	Implementation Status		Non-implementation and Its Reason(s)
	Yes	No	
(2) The Company's possession of major shareholder's list and the list of ultimate owners of these major shareholders	V		VIS tracks the shareholdings of directors, officers, and shareholders holding more than 10% of the outstanding shares of VIS.
(3) Has the Company built and executed a risk management system and "firewall" between the Company and its affiliates?	V		VIS has established proper organization control structure to monitor the major financial and business operations in any of the subsidiaries. VIS also follows the internal control regulations to review related businesses of the subsidiaries regularly so as to build and executed a risk management system and "firewall" between the Company and its affiliates.
(4) Did the company develop internal rules for prohibiting company insiders from trading securities using information not disclosed to the market?	V		VIS has formulated an "Operating Procedure for Processing of Major Internal Information" on Dec. 11, 2009 by board of directors (last modified: Oct. 29, 2019), prohibiting company insiders from trading securities using information not disclosed to the market. And measures for prohibition of buying and selling include: 1. When any directors, managerial officers, or employees of the Company become aware of material inside information that influences the Company's stock price, they may not, within the time frame specified in the Securities and Exchange Act, buy and sell stocks that are traded by the Company in the open market or other negotiable securities that feature stock properties. 2. Ten days before the investor conference are deemed as the quiet period. The Company shall inform the personnel of related unit who are participating in preparations and discussions that they are prohibited from buying and selling the Company's shares.
3. Composition and Responsibilities of the Board of Directors			None
(1) Did the board of directors formulate appropriate policy on diversity based on the composition of its members and implement such policy accordingly?	V		Article 20 of the company's Corporate Governance Practice Principles specifically discloses the executive directors should not exceed one third of the seats of the board of directors. The composition of the board of directors should be diversified, such as different professional backgrounds, fields of work or gender, and possesses the necessary knowledge, skills and literacy to perform his duties; Company requirements and the diversity of board of directors are considered in the nominations for re-electing directors of the board. Among the current board of directors:



Item	Implementation Status		Non-implementation and Its Reason(s)
	Yes	No	
(2) In addition to establishing remuneration committee and audit committee, did the company voluntarily set up other functional committees? (3) Did the company formulate rules and methods for board of directors' performance evaluations, and perform periodic performance assessments each year as well as the results of the performance evaluations are reported to the board of directors and used as a reference for individual directors' remuneration and nomination?			1. Directors' Education & Selected Past Positions include: MS, Materials Science and Engineering, University of Washington; Ph.D. in Electrical Engineering, National Chengkung University, Taiwan; MBA, University of Georgia ; Master of Business Administration, North Texas University, USA. 2. Independent Directors' Education & Selected Past Positions include: Ph.D. Electric Engineering, Princeton University, USA; President, Industrial Technology Research Institute; Dean, College of Technology Management, National Tsing Hua University; Master, International Business Administration, University of Northrop, USA; Chairman, Taiwan Corporate Governance Association; Ph.D. Nuclear Engineering and Applied Physics, Columbia University, USA; Professor, National Tsing Hua University etc. In addition to establishing a remuneration committee and audit committee, we did not set up other functional committees.
	V		The Company has formulated a series of rules and polices pertaining to evaluations, including the revision of "Policies, Systems, Standards, and Structure of the Performance Assessment and Remuneration of Directors" on Nov. 3, 2020 as well as a "Board of Directors Performance Assessment Policy" on Nov. 1, 2016; The Company shall conduct an internal Board Performance Assessment once a year and an external independent professional institution or a panel of external experts and scholars at least once every three years. The Company will keep directors' remunerations closely linked with their performance. In addition, when electing members of the Board of Directors or nominating directors, the Company shall base its election on the assessment results of the performance of individual directors as reference. The scope of evaluation covers individual Board members, the Board as a whole, and functional committees. The methods of evaluation may be either internal evaluation, external evaluation, or both. Internal evaluation includes self-evaluation by individual Board members, internal evaluation by the Board, internal evaluation by functional committees, re-evaluation by the Compensation Committee, and resolutions of meetings of the Board. External evaluation includes evaluations by appointed



Item	Implementation Status		Non-implementation and Its Reason(s)
	Yes	No	
			external professional institutions, experts, or other appropriate methods. Internal evaluation shall be adopted for the evaluation of individual Board members and functional committees. Both internal and external evaluations shall be adopted for the evaluation of the Board as a whole. The criteria for assessing the performance of the individual Board members shall cover the following five aspects: (1) Board meeting attendance and continuing education; (2) Participation in supporting the company's objectives and strategies; (3) Instructions to and communication with management executives; (4) Supervision of the execution of business plans and tracking the progress of such execution; (5) Internal control and avoidance of conflicts of interest; The criteria for assessing the performance of the Board as a whole and each functional committee shall cover the following five aspects: (1) Participation in the operation of the company; (2) Improvement of the quality of the Board of Directors' decision making; (3) Composition and structure of the Board of Directors; (4) Election and continuing education of the directors; and (5) Internal control Results from self-assessment of the Board of Directors' performance in 2020: 1. Assessment period: January 1, 2020 to December 31, 2020 2. Internal performance assessment results for individual directors: Performance of individual directors all met expectations. 3. Internal performance assessment results for the entire Board of Directors and functional committees: Performance of the entire Board of Directors and all functional committees met expectations. 4. Performance assessment results for the Board of Directors have been reported to the Board of Directors' on February 1, 2021. The Company formulates performance assessment items at the beginning of each year, evaluate the performance at the end of each year, and incorporate the assessment results into consideration for remuneration of the Board.



Item	Implementation Status		Non-implementation and Its Reason(s)
	Yes	No	
			The Company appointed the Taiwan Corporate Governance Association (TCGA) to conduct the external assessment based on eight major aspects and 38-question indicators on October 14, 2019, including the composition, guidance, authorization, supervision, communication and self-discipline of the Board of Directors as well as internal control, risk management and others, via questionnaire survey and on-site visit. TCGA has no dealings with the Company, and is independent of the Company. The external performance assessment result for the Board of Directors has been reported to the Board of Directors' meeting on February 20, 2020. 1. Assessment period: October 1, 2018 to September 30, 2019 2. Overall assessment results and enhancement suggestion: The report concluded that the Company's Board of Directors has a balanced internal and external director structure and seats, and is in line with the diversity of professional skills and industrial experience. Moreover, the operation and communication of the Board of Directors is smooth. The Company held special discussions and courses irregularly, which helps to improve the efficiency of board operations. The Company has established a sound risk management operating mechanism and internal control system, which helps members of the Board of Directors to grasp the Company's risk management situation and reduce the Company's operating risks. The Company has established "Ethics and Business Conduct", "Code of Ethics for Directors", "Ethical Corporate Management Best Practice Principles" and "Guidelines for Reporting and Handling Ethical Conduct Violations", with a view to promoting self-discipline of the Board of Directors and all members of the Company and abiding by business ethics. In addition, the Company's high-performance in corporate governance evaluation represents that the Company has highly implemented corporate governance and that is praiseworthy. And from the planning of various meetings and the provision of information, convenient for directors to grasp important company information in real time, which can prove that the relevant support system of the Board of Directors is quite complete. The report also provided suggestions on the establishment of an induction course for the newly elected directors, the performance evaluation of the internal audit officer, and the approval level of "Guidelines for Reporting and Handling Ethical Conduct Violations" for the Company to enhance the efficiency of the Board. Based on its suggestions, the Company has already arranged



Item	Implementation Status		Non-implementation and Its Reason(s)
	Yes	No	
			the introduction course for newly-elected directors, the performance of the internal audit officer is required to be reviewed by the Board of Directors, and the approval level for implementing the "Guidelines for Reporting and Handling Ethical Conduct Violations " was be raised. The Company regularly conduct an external Board Performance Assessment at least once every three years and schedules the next external assessment in 2022. The internal and external assessment results are disclosed on our website : https://www.vis.com.tw/tc/cg_committees?type=compensation_committee
(4) Did the company evaluate the independence of Certified Public Accountants (CPA) periodically?	V		The Audit Committee evaluates the independence of Certified Public Accountants (CPA) in the fourth quarter of each year mainly including financial interests, financing and guaranties, business relationships, employment, non-audited services, significant value of gifts, continuous engagements, etc. and assess CPA's performance and competence, then submits it to BOD meeting, for review. The board of directors approved the assessments on Nov 3rd, 2020.
4. As a TWSE/TPEx-listed company, has VIS set up appropriate numbers of corporate governance personnel and appoint Chief Corporate Governance Officer in charge of corporate governance affairs (including but not limited to furnishing information required by directors to conduct business, assisting directors in complying with laws and regulations, handling matters relating to board meetings and shareholders' meetings as required by law, producing minutes of board meetings and shareholders' meetings, etc.)?	V		Board of Directors appointed Chief Corporate Governance Officer on April 29, 2019 and the Company has set up Corporate Governance Department with qualified corporate governance personnel in an appropriate number. The main duties include, but not limited to, providing information required by directors to carry out corporate affairs, handle matters related to Board of Directors' meetings and shareholders' meetings in accordance with the laws, prepare minutes of Board of Directors' meetings and shareholders' meetings, assist in onboarding and undergoing continuing education and training of directors, assist directors in complying with laws and regulations and other matters stipulated in the company's Articles of Incorporation or contracts. The Chief Corporate Governance Officer has over three years of experience serving as a supervisor in charge of legal affairs at public companies, and is a qualified attorney-at-law. The performance of operations from 2020 to publish of this annual report is as follows: ● Handling of matters relating to 8 board meetings and the annual shareholders meeting in accordance with law as well as preparation of the meeting minutes of board meetings and shareholders' meeting after adjournment thereof. ● Amendment of Amended the Audit Committee Charter. ● Amended the Organizational Regulations of the Compensation Committee. ● Amended the Rules Governing the Election of Directors.. ● Provision of continuing education courses and assistance in directors' attendance in a total of 94.5 hours of training activities.
			None



Item	Implementation Status			Non-implementation and Its Reason(s)																										
	Yes	No	Description																											
			● Provision of information required for the performance of duties by the directors. Continuing training of Chief Corporate Governance Officer in 2020: <table><tr><th>Name</th><th>Date</th><th>Host by</th><th>Training Title</th><th>Duration</th></tr><tr><td rowspan="5">Ellen Lin</td><td>2020.1.7</td><td>Accounting Research and Development Foundation</td><td>Corporate Governance Practice: The impact and the response on “Labor Incident Act” to the enterprises</td><td>3 hours</td></tr><tr><td>2020.4.17</td><td>Taiwan Corporate Governance Association</td><td>Case study of corporate governance and regulation compliance</td><td>3 hours</td></tr><tr><td>2020.9.29</td><td>Taiwan Corporate Governance Association</td><td>Current development and case study of Directors & officers liability insurance</td><td>1.5 hours</td></tr><tr><td>2020.9.29</td><td>Taiwan Corporate Governance Association</td><td>Proxy contest and hostile takeover of management right and the case study</td><td>1.5 hours</td></tr><tr><td>2020.11.16</td><td>Taipei Exchange (TPEX)</td><td>2020 Corporate Governance and Corporate Ethical Management seminar for directors and supervisors</td><td>3 hours</td></tr></table>	Name	Date	Host by	Training Title	Duration	Ellen Lin	2020.1.7	Accounting Research and Development Foundation	Corporate Governance Practice: The impact and the response on “Labor Incident Act” to the enterprises	3 hours	2020.4.17	Taiwan Corporate Governance Association	Case study of corporate governance and regulation compliance	3 hours	2020.9.29	Taiwan Corporate Governance Association	Current development and case study of Directors & officers liability insurance	1.5 hours	2020.9.29	Taiwan Corporate Governance Association	Proxy contest and hostile takeover of management right and the case study	1.5 hours	2020.11.16	Taipei Exchange (TPEX)	2020 Corporate Governance and Corporate Ethical Management seminar for directors and supervisors	3 hours	
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5. Did the company maintain channels of communication with its stakeholders (including but not limited to shareholders, employees, clients and supplies), designate a stakeholders section on its website, and adequately respond to stakeholders' concerns regarding corporate social responsibility?	V		VIS attaches great importance to the communication between our stakeholders and us. The stakeholders include but not limited to shareholders, employees, clients and supplies. We maintain good communication with our stakeholders through relevant departments depending on situation. Furthermore, we have publicly disclosed the contact information of our corporate spokesperson and relevant departments. Also, we have a stakeholder section on our corporate website to address our corporate sustainability and any other issues. Stakeholder Communication Mechanism includes: a. Shareholders and investors Issue of concern: Business strategy, Business performance, Corporate governance, Innovation management Method and frequency of communication:	None																										



Item	Implementation Status		Non-implementation and Its Reason(s)
	Yes	No	
			● Annual meeting of shareholders ● Quarterly meetings of the Board of Directors and investors conference ● Monthly business revenue announcements ● Immediate update of material information on the corporation website and the Market Observation Post System Contact Window: Investor Relations: Janey Liu, Tel: 886-3-5770355 ext. 1421, Email: cyliuc@vis.com.tw b. Customers Issue of concern: Service quality and customer satisfaction, Managing customer relations and methods for filing a complaint, Customer privacy Method and frequency of communication: ● Real-time online customer communication system ● Quarterly business meeting ● Regular project discussion meetings ● Unscheduled customer visits Contact Window: Sales: Bill Chuang, Tel: 886-3-5770355 ext. 5777, Email: billchuang@vis.com.tw Customer Service: Seven Dong, Tel: 886-3-5770355 ext. 5213, Email: jcdong2@vis.com.tw c. Employees Issue of concern: Talent recruitment and retention, Labor-Management Relations, Employee communication and satisfaction, Human resources development, Employee diversity, Method for filing a labor condition complaint, Human rights policy, Forced labor, Discrimination, Child labor Method and frequency of communication: ● Internal network and telephone communication platform ● Employee Assistance Program (EAP) hotline ● Quarterly meeting between employer and employees ● Quarterly meeting of factory directors ● President communication meeting ● Mailbox of the executives, mailbox of the Audit Committee, mailbox of the chairman



Item	Implementation Status		Non-implementation and Its Reason(s)
	Yes	No	
			Contact Window: Human Resources: Andrew Chen, Tel: 886-3-5770355 ext. 1717, Email: andrewchen@vis.com.tw d. Government authority Issue of concern: Compliance with environmental protection regulations, Occupational health, safety, and sanitation, Energy efficiency, Energy management, Waste management, Anti-corruption, Water resource management, Greenhouse gas emissions, Climate Change, Direct impact of goods and services on the environment, Compliance with product regulations, Carbon management Method and frequency of communication: ● Instant communication according to law ● Periodic reporting e. Supplier Issue of concern: Management of conflict minerals, Green procurement, Compliance with environmental protection regulations, Raw materials, Compliance with product regulations, Management of supply chains, Waste management, Hazardous substance management, Carbon management, Anti-corruption, Conflict minerals, Assessment of suppliers' human rights policies, Local procurement and local recruitment, Child labor Method and frequency of communication: ● Semi-annual joint review of qualified suppliers ● Annual audit of major suppliers ● Scheduled yearly communication with suppliers ● E-Supply supplier communication platform Contact Window: Material Management: Jay Tsai, Tel: 886-3-5770355 ext. 4300, Email: cjtsai@vis.com.tw f. Community Issue of concern: Charitable events, Compliance with environmental protection regulations, Water resource management, Waste management, Hazardous substance management, Greenhouse gas emissions, Carbon management, Environmental investment, Direct impact of goods and services on the environment, Climate Change, Charitable events, Community impact assessment, Green construction, Biodiversity, Community investment,



Item	Implementation Status		Non-implementation and Its Reason(s)
	Yes	No	
			Method and frequency of communication: ● Hold randomly scheduled events and makes donations ● Sponsor regular regional broadcast shows to discuss social concerns Contact Window: Public Relations: Dana Tsai, Tel: 886-3-5770355 ext. 1901, Email: dana_tsai@vis.com.tw g. Media Issue of concern: Business performance, Corporate governance, Compliance with environmental protection regulations, Compliance with product regulations Method and frequency of communication: ● Quarterly conferences ● Monthly business revenue announcements ● Immediate update of material information on the corporation website and the Market Observation Post System Contact Window: Public Relations: Dana Tsai, Tel: 886-3-5770355 ext. 1901, Email: dana_tsai@vis.com.tw
6. Did the company engage a professional shareholder services agent to handle shareholders meeting matters?	V		We have designated CTBC Bank as our service agent to handle shareholders meeting matters.
7. Information Disclosure			
(1) Establishment of corporate website to disclose information regarding the Company's financials, business and corporate governance status	V		VIS discloses our financials, business and corporate governance status on its website at http://www.vis.com.tw
(2) Other information disclosure channels (e.g. English website, appointing	V		VIS has launched bilingual Chinese and English websites and has assigned the related departments to collect and reveal company information, while the Public relations and Investor Relations department is in charge of integrated management. We have Investor Relations segment



Item	Implementation Status		Non-implementation and Its Reason(s)
	Yes	No	
responsible people to handle information collection and disclosure, appointing spokesperson, webcasting investor conference) (3) Did the company announce and file the annual financial report within two months after the end of the fiscal year, and announce and file the first, second and third quarter financial reports and operating status of each month as soon as possible before the prescribed period?	V		on our corporate website, and it contains historical Investor Conference Report and the video of latest Investor Conference. In addition, based on article 11 of Company's "Operating Procedure for Processing of Major Internal Information", the disclosure of material inside information of the Company shall be handled by a spokesperson designated by the Company or a deputy spokesperson acting on his/her behalf in a specified sequential order unless prescribed otherwise in relevant laws or orders. The disclosure may be made directly by the responsible person of the Company if deemed necessary. VIS, in principle, announces revenue, derivatives transactions and balance of lending to other parties and of making endorsements and guarantees of previous month on the 9th of the month or, as exceptions, the day advance to the reporting deadline if there are consecutive holidays in the beginning of the month. In addition, VIS declared and announced the Chinese financial reports of 1Q20, 2Q20, 3Q20 and FY20 on 2020.4.28, 2020.8.5, 2020.11.4 and 2021.2.1, all meets the target timeframe on the question and regulated deadline. To engage with international capital market and improve the transparency of financial information to international shareholders, VIS also declared and announced the English financial reports of 1Q20, 2Q20, 3Q20 on 2020.5.22, 2020.9.3 and 2020.12.3 and schedules to disclose 2020 annual financial report on 2021.3.31, all meets the target timeframe within 30 days in post-Chinese financial report declaration.
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk	V		None ● For employee rights and employee wellness, please refer to "Employee / employer relations" of this Annual Report. ● Investor relations: VIS has specific staffs handle shareholders' suggestions, doubts and disputes. In addition, we hold Investor Conference for institutional investors every quarter and we also disclose Chinese and English financial reports on our corporate website. ● For supplier relations and rights of stakeholders, please refer to 「Implementation of Corporate Sustainability Measures」 of this Annual Report. ● For Directors' training records, please refer to "Other Important Information Disclosed for Better Understanding of Corporate Governance" of this Annual Report. ● For the implementation of risk management policies and risk evaluation measures, VIS established the "Enterprise Risk Management Policies and Procedures" in 2020, please refer



Item	Implementation Status		Non-implementation and Its Reason(s)
	Yes	No	
evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)?			to 「The policy of the risk management」 and 「The organization chart of the risk management」 of this Annual Report. ● Implementation of customer relations policies: From the moment we start negotiating with our customers about business opportunities, we require all customers to sign a Non-Disclosure Agreement. To protect customer privacy rights, we determine the security level of confidential information and establish corresponding control measures, requiring only those with permission to access the information. All other personnel must not attempt to make inquiries on customer information, and when customers make requests or apply for documents through our VIS-online system, proper authorization must be obtained. ● We maintain D&O Insurance for its directors and officers. ● Succession planning of board members and important management: the Company regularly discusses and communicates with major shareholders on succession planning of board members. At the same time, the Company also paid close attention to the social talents with professional ability and expertise in various fields and regularly arranged professional training courses to provide further education for directors. (Please refer to the "2020 Status of continuing professional education for Board of Directors" of the annual report). Additionally, the Company has established "Self-Evaluation of the Board of Directors" to determine the performance evaluation items for the next year in the fourth quarter of each year, and to conduct evaluation at the end of each year. Through the evaluation of performance evaluation items for individual directors (including the attendance rate of the Board of Directors and continuing professional education, participation in the Company's direction and strategy formulation, guidance and communication to the management, supervision of the implementation and tracking of operational plans, internal control and avoidance of conflicts of interest etc.), the performance of Directors is assessed as reference for future selection of directors. The current Chairman joined the management team of the company as President in 2009, and subsequently joined the Board of Directors and took over the role of Chairman in 2015. The Company's succession planning for key management is based on a holistic talent selection and evaluation tool where lower level managers with development potential are



Item	Implementation Status		Non-implementation and Its Reason(s)
	Yes	No	
			selected. According to the needs of the company's development, development plans will be drawn up jointly by the manager and the identified talents and reported to the Board of Directors regularly. The development plans include mentorship, job rotation, overseas deployment and participation in external senior manager training, etc. carried out over a period of two to three years. The talents undergoing training would be exposed to work challenges and learning opportunities, and have their decision making ability honed through holistic professional ability training, thereby achieving succession planning. As far as training courses for senior management are concerned, the company conducted leadership recharge training covering 360 hours in total for 45 participants, in order to enhance the leadership capability of the management team. Based on the implementation of development plans, many supervisors have been promoted to senior management roles, where Chief Accounting Officer and Sr. Director Amanda Huang has been promoted to the position of Vice President, Finance; Senior Fab1 Manager Goh Inn Swee has been promoted to the position of Associate Vice President and has taken over as the President of the company's subsidiary in Singapore; and Sr. Directors Chih-Cherng Liao and Tom Tseng have been promoted to the position of Associate Vice President, in in to establish echelons of talents.
9.	Consulted the explanation of improvements to the corporate governance evaluation results for the most recent year published by the Taiwan Stock Exchange Corporation (TWSE) Corporate Governance Center and proposed fast-tracked implementation of improvements and related measures for areas which had yet to be rectified. For five years in a row, the Company has been ranked in the top 5% of the Corporate Governance Evaluation. With respect to the state of improvements made in 2020, set-up of the Risk Management Committee, establishment of Enterprise Risk Management Policies and Procedures, disclosure of Intellectual Property Management Program, report of communication situation with the stakeholders, strengthening of disclosure of financial, business and corporate governance information on the company's website and MOPS, implementation of ethical corporate management training, and relevant management guidelines were amended and implemented by units tasked with handling corporate governance, Corporate Sustainability, and ethical management best practice principles. The Company also submits a report regarding the improved items to the Board of Directors and, after taking into consideration the specific aspects of each industry segment and actual operating requirements, the Board has continued its efforts to enhance the Company's corporate governance, thereby boosting the core competitiveness of VIS.		



4. Compensation Committee

VIS has established a Compensation Committee as required by the competent authority for assisting the BOD in the study and design of the compensation policy and structure in order to attract, motivate, reward, and retain talent. The functions of this committee are: Map out the compensation policy and structure, the method for the release of fees for directors and supervisors, the salaries of the managers and release of the salaries, the reward for the managers and incentives for motivating people, Planning and implementation of performance evaluations for the Board of directors (including the Chairman) and managers (including the President) any other duties assigned by or authorized by BOD.

Members of the Compensation Committee

Title	Name	Over 5 years of working experience			Criteria (Note)										Number of other public companies that concurrently serve as a member of Compensation Committee	Remark
		College Instructor or higher level in Business, Legal, Finance, Accounting or company business related area	Court Judge, Prosecutor, Lawyer, Accountant, or other Certified Professional expert related to company business	Business, Legal, Finance, Accounting or company business required working experience	1	2	3	4	5	6	7	8	9	10		
Independent Director	Chintay Shih	V		V	V	V	V	V	V	V	V	V	V	V	2	
Independent Director	Kenneth Kin	V		V	V	V	V	V	V	V	V	V	V	V	2	
Independent Director	Benson W.C. Liu			V	V	V	V	V	V	V	V	V	V	V	2	

Note :

1. Not an employee of affiliated companies of the company and company.
2. Not a director, supervisor of affiliated companies of the company and company.
3. Not a natural person shareholder directly or indirectly owning more than 1% of the Company outstanding shares, nor one of the Company top 10 natural person shareholders.
4. Not a spouse or a first-or-second-degree relative to any person specified in Criteria 1-3.
5. Not a director, supervisor or employee of a shareholder of juridical person of the Company directly or indirectly owning more than 5% of the Company's outstanding shares, nor one of the Company's top five share-holders of juridical person.
6. Not directors, supervisors or employees of other companies controlled by the same person holding a majority of the company's director seats or voting shares of the company. (However, this restriction shall not apply do not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent).
7. Not directors (governors), supervisors or employees of other companies or institutions who are the same person or spouse as the chairperson, general manager or person holding an equivalent position of the company. (However, this restriction shall not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a company and its parent or subsidiary or a subsidiary of the same parent).
8. Not a director, supervisor, manager or shareholder holding more than 5%of the outstanding shares of certain companies or institutions that have financial or business relationship with the Company.

9. Not an owner, partner, director, supervisor, manager of any sole proprietor, partnership, company or institution and his/her spouse, or the specialist and his/her spouse, that provides finance, commerce, legal consultation and services to the Company or affiliated companies within one year.
10. Not a juridical person or its representative as defined in Article 30 of Company Law.

Compensation Committee Operations Information

1. The company's Compensation Committee is composed of three members
2. Term of office for the current members: June 14, 2018 to June 13, 2021. The committee has met 5 times in the most recent year. Membership and attendance information are provided below:

Title	Name	No. of Meetings Attended	No. of Meetings Substituted	Attendance Rate	Note
Convener	Kenneth Kin	5	0	100%	
Member	Chintay Shih	4	1	80%	
Member	Benson W.C. Liu	5	0	100%	

Other items of note:

1. If the Board of Directors does not adopt or amend the Compensation Committee's recommendations, the date, period, motion, decision of the board, and how the Company shall handle the Committee's recommendations must be clearly stated: None.
2. If members of the Compensation Committee oppose or reserve their opinions for any resolved issues and have a record or written statement for it, the date, period, motion, and all opinions of the members and how these opinions were handled shall be clearly stated: None.

Compensation Committee	Important Proposals	Resolution	The Company's actions in response to the opinions of the Remuneration Committee
The 8th meeting of the 9th Board 2020.2.20	1. Review the ratio and total amount of employee compensation and director compensation allocated as per the company's profit in 2019 2. Salary adjustment plan of the company in 2020 3. Review the performance and bonus in 2019 and fixed remuneration in 2020 of VP and AVP 4. Review directors' performance in 2019 and fixed remuneration in 2020 5. Review the Chairman's performance and bonus in 2019 and fixed remuneration in 2020 6. Review the performance of the Board of Directors and functional committees in 2019	Unanimously approved by all members present in the meeting	Proposed by the Board of Directors and adopted with the approval of all attended Directors
The 9th meeting of the 9th Board 2020.4.27	1. Review the compensation amount of individual managers and employees in 2019 2. Review the compensation amount of individual directors in 2019 3. Review the employee compensation of the President and the compensation of the Chairman in 2019	All members present unanimously approved	Proposed by the Board of Directors and adopted with the approval of all attended Directors



The 10th meeting of the 9th Board 2020.8.4	1. Review the "directors' performance evaluation and compensation policies, systems, standards and structures" 2. Review the "manager performance evaluation and compensation policies, systems, standards and structures" 3. Review the present Internal Audit Officer retirement and appoint successor and approve the compensation given thereto	All members present unanimously approved	Proposed by the Board of Directors and adopted with the approval of all attended Directors
The 11th meeting of the 9th Board 2020.11.3	1. Review the performance evaluation items of the overall Board of Directors and functional committees in 2021 2. Review the performance evaluation item of directors and Vice Chairman in 2021 3. Review the performance evaluation item of VP, AVP, CFO and Head of Corporate Governance in 2021 4. Review the performance evaluation item of President in 2021 5. Review the performance evaluation item of the Chairman in 2021	All members present unanimously approved	Proposed by the Board of Directors and adopted with the approval of all attended Directors
The 12th meeting of the 9th Board 2020.12.29	1. Review the Structural Salary adjustment plan of the company in 2021	All members present unanimously approved	Proposed by the Board of Directors and adopted with the approval of all attended Directors
The 13th meeting of the 9th Board 2021.2.1	1. Review the ratio and total amount of employee compensation and director compensation allocated as per the company's profit in 2020 2. Salary adjustment plan of the company in 2021 3. Review the performance and bonus of VP, AVP, CFO and Head of Corporate Governance in 2020 and the fixed compensation in 2021 4. Review directors' performance in 2020 and fixed compensation in 2021 5. Review the Chairman's performance, bonus in 2020 and fixed compensation in 2021 6. Review the performance of the Board of Directors and functional committees in 2020	All members present unanimously approved	Proposed by the Board of Directors and adopted with the approval of all attended Directors



5. Implementation of Corporate Sustainability Measures

Assessed items	State of operations		Gaps in the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes												
	Yes	No													
A. Does the Company conduct risk assessments on environmental, social, and corporate governance issues related to its operations in accordance with the materiality principle, and implement relevant risk management policies or strategies?	V	According to the materiality principle, the company identifies issues / risk items / management policies as follows: <table><tr><td>Major Issues</td><td>Assessment Item</td><td>Risk management policy or strategy</td></tr><tr><td>Environment</td><td>Energy management, occupational safety, climate change, air pollution control, water management, waste management</td><td>Please refer to "major issues and sustainable goals of the company" in this annual report</td></tr><tr><td>Social</td><td>Talent attraction and retention, talent development, human rights, social participation</td><td></td></tr><tr><td>Corporate Governance (Economic)</td><td>Business ethics, supplier sustainability management, customer service / sustainability products, regulatory compliance</td><td></td></tr></table>	Major Issues	Assessment Item	Risk management policy or strategy	Environment	Energy management, occupational safety, climate change, air pollution control, water management, waste management	Please refer to "major issues and sustainable goals of the company" in this annual report	Social	Talent attraction and retention, talent development, human rights, social participation		Corporate Governance (Economic)	Business ethics, supplier sustainability management, customer service / sustainability products, regulatory compliance		No deviation
Major Issues	Assessment Item	Risk management policy or strategy													
Environment	Energy management, occupational safety, climate change, air pollution control, water management, waste management	Please refer to "major issues and sustainable goals of the company" in this annual report													
Social	Talent attraction and retention, talent development, human rights, social participation														
Corporate Governance (Economic)	Business ethics, supplier sustainability management, customer service / sustainability products, regulatory compliance														
B. Does the Company establish an exclusively (or part-time) dedicated unit for promoting Corporate Social Responsibility? Is the unit authorized by the Board of Directors to implement CSR activities at the executive level? Does the unit report the progress of such activities to the Board of Directors?	V	The company has an established a " Corporate Sustainability Committee", which is responsible for the formulation and implementation of Corporate Sustainability Policy and systems, as well as the review of implementation effectiveness and continuous improvement at any time to ensure the implementation of corporate sustainability policies. Please refer to the company's website or figure below for the organizational structure of Corporate Sustainability Committee	No deviation												



Assessed items	State of operations		Gaps in the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Yes	No	
		Summary The Corporate Sustainability Committee shall meet quarterly and review the implementation effect and continuous improvement at any time. The Committee shall report the implementation situation to the Board of Directors every six months. Please refer to the website of the company: https://www.vis.com.tw/tc/csr for the specific promotion plan and implementation effect of the Committee	
C. Environmental issues 1. Does the Company establish proper environmental management systems based on the characteristics of their industries?	V	1.	No deviation



Assessed items	State of operations		Gaps in the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Yes	No	Summary
2. Does the Company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	V		improvement of its environmental management system PDCA, it regularly identifies and responds to various environmental protection related laws and regulations every month. In addition, it is planned that the Environmental Safety and Health Committee of each level shall be held, including monthly inspection of environmental safety and health matters by the Environmental Safety and Health Committee held by the factory director of each plant area, and then quarterly meeting of each area (FAB manufacturing /ADM administration /IS&QRA R&D and quality reliability assurance) shall be held to inspect the overall operation of the environmental safety and health management system in the area, and then summarized and submitted to the Environmental Safety and Health Committee of the entire company every quarter presided over by the President. 2. It is an important environmental policy of the company to implement green production to reduce the impact on the environment. In 2020, 87 environmental improvement plans have been completed, of which the plan types are mainly waste reduction, energy and resources saving and reducing the probability of pollution and leakage, including replacement of energy-saving / variable



Assessed items	State of operations		Gaps in the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Yes	No	
3. Does the Company assess the potential risks and opportunities of climate change for its current and future operations and undertake response measures with respect to climate change?	V	frequency DRY PUMP, extension of Tube Cleaner HF & DI Water plan, reduction of the amount of chemicals / gases used in the process (such as ammonia, TMAH, N2, O2, EKC, photoresist & vapor, etc.) to reduce the impact on the environment; in addition, we continued to purchase green (recycled) products such as refrigerators, toilet paper, photocopy paper, etc., and used raw materials without prohibited substances to reduce the environmental load and impact. 3. Climate change is one of the most concerned environmental issues in the United Nations, governments, society and business circles, as well as for VIS. In recent years, the "Corporate Sustainability Committee" of VIS has actively promoted carbon reduction projects related to climate change issues and reported to the Board of Directors. Its policies are aimed at meeting the goals of VIS' carbon emissions and national regulation. Since 2005, after cooperating with Taiwan Semiconductor Industry Association (TSIA) for reduction of PFC in advance, in 2014, we began to implement carbon reduction work with energy saving and carbon reduction. In order to achieve the goal inspection, since 2016, the company has carried out the inventory of product carbon footprint and water footprint, and introduced the environmental accounting	



Assessed items	State of operations		Gaps in the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Yes	No	
4. Does the Company calculate the amount of greenhouse gas emission, water consumption, and waste production in the past two years and implement policies to cut down energy and water consumptions, carbon and greenhouse gas emissions, and waste production?	V		and ISO 50001 energy management system in 2017, the material flow cost analysis method and the three inventory of ISO 14064-1 category were introduced in 2018, all of which have passed the external verification of SGS by the third party. The results of the verification shall be reported to the senior management of the Safety, Health and Environmental Protection Committee of the company every year, and shall be reported in accordance with the regulations of the Environmental Protection Administration. In addition, the energy-saving goal of VIS' energy management is to reduce the power consumption per unit wafer area by 30% in 2022 compared with that in 2015; and VIS' carbon reduction goal is to reduce the greenhouse gas emissions per unit wafer area by 25% in 2022 compared with that in 2015. According to statistics, by the end of 2020, the power consumption of wafer area was 20% lower than that in 2015, and the greenhouse gas emission per unit wafer area was 18% lower than that in 2015. 4. Please refer to the attached "major issues and sustainable goals of the company" and this annual report on IV. Environmental protection expenditure of Chapter 5. Operation Overview for details.



Assessed items	State of operations		Gaps in the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Yes	No	
D. Social Issues 1. Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V	1. The company formulated VIS' human rights policy in 2019. All human rights related actions are in line with relevant international norms and guidelines, including the human rights with international indicator advocacy such as the United Nations Declaration of Human Rights and the Code of Conduct - Responsible Business Alliance. It is committed to ensuring a safe working environment. Current colleagues, contract and temporary staff, interns, etc. are treated with dignity and abide by ethics; at the same time, we take into account employee welfare and shareholders' rights and interests, try to give back to the society; establish positive employee relations, create a highly involved working environment, etc., to ensure that VIS' code of conduct can be aligned with international indicators. 2. Please refer to this annual report on V. Labor relations of Chapter 5. Operation Overview	No deviation
2. Does the Company establish and deliver reasonable employee welfare programs (including salary, compensated absences, and other benefits) and adjust employee compensation in relation to business performance? 3. Does the Company provide a healthy and safe work environment and organize training on health and safety for its employees on a regular basis?	V	3. Please refer to the annual report on IV. Environmental protection expenditure and V. Labor relations of Chapter 5. Operation Overview	



Assessed items	State of operations		Gaps in the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Yes	No	
4. Does the Company provide its employees with career development and training sessions?	V		In order to cultivate professional talents in line with the company's needs, explore the potential of employees, VIS, in accordance with the company's vision and strategic objectives, establishes a complete talent development system, builds training management system (Learning Passport System), knowledge management platform, online learning platform and other learning resources, tailors personal learning development plans for colleagues, and provides all-round talent training courses for colleagues and a wealth of diverse learning resources, in order to enhance the development of employees and enhance the competitiveness of enterprises. In 2020, through external lecturers to teach the training and guidance courses of subordinates, the primary supervisors learnt more about how to cultivate subordinates and conduct performance interviews, and became familiar with the skills and concepts of downward management. A total of 500 supervisors have been trained, supplemented by regular performance management and development every year, to measure the achievement, so as to ensure the implementation of organizational business and personal development priorities.



Assessed items	State of operations		Gaps in the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Yes	No	
5. Does the Company comply with relevant regulations and international standards regarding customer health and safety, right to privacy, marketing and labeling of its products and services and set up relevant consumer protection policies and complaint procedures?	V	5. The company follows relevant laws and regulations as well as international standards in the marketing of products and services. In addition, the company has established a "customer complaint handling method" to provide transparent and effective complaint channels to customers for the company's products and services, and handles customers' complaints fairly and timely. In addition, the company abides by relevant laws and regulations to truly respect customers' privacy rights and protect the data provided by customers. It also regularly evaluates the cooperation satisfaction between the company and customers. For outsourcing of customer satisfaction, we treat the customers as important stakeholders and listen to the customer's opinions, so as to improve the delivery time of service products.	
6. Does the Company formulate supplier management policies that require suppliers to comply with relevant regulations on environmental protection, occupational safety and health, and labor rights and request their reporting on the implementation of such issues?	V	6. The Company has established a "Regulations Governing Handling of Customer Grievances" to provide customers with transparent and effective grievance channels for the Company's products and services, and to handle customers' grievances in a fair and timely manner which is compliant with relevant laws and regulations to respect customers' privacy rights and protects the information provided	



Assessed items	State of operations		Gaps in the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Yes	No	
			Summary by customers. Further, customers' satisfaction on collaborating with the Company is regularly assessed. Customer satisfaction is assessed through a third party and the Company treats customers as important stakeholders and listens to their opinions so as to improve the delivery of product service offerings.
E. Did the company, following internationally recognized standards or guidelines, prepare and publish reports such as its Corporate Social Responsibility report to disclose non-financial information of the company? Has the company received assurance or certification of the aforesaid reports from a third party accreditation institution?	V		The Company's 2020 corporate sustainability report is verified by SGS Taiwan in accordance with AA1000 assurance standard (2008) and its 2018 appendix, and GRI criteria for inclusiveness, significance, responsiveness and impact. The report is in accordance with the GRI Standards: Core option and complies with AA1000 Type II high assurance level.
F. If the Company has established the corporate social responsibility best practice principles based on the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies", please describe any discrepancy between the Principles and their implementation: The company has formulated the VIS Corporate Sustainability Manual as the basis for the company to actively practice social responsibility, and its operation conforms to the spirit of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.			No deviation
G. Other important information to facilitate better understanding of the company's Corporate Social Responsibility practices: Social aspects: Care for the underprivileged, looking after elderly living alone, community building, support for diversified education and advocacy for sustainability are five areas of focus for the Company. The Company unceasingly launched social welfare initiatives for the benefit of the surrounding communities and to give back to the society. 2020 is the sixth year where VIS organized the year end charity donation drive. Continuing the tradition of previous years, the "Be with the elderly for the new year" initiative was launched this year again to support social welfare organizations such as Old Five Old Foundation, Huashan Social Welfare Foundation and Eden Social Welfare Foundation to			



Assessed items	State of operations		Gaps in the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Yes	No	
			Summary
help elderly living alone and underprivileged elderly to have a good new year's eve dinner. In addition to caring for the elderly, the "Caring for Children with Rare Diseases" initiative was launched this year with the aim of mustering support from colleagues for Taiwan Foundation For Rare Disorders, Synlu Social Welfare Foundation, and Sunshine Social Welfare Foundation so that underprivileged children can receive proper treatment and care they deserve. Colleagues responded enthusiastically to this year's "Be with the elderly for the new year" charity donation drive. After two weeks of fundraising, the number of donations increased by nearly 800 compared with last year, and the fundraising amount exceeded NT\$3.5 million, of which approximately NT\$1.3 million was raised for the "Be with the elderly for the new year" initiative and approximately NT\$2.2 million was raised for the "Caring for Children with Rare Diseases" initiative. Since 2019, the Volunteer Club extended visit touch points to halfway houses as well, primarily serving Taoyuan Lohas Preschool and SOS-Kinderdorf International. Every month, the Volunteer Club accompanied the children of Lohas Preschool to read and play games, and conducted computer lessons, handicraft activities, DIY courses and violin lessons, so that the children can have extensive exposure and learn. Occasionally, the Volunteer Club also brought the children to YesHealth iFarm hydroponics farm, thus laying the foundation for environmental education. In similar fashion, every year, the Volunteer Club participates in the annual end of year performance and love garden party of SOS-Kinderdorf International. Colleagues were called upon to make in-kind donation and all proceeds from the charity sale were donated to SOS-Kinderdorf International to cover the year's operating expenses. In 2020, the SOS-Kinderdorf International charity bazaar donated NT\$30,921. On the event day, special arrangements were made for the children to take to the stage and showcase various performances which they have trained hard for, while the volunteers gave the most enthusiastic support under the stage as they witnessed the children's growth. This is also the second consecutive year where the Yilan Skikun Dance Group was invited to the Company's family day to perform the exciting aboriginal dance as the opening act. On the event day, Mr Leuh Fang, Chairman of the Company, also presented, on behalf of the Company, donation sums of NT\$200,000 each to Skikun Dance Group, Love Children Home and The Garden of Hope Foundation. The donations would hopefully elevate the quality of life for the underprivileged children, provide more comprehensive protection for women and children who have been mistreated with violence, and express support and encouragement for passing on indigenous art and culture. In addition to paying attention on underprivileged children, the Company has long been caring for the elders living alone in the community. Since 2015, the Company has invited social welfare groups and seniors living in Kehu Village, and Baoshan Village around FAB 1 and FAB 2 to join in the year end dinner and enjoy performances put up by colleagues. In 2020, owing to the worsening COVID-19 pandemic situation and in line with the government's pandemic prevention policy, the Company did not organize the year end dinner. However, the Volunteer Club continue to organize regular meal sessions with the elderly. VIS partnered with caterers to finance the preparation of lunch boxes			



Assessed items	State of operations		Gaps in the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Yes	No	
			Summary
which were then delivered to elderly living alone in villages at Baoshan Township and Kehu near the two factories in Hsinchu. The volunteers would also accompany the elders for a chat over meal, and check on their physical and mental health. DIY craft lessons and in-kind donation were held on ad hoc basis as a form of resource and assistance for the seniors. Adhering to the concept of "paying it forward", VIS is actively engaged in community building, committed to maintaining and greening the surrounding environment, and making the environment and neighborhood accessible. At present, the Company has adopted 4.9 hectares of green space, including the cherry blossom park at Jinshan Road, East District of Hsinchu City and Qianjia air purification zone. A green and friendly community is gradually built through regular operations such as turf pruning, tree planting, maintenance and irrigation, and plant pest control. In addition to environmental greening, the company has set a long-term goal of community ecological rehabilitation. Since May 2019, the Company has embarked on a clean-up of Kezi Lake Creek, located near Cherry Blossom Park. After years of managing the riverside, greening and beautifying, and installation of water features, the brand new Kezi Lake Creek had become an excellent environment for firefly restoration. On December 25, 2020, VIS teamed up with fireflies expert Dr. Wu Jiaxiong, and with the help of environmental education volunteers and community residents, 1,000 Aquatica ficta larvae which had been carefully cared for by a professional team were released into the habitat of the stagnant flood pool, in the hope that come spring 2021, the night skies will be glittering with fireflies. In addition, since 2015, the Company has continuously sponsored Zhuke Broadcasting Co., Ltd. NT\$2 million annually for the production of "Hwa speaks in the spring breeze" - Taiwan spotlight" radio program. Taking reference to current global trends, the on-air discussions with listeners would cover issues such as Taiwan's education, talents, social livelihood, energy and environment, etc. This radio program had been well received since it was first on air. From 2020, the program also covered topics related to the United Nations Sustainable Development Goals. This included global famine, prevention of the COVID-19 pandemic, education and gender equality, urban sustainable development, marine conservation and climate change, etc. Within a year, 52 episodes were produced, with content simultaneously available through podcast platforms for listeners to listen to, thereby broadening the program's impact and promoting the discussion of global sustainable development issues. Environment and employees: Please refer to the annual report on Chapter 5. Operation Overview (IV. Environmental protection expenditure and V. Labor relations)			



Assessed items			State of operations		Gaps in the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes	
			Yes	No	Summary	
The company's achievements in certification and awards in recent years are as follows:						
EHS certificate			Date of initial	Latest renewal	Expiry (valid)	
ISO 14001 Environmental Management System Certification			1997.12.12	2021.1.18	2024.1.17	
ISO 45001 Occupational Safety and Health Management System Certification (OHSAS			2003.2.26	2021.1.18	202.1.17	
SONY Green Partner Certification			2003.6.19	2019.12.24	2022.3.31	
Taiwan Occupational Safety and Health Management System (TOSHMS) Certification			2010.5.26	2021.1.18	2024.1.17	
ISO 14064-1 Greenhouse Gas Inventory Verification			2012.12.16	-	-	
ISO 14046 Product Water Footprint Verification			2016.9.4	2020.11.11	2022.11.10	
ISO 14067 Product Carbon Footprint Verification			2016.9.4	2020.11.16	2022.9.20	
ISO 50001 Energy Management Systems Verification			2017.12.8	2020.11.14	2023.11.8	
ISO 14051 Material Flow Cost Analysis and Verification			2018.10.13	-	-	
● The best performer of the top 5% of TPEX-listed companies in the 6th Corporate Governance Review						
● The best performer of the top 10% of the electronic companies listed in TWSE and TPEX in the 6th Corporate Governance Review that are not classified and have a market value of more than NT\$10 billion						
● Golden award in the "Enterprise Environmental Protection Award" by the Environmental Protection Administration, Executive Yuan.						
● The "Excellent Unit of Occupational Safety and Health" by the Occupational Safety and Health Administration, Ministry of Labor, Executive Yuan						
● The first place in the private enterprise group of the 1st "National Environmental Education Award" by the Environmental Protection Administration, Executive Yuan.						
● Environmental Protection Administration of the Executive Yuan "Adoption of air quality purification zone" award winner						
● Bureau of Energy, Ministry of Economic Affairs "Energy Saving Leadership Award" Silver Award						
● Ministry of Finance Issuance of Invoice Excellence Award						
● Carbon Disclosure Project (CDP) ranked A level						
● Bronze award of "Taiwan Enterprise Sustainability Report Award" by the Taiwan Institute for Sustainable Energy						
● Taiwan Institute for Sustainable Energy "Taiwan Corporate Sustainability Excellence Award"						
● No. 30 in the large enterprise group of the "World Corporate Citizen Award" by the CommonWealth magazine						

Major issues and sustainable goals of the company

Major Issues	Assessment Item	Target of Sustainability	Risk management policy or strategy
Corporate Governance	Business ethics	Uphold business integrity	Continue to conduct Code of Conduct re-training and annual conflict of interest reporting investigation every year.
	Supplier sustainability management	100% Suppliers recognize and comply with VIS Corporate Sustainability Policy 100% Suppliers comply with R.B.A. Responsible Minerals Initiative	- Supplier sustainable management evaluation and management - Supplier Corporate Sustainability Policy Management
	Customer service / Sustainability products	VIS continues to prove more competitive manufacturing technology for customer to produce products that are highly efficient and energy-saving	Actively promote VIS UHV production platform to new customers and help existing customers in product upgrade; it is projected to increase output by 10,000 wafers in applications of LED lighting and motor driver, thus achieving the sustainable goal of energy conservation and carbon reduction.
	Regulatory compliance	- No material regulatory violations - No litigations relating to anti-competition, anti-trust, and anti-monopoly laws	- Continue to adopt laws and regulations governing various business areas into company policies and rules, and organize training courses on legal compliance. - Continue to include the prevention of violation of anti-trust laws as the focus of legal compliance, and demand high-risk business units to complete training course on anti-trust law.
	Energy management	- By the end of 2020, the power consumption per unit area of wafer was 20% lower than that of 2015. - Reduce electricity consumption to 30% below 2015 level by 2022 - Reduce electricity consumption to 40% below 2015 level by 2025	- Continue to promote ISO 50001 Energy Management System - Continue to propose energy-saving projects to reduce electricity consumption per wafer area, and accumulate energy-saving measures to save 200 million kWh by 2030.
Environment	Renewable energy	2022 to install renewable energy generation equipment capacity of 270kW 2025 to install renewable energy generation equipment capacity of 500kW	Continue to purchase renewable energy
	Occupational safety	- Provide employees safe and healthy working environment - Reduce employee disabling injury frequency and severity	- Zero-occupational safety accidents and positive prevention of occupational diseases - Employee disabling injury frequency (FR) < 0.45 and severity (SR) < 4; future goal is to have zero accident, becoming a world-class company of occupational safety and health



Major Issues	Assessment Item	Target of Sustainability	Risk management policy or strategy
	Climate change	● By the end of 2020, the carbon emission per unit area of wafer was 18% lower than that of 2015. ● Reduce carbon emission per unit area of wafer to 25% below 2015 level by 2022 ● Reduce carbon emission per unit area of wafer to 35% below 2015 level by 2025	● Continue to promote ISO 14064 GHG verification and ISO 14067 Product Carbon Footprint Verification ● Continue to promote measure of GHG reduction
	Air pollution control	● By the end of 2020, the VOC emission per unit area of wafer was 1% lower than that of 2015. ● Reduce VOC emission per unit area of wafer to 5% below 2015 level by 2022 ● Reduce VOC emission per unit area of wafer to 10% below 2015 level by 2025	● Chemicals source reduction ● Optimization of parameters of air pollution prevention
	Water management	● By the end of 2020, the water consumption per unit area of wafer was 8% lower than that of 2015. ● Reduce water consumption per unit area of wafer to 8% below 2015 level by 2022 ● Reduce water consumption per unit area of wafer to 10% below 2015 level by 2025 ● Water recycling processing rate>85% in 2020(Fab3>75%, FabVS1>70%) ● Water recycling processing rate>85% after 2020(Fab3>77%, FabVS1>70%)	● Continue to promote optimization of process water ● Continue to promote ISO 14046 Product Wafer Footprint Verification
	Waste management	● Waste actual recycling rate was>93% in 2020 ● Waste recycling rate>92% in 2022 ● Waste recycling rate>93% in 2025	● Continue to promote waste source reduction and waste recycling and reuse ● Cooperate with partners to develop new waste recycling technology



Major Issues	Assessment Item	Target of Sustainability	Risk management policy or strategy
Social	Talent attraction and retention	Continue to promote "Employer Value Proposition" to attract talents that share the same vision	- Continue to target schools and organize corporate visits and alumni homecoming activities to gain campus visibility and enhance brand image of VIS - Promote VIS Employ Value Proposition to job seekers and public through social media
	Talent development	Responding to the need of company growth, plan and organize talent development, build talent echelon, and strengthen employee capabilities and development, in order to achieve sustainable operation	- Continue to carry out talent development project, establishing managerial talent pool for different levels - Strengthen managerial capacity of executives at different levels and offer management skill training - Tailor personal development plan based on employee personal needs and career development, and continue to perfect "Learning Passport" System
	Human rights	Help employees to maintain physical and mental health and work-life balance-building challenging yet fun working environment	- Continue to organize company-wide activities to enhance corporate identity - Continue to care for employees and build harmonious employer-employee relationship through diverse and open channels where employees can reflect opinions and feedbacks - Continue to publish quarterly journal to share local and overseas company achievements, and share the VIS world within the greater world around, enhancing corporate identity
	Social participation	- Select specific issues and demographics for long-term engagement - Develop diverse volunteering service - Continue making charity donations to underprivileged group	- Continue to care for the underprivileged - Continue to effort in community building - Continue to invest in environmental protection and ecological conservation - Support for Diversity Education - Initiate Sustainability



6. Implementation of Integrity Management and Measures

The company's philosophy dictates that employees of the Company, regardless of their physical location, shall adhere to the highest standards of professional ethics and maintain such in their personal conduct. When engaged in day-to-day work, employees shall observe business ethics and maintain the Company's reputation to gain the respect and trust of customers, suppliers, and all other professionals.

Implementation of integrity management

Assessment Items	Current Situation		Variation compared with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reason for the Variation
	Yes	No	
1. Formulation of Integrity Management Policy and Measures (1) Did the company explicitly state the policy and practices of integrity management in its regulations and external documents, and did the board of directors and managements commit to implementing such management policy?	V		(1) In order to foster a corporate culture of ethical management and sound development, and offer a reference framework for establishing good commercial practices, the company has established "Integrity Management Policy and Measures" on November 1, 2016. And article 1 of VIS's business philosophy: Honoring the principle of good faith, abiding by an exacting code of professional ethics. The company clearly regulates the practice of this philosophy in the "Professional Code of Ethics," requiring all employees to understand and abide by the professional code of ethics and personal integrity. In addition, the Professional Code of Ethics for Directors explicitly states the need for directors to uphold the principle of good faith and abide by a behavior of professional standards.
(2) Did the company formulate measures for preventing dishonest behavior, specify operating procedures, behavioral guidelines, violation penalties, and system of appeal in such measures, and implement such measures?	V		(2) The company specifies the reasonable scope of gift presentation and hospitality in its Professional Code of Ethics: Employees must uphold the highest standards of professional ethics toward the company's suppliers, contractors, customers, or other stakeholders (including governmental officials) and are absolutely forbidden from bribes of any forms. In the VIS Corporate Sustainability Policy, VIS pledges to uphold integrity in employee and executive conduct in all business activities and internal interactions. Business books shall be clear and accurate, transparent, and compliant with applicable regulations and accurately reflect the financial performance and health of the Company. VIS will work against corruption in any and all forms, including extortion, bribery, and embezzlement.
(3) Did the company adopt prevention measures against business activities	V		(3) The article 6, 21, and 24 of VIS Ethical Corporate Management Best Practice Principles have formulated the related measures, and the



Assessment Items	Current Situation		Variation compared with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reason for the Variation
	Yes	No	
within its business scope at a higher risk of being involved in an unethical conduct or those listed in Paragraph 2 of Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?			company states the operating procedures, methods, violation penalties, and system of appeal in its Professional Code of Ethics, and provides employee training when encountering conflicts of interest each year in accordance with the provisions in the Professional Code of Ethics.
2. Implementation of Integrity Management (1) Did the company assess the integrity of its transaction parties, and specify provisions pertaining to behaviors of integrity in the contract signed with the transaction party?	V		(1) The company mandates in its Professional Code of Ethics that employees must uphold the highest standards of professional ethics toward the company's suppliers, contractors, customers, or other stakeholders (including governmental officials) and are absolutely forbidden from bribes of any form. In addition, the Ethical Code of VIS and Supplier stipulates that either party may not give or receive bribes of any form or act in any way contrary to the interests of either party and shall avoid engaging in frequent or improper hospitality behaviors during business activities. Suppliers in violation of the aforementioned regulation shall prompt VIS to stringently review its business cooperative relationship with the supplier and adopt necessary measures, including adjustment to the amount of purchases from the supplier.
(2) Did the company establish a unit affiliated with the board of directors exclusively for the promotion of corporate integrity management and periodically report to the board of directors regarding the implementation progress?	V		(2) To achieve sound ethical corporate management, the company assigned Human Resource Division to responsible for establishing and supervising the implementation of the ethical corporate management policies and prevention programs. The Human Resource Division shall be in charge of the following matters, and shall compile the report to the Audit Committee and report to the board of directors on a yearly basis. Besides, the company has set up the "Corporate Sustainability Committee" to take charge of establishing the "corporate social responsibility policy" and proposing and implementing systems and assist with the promotion of corporate integrity management. In addition, the Committee periodically submits the company's Corporate Sustainability Report to the board of directors, and the board will supervise the implementation of corporate integrity management.



Assessment Items	Current Situation			Variation compared with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reason for the Variation
	Yes	No	Description	
(3) Did the company formulate policies for prevention against conflicts of interests, provide appropriate channels of communication, and implement such policies and communication?	V		(3) The company has formulated the Conflicts of Interest Prevention policy in the Professional Code of Ethics: Conflicts of interests shall be periodically reported on a yearly basis and an appropriate channel of communication shall be provided for implementation of preventive measures.	
(4) Did the company set up an effective accounting system and internal control system to implement integrity management, and designate internal audit units or entrust accountants to perform audits of these systems?	V		(4) VIS has formulated accounting systems according to the International Financial Reporting Standards (IFRS), mandating the need to adopt CPA's opinions during accounting project assessments before presenting the most suitable project to the executive-in-charge for review and approval; Furthermore, in light of changes to accounting policies and estimations, the company has developed related procedures according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers. All financial statements are audited by certified public accountants to ensure the fairness of the financial statements and are reviewed by the company's Audit Committee. VIS has established a comprehensive internal control system, to which control points for each operation have been incorporated. The system is reviewed and modified on a yearly basis and inspected by internal audit units for functionality. Respective units are asked to perform spontaneous inspections on a daily basis. In addition, the Board of Directors and the management will discuss results of the spontaneous inspections and audit reports from the audit department periodically to ensure the reliability, transparency, effectiveness and efficiency, accuracy of financial reports, and compliance with the applicable laws and regulations of the company operation.	
(5) Did the company periodically hold internal and external training on integrity management?	V		(5) The Company periodically hosts internal training on ethical management each year, including online courses pertaining to corporate ethics principles, and designates relevant representatives to participate in external training programs or forums (e.g., a corporate governance forum hosted by the Agency Against Corruption). In addition, experts from the Taiwan Corporate	



Assessment Items	Current Situation		Variation compared with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reason for the Variation															
	Yes	No																
		Governance Association were also retained to visit the Company and carry out an ethics review. To establish a corporate culture and sound development with a basis in ethical management, the Company implemented various courses in 2020 on topics including ethical management best practice principles, code of professional ethics, corporate social responsibility, and protection of proprietary information; employees participated a total of 10,384 times in the training, completing 6,549 training man-hours; the aim of the training is to ensure that employees are able to fully understand the Company's commitment to ethical corporate management and to help them personally abide by these principles in word and deed and incorporate these practices into daily work routines. <table><tr><th>Course</th><th>Number of times</th><th>Training man-hours</th></tr><tr><td>ethical management best practice principles code of professional ethics</td><td>5,032</td><td>2,837</td></tr><tr><td>corporate social responsibility (On-the-Job Training Employees)</td><td>320</td><td>780</td></tr><tr><td>protection of proprietary information</td><td>5,032</td><td>2,932</td></tr><tr><td>Total</td><td>10,384</td><td>6,549</td></tr></table>	Course	Number of times	Training man-hours	ethical management best practice principles code of professional ethics	5,032	2,837	corporate social responsibility (On-the-Job Training Employees)	320	780	protection of proprietary information	5,032	2,932	Total	10,384	6,549	
Course	Number of times	Training man-hours																
ethical management best practice principles code of professional ethics	5,032	2,837																
corporate social responsibility (On-the-Job Training Employees)	320	780																
protection of proprietary information	5,032	2,932																
Total	10,384	6,549																
3. Operation of VIS Whistle-Blowing System (1) Did the company establish concrete whistle-blowing and incentive systems and convenient whistle-blowing channels, and appoint a suitable personnel to handle the reported cases? (2) Did the company devise standard operating procedures for handling the investigation of reported cases and relevant confidentiality mechanisms?	V 																	



Assessment Items	Current Situation		Variation compared with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reason for the Variation
	Yes	No	
(3) Did the company adopt measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing?	V	reports to the Audit Committee. If evidence of violation is identified, the subject being reported shall be given a chance for appeal, and the subject and his/her respective supervisor shall be informed of the penalties imposed thereof. (3) The company has stipulated measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing in the Professional Code of Ethics; VIS holds the principle of fairness and confidentiality during the investigation process. The company shall protect whistle-blowers handling the investigation from subjecting to unfair revenge or treatment.	
4. Strengthening of Information Disclosure Measures Did the company disclose the content and promotion effectiveness of its integrity management principles on its website and on the Market Observation Post System of the Taiwan Stock Exchange website?	V	The company has established a website for periodically disclosing relevant corporate integrity management information on a yearly basis to its stockholders and investors. The information disclosed on the company website is uniformly compiled and announced by public relation and investor relations department.	No variation
5. If the company did formulate principles for integrity management according to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please state the variations in the operations and rules of such practice: In order to foster a corporate culture of ethical management and sound development, and offer a reference framework for establishing good commercial practices, the company has formulated principles for integrity management according to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies. In addition, the company has specified operating procedures and methods in its Professional Code of Ethics: Employees shall honor the professional code of ethics, avoid pursuing personal interests, comply with the principles of confidentiality, engage in fair trade, protect and properly utilize company assets, adhere to laws and regulations, prevent conflicts of interests, offer or accept bribes and hospitality, and abide by operating procedures for punishment and appeals. The company has specified regulations and guidelines in the Professional Code of Ethics for Directors: The board of directors shall avoid personal conflicts of interest, avoid pursuing personal interests, keep confidential business secrets, engage in fair trade, prevent insider trading, adhere to laws and regulations, and present reports of misconduct, alleged dishonest or illegal activity. No variation with the above.			
6. Other Information for Better Understanding of the company's integrity management practices: The Ethical Code of VIS and Supplier: We anticipate that all our suppliers, business partners, and other cooperating groups understand our standards of business ethics. All suppliers shall acknowledge VIS's ethical conduct and confirm their compliance with the regulations stipulated in this document before engaging in business activities with VIS. In any case, suppliers in violation of the aforementioned regulation shall prompt VIS to stringently review its business cooperative relationship with the supplier and adopt necessary measures, including adjustment to the amount of purchases from the supplier. Professional Code of Ethics: We hope that our customers, suppliers, business partners, and other stakeholders can understand and support our professional code of ethics. Employees are required to periodically report of any violations to the principle of conflicts of interest according to regulations on a yearly basis. Each year, VIS also re-reviews and updates its Professional Code of Ethics according to recent laws and regulations and practices of its competitors.			

7. Disclosure of Company Governance Principles and Regulations

VIS announced Corporate Governance Practice Principles is as below: http://media-vis.todayir.com/20200924134859258951219_en.pdf

8. Other Important Information Disclosed for Better Understanding of Corporate Governance

- a. Directors of VIS shall be elected by adopting the candidate nomination system
- b. Three out of the seven directors are independent directors
- c. All members of the Compensation Committee and the Audit Committee are independent directors, includes Chintay Shih, Kenneth Kin, and Benson W.C. Liu.
- d. VIS has established “Diversity of Directors Policy” and disclosed it on company’s annual report and website.
- e. VIS was ranked in the best Top 5% during the fifth Corporate Governance Evaluation.
- f. VIS conducts an internal Board Performance Assessment once a year and the scope covers the assessment of individual directors, the Board as a whole, and functional committees. The results will be disclosed on the company website.
- g. VIS completed external evaluation of Board performance by Taiwan Corporate Governance Association in Y2019.
- h. VIS established the Enterprise Risk Management Policies and Procedures to define the scope and organization structure for risk management in 2020 and reported the implementation thereto to Board of Directors on February 20th, 2020.
- i. Seven directors completed a total of 94.5 hours of continuing education in 2020, please refer to Market Observation Post System via <https://mops.twse.com.tw/mops/web/t100sb07>.

9. Internal Control:

Vanguard International Semiconductor Corporation

Internal Control Statement

Date: February 1, 2021

The Company states the following with regard to its internal control system in Y2020, based on the findings of a self-evaluation:

1. The Company is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and management. The Company has established such a system aimed at providing reasonable assurance of the achievement of objectives in the effectiveness and efficiency of operations (including profits, performance, and safeguard of asset security), reliability of financial reporting, transparency and efficiency, and compliance with applicable laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three goals mentioned above. Furthermore, the effectiveness of an internal control system may change along with changes in environment or circumstances. The internal control system of the Company contains self-monitoring mechanisms, however, and the Company takes corrective actions as soon as a deficiency is identified.
3. The Company judges the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems (herein below, the regulations"). The internal control system judgment criteria adopted by the Regulations divide internal control into five elements based on the process of management control: 1. control environment, 2. risk estimation, 3. control activities, 4. information and communications, 5. monitoring. Each element further contains several items. Please refer to the Regulations for details.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.

5. Based on the findings of the evaluation mentioned in the preceding paragraph, the Company believes that during the stated time period its internal control system (including its supervision of subsidiaries), encompassing internal controls for knowledge of the degree of achievement of operational effectiveness and efficiency objectives, reliability of financial reporting, and compliance with applicable laws and regulations, was effectively designed and operating, and reasonably assured the achievement of the above-stated objectives.
6. This Statement will become a major part of the content of the Company's Annual Report and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This statement has been approved by the Board of Directors Meeting held on February 1, 2021. All of the 7 attending directors affirmed the content of this Statement.

Vanguard International Semiconductor Corporation

Chairman & President Leuh Fang





Where a CPA has been hired to carry out a special audit of the internal control system,
furnish the CPA audit report: None

10. The listing of penalties, major deficits, and state of any efforts to make improvements, arising from any legal penalties imposed by regulatory authorities on the company or the employees, or any company punishment toward employees for violating internal control rules, where such penalties or punishments may have material impacts on shareholders' interests or securities prices, in 2020 and as of the date of this annual report: None

11. Major Resolutions of Shareholders Meetings and Board Meetings:

Review of Shareholder Meetings

The Y2020 Regular Shareholders' Meeting was held on June 12, 2020.

The major resolutions and implementation status were as below:

Date	Subject	Result	Implementation status
2020/06/12	To approve the Y2019 business report and financial statements	After voting by poll, was approved as proposed.	Implement as approved and disclosed on VIS's website.
	To approve the proposal for Y2019 profit distribution	After voting by poll, was approved as proposed.	Set July 12, 2020 as recording date for dividend distribution. July 30, 2020 sent out cash dividend, each common share holder received a cash dividend of NT\$3.2 per share.
	To amend Article of Incorporation	After voting by poll, was approved as proposed.	Implement as approved and disclosed on VIS's website.
	To amend Operational Procedures for Financial Derivative Transactions	After voting by poll, was approved as proposed.	Implement as approved and disclosed on VIS's website.
	To amend Procedure for Lending Funds to Other Parties	After voting by poll, was approved as proposed.	Implement as approved and disclosed on VIS's website.

Review of Board Meetings

Major resolutions adopted are summarized as below:

Y2020 :

- a. Agreed to convene the Y2020 regular shareholders meeting and related issues.
- b. Approved Y2019 annual business and operation report.
- c. Approved Y2019 annual financial report.

- d. Approved Y2019 profit distribution plan.
- e. Approved Y2019 internal control system statement.
- f. Amended the Internal Control System.
- g. Approved Y2019 performance of Board of Directors and 2 sub-Committees.
- h. Approved Y2019 performance and Y2020 remuneration of managerial officers.
- i. Approved Y2019 performance and Y2020 remuneration of Chairman, Vice Chairman and directors.
- j. Approved Y2019 compensation of employees and directors.
- k. Approved the standard criteria of compensation and special performance bonus for employees.
- l. Amended the policy and adjusted the structure of performance evaluation and remunerations of managerial officers
- m. Approved the appointment of Internal Audit Officer and the compensation and approval procedures thereto.
- n. Approved Y2020 performance evaluation items of Internal Audit Officer.
- o. Approved Y2021 performance evaluation items of Board of Directors, Audit Committee, Compensation Committee, Chairman, Vice Chairman, directors, President, managerial officers and internal audit officer.
- p. Approved Y2021 adjustment of compensation for employees.
- q. Amended the Articles of Incorporation.
- r. Amended the Procedure for Lending Funds to Other Parties.
- s. Amended the Audit Committee Charter.
- t. Amended the Organizational Regulations of the Compensation Committee.
- u. Established the Enterprise Risk Management Policies and Procedures.
- v. Amended the VIS Ethical Corporate Management Best Practice Principles.
- w. Amended the Guidelines for Reporting and Handling Ethical Conduct Violations.
- x. Approved Y2020 capital expenditure budget raising plan.
- y. Approved Y2021 operation plan and capital expenditure budget plan.

- z. Approved Y2021 Internal audit plan.
- aa. Agreed to Deloitte Touche Tohmatsu Limited to audit Y2021 financial statements of Vanguard and the subsidiaries.
- bb. Approved to loan funds to VANGUARD INTERNATIONAL SEMICONDUCTOR SINGAPORE PTE. LTD..

Y2021(As of February 28, 2021):

- a. Agreed to convene the Y2021 regular shareholders meeting and related issues.
- b. Approved Y2020 annual business and operation report.
- c. Approved Y2020 annual financial report.
- d. Approved Y2020 profit distribution plan.
- e. Approved Y2020 internal control system statement.
- f. Amended the Internal Control System.
- g. Renamed the VIS Corporate Social Responsibility Principle to VIS Corporate Sustainability Policy and revised the content thereto.
- h. Amended the Guideline of Investment Management.
- i. Amended the Rules Governing the Election of Directors.
- j. Approved to raise the election of directors and the lifting the prohibition of competition of new elected directors in 2021 Regular Shareholders' Meeting.
- k. Approved Y2020 performance of Board of Directors and 2 sub-Committees.
- l. Approved Y2020 performance and Y2021 remuneration of managerial officers and internal audit officer.
- m. Approved Y2020 performance and Y2021 remuneration of Chairman, Vice Chairman and directors.
- n. Approved Y2020 compensation of employees and directors.
- o. Approved CFO Amanda Huang to be appointed as the Vice President of Finance
- p. Approved Dr. Pin-Hsiang Chin to be appointed as the Vice President of Operation & Env. Safety (OES)
- q. Approved Dr. Goh Inn Swee to be appointed as the Associate Vice President.
- r. Approved Mr. Tom Tseng to be appointed as the Associate Vice President.

- s. Approved Mr. Benjamin Liao to be appointed as the Associate Vice President.
- t. Approved Vice President of Operation & Env. Safety (OES) Chan-Jen Kuo to be transferred to the Project Vice President.
- u. Approved Y2021 capital expenditure budget raising plan.

12. Dissenting Opinions Held by Directors and Supervisors in Respect of Important Resolutions Passed by the Board of Directors:

No dissenting opinions held by directors in respect of important resolutions passed by the board of directors from Y2020 to publish of this annual report.

13. Personnel Termination Summary Related to Annual Financial Report:

Title	Name	Date of Elected	Date of Resigned	Remark
Head of Internal Audit.	H.H. Tseng	2016/10/1	2020/10/1	Retirement

E. Information Regarding VIS's Independent Auditors

Unit: NT\$, in thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Whether the CPA's audit period covers an entire fiscal year		
			System Design	Company Registration	Human Resource	Others (Note)	Subtotal	Yes	No	Audit Period
Deloitte & Touche	Tung-Hui Yeh	6,302	0	0	0	580	580	v		2020.01.01~ 2020.12.31
	Ming-Yuan Chung									

Note: Fees mainly related to taxation consulting service, audit the repatriated offshore funds and review fair value of financial instruments.

The non-audit fee amounted to NT\$580 thousand is less than 25% of the audit fee.

The corporation did not change its accounting firm until February 28, 2021.

The audit fee in Y2020 did not reduce over 10% of previous year.

F. Information on Replacement of Certified Public Accountant

There is no replacement of certified public accountant in Y2019, Y2020, and as of February 28, 2021.

G. Company Chairman, President, Financial or Accounting Head has Worked for Certifying Accounting Firm or Its Affiliate Business in the Past Year: None

H. Information on Net Change in Shareholding and Net Change in Shares Pledged by Directors, Supervisors, Management and Shareholders of 10% Shareholdings or More:

Title	Name	Y2020		01/01/2021 ~ 02/28/2021	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairman Vice Chairman	Taiwan Semiconductor Manufacturing Co., Ltd.(tsmc) Representatives: Leuh Fang F.C. Tseng	0	0	0	0
Director	National Development Fund, Executive Yuan Representative: Lai Shou Su	0	0	0	0
Director	Edward Y. Way	0	0	0	0
Independent Director	Benson W.C. Liu	0	0	0	0
Independent Director	Chintay Shih	0	0	0	0
Independent Director	Kenneth Kin	0	0	0	0

Title	Name	Y2020		01/01/2021 ~ 02/28/2021	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
	Leuh Fang	119,670	0	0	0
	Claire Chen	0	0	0	0
	Pin-Hsiang Chin (2021/2/1 on board)	0	0	0	0
	Du Yang	19,033	0	0	0
	Amanda Huang	12,544	0	0	0
	Chan-Jen Kuo	27,309	0	0	0
	Chrong-Jung Lin	19,581	0	0	0
	Jonathan Chang	0	0	0	0
	Benjamin Liao (2021/2/1 on board)	15,427	0	0	0
	GOH INN SWEE (2021/2/1 on board)	19,676	0	0	0
	Tom Tseng (2021/2/1 on board)	12,560	0	0	0
	Ellen Lin	12,591	0	0	0
	Thomas Chang (2020/1/10 retired)	0	0	0	0
	Tommy Liu (2021/2/1 stepped down)	16,852	0	0	0
Major shareholder	Taiwan Semiconductor Manufacturing Co., Ltd.(tsmc)	0	0	0	0
Major shareholder	National Development Fund, Executive Yuan	0	0	0	0

Stock Trade with Related Party: None

Stock Pledge with Related Party: None



I. Top 10 shareholders relation

As of February 28, 2021

Name	Shareholding		Spouse & Minor shareholding		Shareholding by nominee arrangement		Top 10 shareholders with the relation of SFAS No.6		Note
	Share	%	Share	%	Share	%	Name	Relation	
Taiwan Semiconductor Manufacturing Co., Ltd.(tsmc) Representatives: Chairman:Leuh Fang Vice Chairman:F.C. Tseng	464,223,493	28.32%	0	0	0	0	National Development Fund, Executive Yuan Representatives: Director: Lai Shou Su	Director of tsmc	
National Development Fund, Executive Yuan Representatives: Director: Lai Shou Su	274,029,592	16.72%	0	0	0	0	Taiwan Semiconductor Manufacturing Co., Ltd.(tsmc) Representatives: Director: Leuh Fang Director: F.C. Tseng	Investee of NDF	
JPMorgan Chase Bank N.A. Taipei Branch in custody for Capital Income Builder	70,445,249	4.30%	0	0	0	0	None		
JPMorgan Chase Bank N.A. Taipei Branch in custody for The Income Fund of America	36,705,886	2.24%	0	0	0	0	None		
FUBON LIFE INSURANCE CO.,LIMITED.-TWOTC-FFI	35,893,000	2.19%	0	0	0	0	None		
NAN SHAN LIFE INSURANCE CO., LTD	26,060,000	1.59%	0	0	0	0	None		
New Labor Pension Fund	25,746,137	1.57%	0	0	0	0	None		
Cathay Life Insurance Co., Ltd.	25,443,000	1.55%	0	0	0	0	None		
JPMorgan Chase Bank, N.A., Taipei Branch in Custody for International Growth and Income Fund	23,116,250	1.41%	0	0	0	0	None		
Shin Kong Life Insurance Co., Ltd.	21,966,000	1.34%	0	0	0	0	None		

J. VIS Long-Term Investment Ownership

As of February 28, 2021; Unit: shares; %

Long-Term Investment	Ownership by VIS		Direct/Indirect Ownership by Directors, Supervisors, and Management		Total Ownership	
	Shares	%	Shares	%	Shares	%
VIS Associates Inc.	317,000	100.00%	-	-	317,000	100.00%
Vanguard International Semiconductor Singapore Pte. Ltd.	400,000	100.00%	-	-	400,000	100.00%
Qromis Inc.	10,705,235	39.31%	-	-	10,705,235	39.31%
CMSC Inc.	9,902,000	24.94%	-	-	9,902,000	24.94%
United Industrial Gases Co., Ltd.	4,246,079	1.95%	21,230,414	9.75%	25,476,493	11.70%
Image Match Design Inc.	590,000	1.78%	-	-	590,000	1.78%
AnDAPT, Inc.	1,000,000	2.83%	-	-	1,000,000	2.83%
Voltafield Technology Corp.	600,000	1.55%	-	-	600,000	1.55%
Advanced Microelectronic Products, Inc.	30,000,000	6.85%	-	-	30,000,000	6.85%
VIS Shanghai company limited	Not Applicable (Note)	100.00%	-	-	Not Applicable (Note)	100.00%
Shenzhen Winsemi Microelectronics Co., Ltd	Not Applicable (Note)	9.00%	-	-	Not Applicable (Note)	9.00%

Note: Not applicable. These firms do not issue shares. VIS's investment is measured as a percentage of ownership.

IV. INFORMATION ON IMPLEMENTATION OF THE COMPANY FUNDS UTILIZATION PLANS

A. Capital and shares

1. Source of capital

Unit: Shares

As of February 28, 2021

Month/Year	Price	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increase by Assets other than Cash	Date of Approval & Approval Document No.
8/2014	NT\$14.5	3,300,000,000	33,000,000,000	1,638,982,267	16,389,822,670	Exercise of employees stock options		(92)Tai-Tsai-Zheng (I) No.0920144383

* There is no change of Capital since Aug. '14.

Unit: Shares

As of February 28, 2021

Type of Stock	Authorized Capital			Note
	Listed Shares	Non-listed shares	Total Shares	
Common Stock	1,638,982,267	1,661,017,733	3,300,000,000	

Shelf Registration: None

2. Shareholder Structure

As of February 28, 2021

	Government Agencies	Financial Institutions	Other Juridical Person	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	1	31	124	33,712	705	34,573
Shareholding	274,029,592	164,470,577	538,558,313	90,064,740	571,859,045	1,638,982,267
Holding Percentage (%)	16.72%	10.03%	32.86%	5.50%	34.89%	100.00%

3. Distribution Profile of Shareholder Ownership

As of February 28, 2021

Shareholder Ownership (Share)	Number of Shareholders	Ownership (Share)	Ownership (%)
1~ 999	15,515	4,205,760	0.26%
1,000~ 5,000	15,330	28,849,238	1.76%
5,001~ 10,000	1,883	13,586,399	0.83%
10,001~ 15,000	514	6,284,976	0.38%
15,001~ 20,000	273	4,952,930	0.30%
20,001~ 30,000	242	6,001,936	0.37%
30,001~ 50,000	215	8,499,993	0.52%
50,001~ 100,000	170	12,448,429	0.76%
100,001~ 200,000	120	16,291,624	0.99%
200,001~ 400,000	101	28,094,184	1.71%
400,001~ 600,000	42	20,763,556	1.27%
600,001~ 800,000	25	17,244,609	1.05%
800,001~1,000,000	16	14,246,300	0.87%
Over 1,000,001	127	1,457,512,333	88.93%
Total	34,573	1,638,982,267	100.00%

Preferred Stock: Not Applicable

4. Major Shareholders

As of February 28, 2021

Major Shareholders	Total Shares Owned	Ownership (%)
Taiwan Semiconductor Manufacturing Co., Ltd. (TSMC)	464,223,493	28.32%
National Development Fund, Executive Yuan	274,029,592	16.72%

5. Market Price, Net Worth, Earnings and Dividends Per Common Share

Unit: NT\$; shares in thousands

Item \ Year		2019	2020	01/01/2021~ 02/28/2021
Market Price Per Share	Highest Market Price	82.40	128.50	132.00
	Lowest Market Price	55.00	54.50	110.00
	Average Market Price	66.73	86.77	121.42
Net Worth Per Share	Before Distribution	18.02	18.03	-
	After Distribution	14.82	(Note 4)	-
Diluted Earnings Per Share	Weighted Average Shares	1,655,580	1,654,684	-
	Earnings Per Share	3.54	3.81	-
Dividends Per Share	Cash Dividends	3.20	(Note 4) 3.50	-
	Stock Dividends	Dividends from Retained Earnings	(Note 4)	-
		Dividends from Capital Surplus	(Note 4)	-
	Accumulated Undistributed Dividends		-	-
Return on Investment	Price/Earnings Ratio (Note 1)	18.85	22.77	-
	Price/Dividend Ratio (Note 2)	20.85	(Note 4)	-
	Cash Dividend Yield Rate (Note 3)	4.80%	(Note 4)	-

Note 1 : Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 2 : Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 3 : Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

Note 4 : Subject to shareholders' meeting resolution.

6. Dividend Policy

According to the Company's Articles of Incorporations, when allocating the earnings for each fiscal year, the Company shall first offset its losses in previous years and set aside a legal capital reserve at 10% of total remaining profits; this excludes circumstances in which accumulated legal capital reserve is equivalent to the capital of the Company. The Company shall set aside or reverse a special capital reserve in accordance with relevant laws or regulations or as requested by the authorities in charge. Any balance left over plus accumulated undistributed earnings shall be allocated according to the following principles per resolution of the shareholders' meeting:

- (1) Except for when distribution of capital reserve is conducted in accordance with

Subparagraph 2 or Paragraph 1 of this article, the Company shall not allocate dividends



or bonuses when there is no surplus earning. VIS may fully allocate its distributable earnings for the year based on factors such as financial, business, operation, etc. Earning distributions may be paid out with cash or stock dividends jointly or separately. Due to the steady growth experienced by our Company to date, the amount of cash dividends distributed shall be no less than 60% of the gross amount dividends.

- (2) In the event the Company suffers no losses in a certain year but possesses no distributable earnings, or the earnings of a certain year is significantly less than the earnings distributed by the Company during the previous year, or in consideration of the company's financial, business, or operational factors, the Company may allocate all or a portion of its reserve for distribution in accordance with relevant laws or regulations, or upon the provisions of competent authorities. Where legal reserve is distributed by issuing new shares or cash, only the portion of legal reserve which exceeds 25% of the paid-in capital may be distributed.

VIS aims for a steady dividend policy. Looking forward to next year, the cash dividend per share would be equal or more than the amount that to be distributed in Y2021.

Y2020 Profit Distribution for Common Shareholders:

Unit: NT\$

Year	Date of Board Resolution	Dividend to Common Shareholders (Cash)
2020	2021/2/1	5,736,437,935

7. Stock Dividend Distribution: None

8. Compensation of employees, directors, and supervisors:

- a. The percentages or ranges with respect to employee, director, and supervisor compensation, as set forth in the company's articles of incorporation.

The Corporation should distribute no less than 10% of the current year's profit as compensation of employees in the form of stock or in cash as resolved by the Board of Directors. The employees include those of subsidiaries meeting some conditions agreed by the Board of Directors. The Corporation should also distribute no higher than 1% of the current year's profit as remuneration of directors. However, the Corporation's accumulated losses shall have been covered.

- b. The basis for estimating the amount of employee, director, and supervisor compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period.

For the year ended December 31, 2020, the compensation of employees and the remuneration of directors were \$1,576,379,848 and \$37,220,000, respectively. The above calculation was at a certain percentage of the net income before income tax, compensation of employees and remuneration of directors. Any discrepancy between amount resolved by the Board of Directors and the above estimated figure will be recorded a change in accounting estimate and adjusted to profit and loss of next year.

c. Information on any approval by the Board of Directors of distribution of compensation.

- (1) The amount of any compensation of employees distributed in cash or stocks and remuneration of directors and supervisors. If there is any discrepancy between that amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed.

The amounts of compensation of employees and remuneration of directors resolved by the Board of Directors on February 1, 2021 were as follows:

- The compensation of employees amounted to NT\$1,576,379,848. The distribution will be paid in cash. There is no difference between the amount resolved by the Board of Directors and the expense recognized in Year 2020.
- The remuneration of directors amounted to NT\$37,220,000. The distribution will be paid in cash. There is no difference between the amount resolved by the Board of Directors and the expense recognized in Year 2020.

- (2) The amount of any compensation of employees distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports for the current period and total compensation of employees: Not Applicable.



- d. The actual distribution of employee, director, and supervisor compensation for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor compensation, additionally the discrepancy, cause, and how it is treated.

Distribution of compensation of employees and remuneration of directors for the Y2019 was as follows:

	Board of Directors Resolution (February 20, 2020)	Actual Distribution		
	Amount (NT\$)	Amount (NT\$)	Underlying Number of Shares	Dilution
Remuneration of Directors	21,800,000	21,800,000	NA	NA
Compensation of Employees in Cash	1,205,833,750	1,205,833,750	NA	NA
Total	1,227,633,750	1,227,633,750	NA	NA

The above figures have been recognized in the Year 2019 financial report. There is no difference between the actual distribution and the expense recognized in Year 2019.

9. Share Buy-back : None

B. Issuance of Corporate Bond : None

C. Issuance of Preferred Stock

1. Preferred Stock : None

2. Preferred Stock with Warrants : None

D. Issuance of Depositary Shares: None

E. Issuance of Employee Stock Option

1. Status of Employee Stock Option Plan (ESOP): None

2. New restricted employee shares: None

F. Status of Mergers and Acquisitions: None

G. Fund Plan Implementation: None

V. OPERATIONAL HIGHLIGHTS

A. A description of the business

1. Scope of business

VIS' scope of business is in wafer foundry manufacturing. Based on the generic CMOS process to develop variety process technologies such as HV, PMIC, Discrete and NVM and serve customer demand. At the same time, dedicate on the developing of BCD, high-voltage/ultra high-voltage, Sensor and MEMS new technologies. VIS also supports specialty IC process manufacturing and is committed to instilling a zero-defect mindset for production, supply chain management, and service flow. We are firmly dedicated to continuous improvement in order to reach our ultimate goal of providing panel and power management products with zero defects to customers. Meanwhile, VIS is co-operating with various IP service providers to expand VIS service in manufacturing. Aforementioned are all for the purpose of establishing VIS as the preferred partner in specialty IC foundry & service.

Y2020 VIS Sales Revenue

	Item	AMT (NT\$ in thousands)
(1)	Wafer Foundry	32,734,197
(2)	Others	728,727
Less	Sales returns and allowances	331,722
TTL	Net Revenue	33,131,202

2. Overview of the industry

Current state of industry and trends

Macroeconomic aspects

The global economy took a hit in 2020 due to the COVID-19 pandemic, with the IMF estimating a global recession of 3.5%. After the outbreak escalated to a global pandemic in April, Europe and the United States suffered serious impact, and unemployment in many countries soared. As various parties adopted a conservative view, the economic situation reversed in the second half of the year, and performance was better than originally expected. Governments around the world rolled out fiscal and monetary policies to maintain market momentum, work from home, distance learning, coupled with the prevalence of e-commerce drove the huge business opportunity for home economy. The replacement of various terminal devices including TVs, laptops, desktop screens and even game consoles unleashed many hidden potential demands.

By the end of 2020, countries began to administer COVID-19 vaccines in a bid to end the pandemic but the emergence of mutated virus strand also increased uncertainties. With the lifting of economic lockdowns, the rise of remote economies and the promotion of numerous relief and revitalization measures, the economy will inevitably improve remarkably despite stimulus programs varying across countries, and different pace of recovery in production, trade and economic recovery. According to the world economic outlook report released by IMF, the global economic growth rate will be adjusted to 5.5% in 2021 and 4.2% in 2022. This is predominantly a reflection on how the commencement of administration of vaccines would promote economic activities and additional policy support from some of the larger economies.

Table 1. Statistics and Forecasting of Global GDP Growth (2019-2022)

	2019	2020	2021e	2022f
Worldwide	2.8%	-3.5%	5.5%	4.2%
Advanced Economies	1.7%	-4.9%	4.3%	3.1%
USA	2.2%	-3.4%	5.1%	2.5%
Euro Area	1.3%	-7.2%	4.2%	3.6%
UK	0.7%	-5.1%	3.1%	3.1%
Emerging and Developing Economies	3.7%	-2.4%	6.3%	6.3%
China	6.1%	2.3%	8.1%	8.1%

Source : IMF (Feb. 2021)

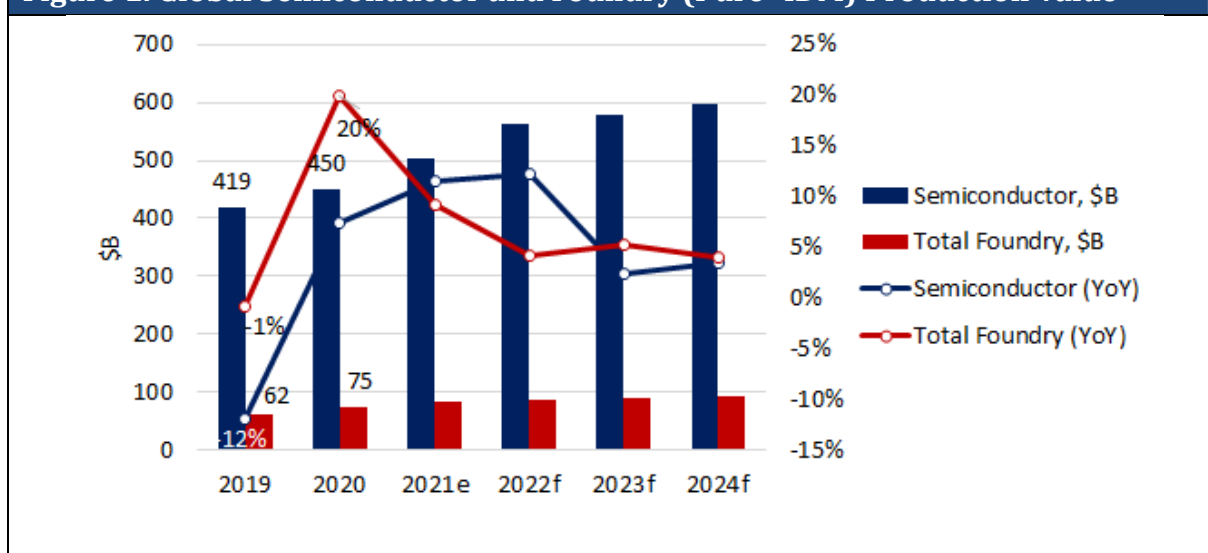
Economic Output of Global Semiconductor and Foundry Industries

In 2020, although the global economy was hit by the pandemic, and regional economy and logistics activities were suspended from time to time, electronic products were driven by demand from stay-at-home economy. Unprecedentedly, the semiconductor output value deviated from the economic growth rate, showing a positive growth rate of 7%, reaching US\$450 billion. With the change of consumers' lifestyle, it is estimated that in 2021, with the recovery of economic activities, the output value will reach US\$502 billion, with an annual growth rate of 12%.

In addition to economic growth, geopolitical stability is often also a key impact indicator. As an analogy, the stability of Iran with the Middle Eastern nations will affect global oil prices. In the past three years, the frequent and unpredictable changes in policies of the United States in the region have created tension. With the new government's strategy for maintaining stability, it is expected that the tensions in the region will improve in the next few years, and oil prices could potentially stabilize.

In addition, the tensed US-Sino relationship has also affected the semiconductor industry chain. The various US bans on Huawei have resulted in inventory which could not be predicted for the semiconductor industry. The situation was aggravated in the middle of 2020, when the US imposed sanctions on the export of SMIC. The ban caused large orders from chip manufacturers to be diverted into other foundries, and consequently, a structural change on the entire industry chain. Under the influence of the US-Sino relations and various response measures such as pre-stocking in the IC industry, the overall wafer foundry output value will reach US\$75.4 billion in 2020, with an annual growth of 20%. Next year, under the forecast that the demand would be greater than the supply, the output value will reach US\$82.3 billion, with an annual growth of 9%. Driven by 5G, the boom of the foundry industry in the next two to three years would be optimistic, regardless of advanced 12-inch or 8-inch technology processes.

Figure 1. Global Semiconductor and Foundry (Pure+IDM) Production Value



Source : Gartner (Dec. 2020)

Revenue and ranking of global foundry providers

Gartner announced that the revenue and market share of global foundry (including Pure Player and IDM) in 2020 are as shown in Table 2. The foundry market has grown significantly with an annual growth rate of 20%, thanks to strong demand from end-market and enterprise material. In particular, four of the foundries based in Taiwan and SMIC all grew by more than 20%.

Although SMIC was subjected to import and export ban by the US in the middle of the year, with the help of China's supportive policies and full capacity utilization, it still maintained a market share of 5%.

At the same time, Powerchip Technology, which has memory foundry capabilities, experienced uptick in both memory and logic chip foundries and was ranked sixth with a market share of 1.8%. This is higher than Tower Semi's market share of 1.7%. The Company's annual revenue grew by 23%, ranking eighth with a market share of 1.5%. Hua Hong Semiconductor and HLMC were ranked ninth and tenth respectively.

Table 2. Global Foundry (Pure Player + IDM) Revenue and Market Share

2020	Company	2019		2020		Revenue YoY
		\$M	SoM%	\$M	SoM%	
1	tsmc	34,599	54.9%	44,954	59.7%	29.9%
2	UMC	4,792	7.6%	5,959	7.9%	24.4%
3	GF	5,380	8.5%	5,750	7.6%	6.9%
4	Samsung	4,340	6.9%	4,650	6.2%	7.1%
5	SMIC	3,116	4.9%	3,875	5.1%	24.4%
6	PSMC	994	1.6%	1,338	1.8%	34.6%
7	Towerjazz	1,234	2.0%	1,260	1.7%	2.1%
8	VIS	916	1.5%	1,124	1.5%	22.7%
9	Huahong Grace	933	1.5%	951	1.3%	1.9%
10	HLMC	698	1.1%	820	1.1%	17.5%
	Top 10	57,002	90.4%	70,681	93.8%	24.0%
	Others	6,036	9.6%	4,690	6.2%	-22.3%
	Total	63,038	100.0%	75,350	100.0%	19.5%

Source : Gartner (Feb. 2021)

Taiwan Semiconductor Industry

Taiwan's semiconductor manufacturing is predominantly export-oriented. Although the supply chain was affected by the pandemic in the first half of 2020, market demand benefited from outbreak-driven stay-at-home economy and other business opportunities. Taiwan's semiconductor output value continued to rise as a result of growing demand for semiconductors from international electronic components and information communication products. With the recovery of the global economy in 2021, the semiconductor industry would continue to grow and Taiwan's semiconductor industry is expected to increase its annual growth rate by another 9%.

The statistics and forecast of Taiwan's semiconductor industry are shown in Table 3. According to the data from Institute for Information Industry and IEK, the output value of Taiwan's semiconductor IC industry is NT\$3222.2 billion with an annual growth of 21%, which outperformed the 7% growth of global semiconductor market. Generally, the COVID-19 pandemic had no impact on Taiwan's semiconductor industry. Notably, the industry landscape changes, regardless attributable to the pandemic and/or the trade war, had highlighted Taiwan's pivotal position in the semiconductor industry.

Table 3. Output Values of Various Semiconductor Industries in Taiwan

	2019 (NT\$100 millions)	2020 (NT\$100 millions)	2021e (NT\$100 millions)	19'-20' YoY	20'-21' YoY
Overall industrial output value (total)	26,656	32,222	34,981	21%	9%
-IC design industry	6,928	8,529	9,459	23%	11%
-IC manufacturing (OEM + memory)	14,721	18,203	19,657	24%	8%
-IC packaging test industry	5,007	5,490	5,865	10%	7%

Source: TSIA and IEK (Feb. 2021)

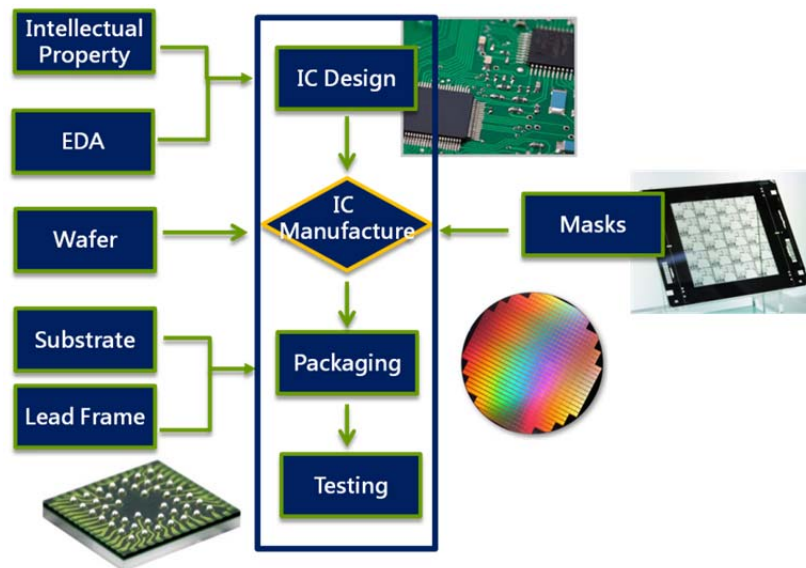
Table 4 shows the ranking of Taiwan's major wafer manufacturers by revenue in 2020. TSMC and UMC from the foundry industry occupied the first two places in the ranking, whereas the company ranked 7th. At present, there is only one DRAM manufacturer left among Taiwan's wafer manufacturers, i.e. Nanya Technology Corporation. Most wafer manufacturers have implemented the foundry business model, or are operating as an IDM and a foundry simultaneously.

Table 4. Taiwan Foundries' Ranking and Revenue

2020 Ranking	Company	2019 (NT\$100 millions)	2020 (NT\$100 millions)	19'-20' YoY	Note
1	Tsmc	10,700	13,393	25%	Pure Foundry
2	UMC	1,482	1,768	19%	Pure Foundry
3	Nanya	517	610	18%	DRAM
4	Winbond	488	607	24%	IDM/Foundry
5	Macronix	350	398	14%	IDM/Foundry
6	Powerchip	360	338	-6%	Pure Foundry
7	VIS	283	331	17%	Pure Foundry
8	Nuvoton	104	207	99%	IDM/Foundry

Source: Company data (Jan. 2021)

Chart of Semiconductor Industry Supply Chain



Product development trends and state of competition

a. Product development trends

VIS provides the best quality IC foundry services and logic foundry process technology. Apart from existing logic, mixed-signal and high-voltage process, VIS also offers ultra high voltage, BCD (Bipolar-CMOS-DMOS), SOI (Silicon on Insulator), and embedded non-volatile memory processes. Our high voltage processes range from 10V to 700V, enabling us to satisfy the needs of different product specifications and help customers expand applications in different field. In light of the increasing need for consumable electronics, VIS has completed building the structure of an IC application platform for magnetic and fingerprint sensor process technologies, thereby providing customers with additional options other than driver ICs, power management ICs, and discrete components. In response to the automobile industry's demand for semiconductors, VIS has actively proposed solution plans and applied for AEC-Q100 & VDA6.3 certifications to provide our customers with multiple choices of technical platforms.

Besides, the company acquired and completed the transaction of GlobalFoundries' Fab 3E in Singapore in end of year 2019. Benefiting from this acquisition, foundry manufacturing of products such as micro electro mechanical systems (MEMs) will also be added to the company's technology platform in the future.

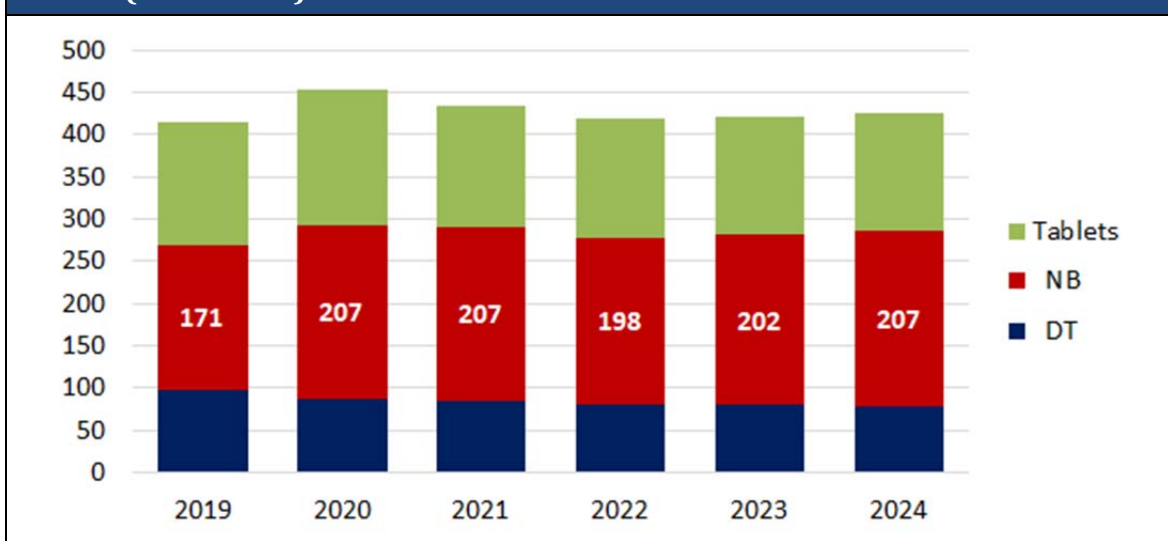
Our wafer foundry services are closely linked with end markets, including computer, consumer electronics, communications and automotive markets. We chiefly supply products for computers (including desktop, notebook and tablet), LCD TVs, and cell phones; the following are demand forecasts for various end markets from the research firms:

Computer

The pandemic had propelled the adoption of working from home and home-based learning, which in turn bolstered the demand for high-end productivity laptops, and mid- and low-end education laptops respectively. Overall laptop shipments grew by more than 20% to 207 million units in 2020, and is expected to continue to grow in 2021.

Particularly, tenders in the education market put up by various governments promoting home-based learning became the propeller for demand of educational laptops such as Chromebook. Numerous major international brands have since thrown their hats into the ring and the estimated shipment in 2020 was at 20 million units. In 2021, this figure will increase to 26 million with an annual growth of more than 30%.

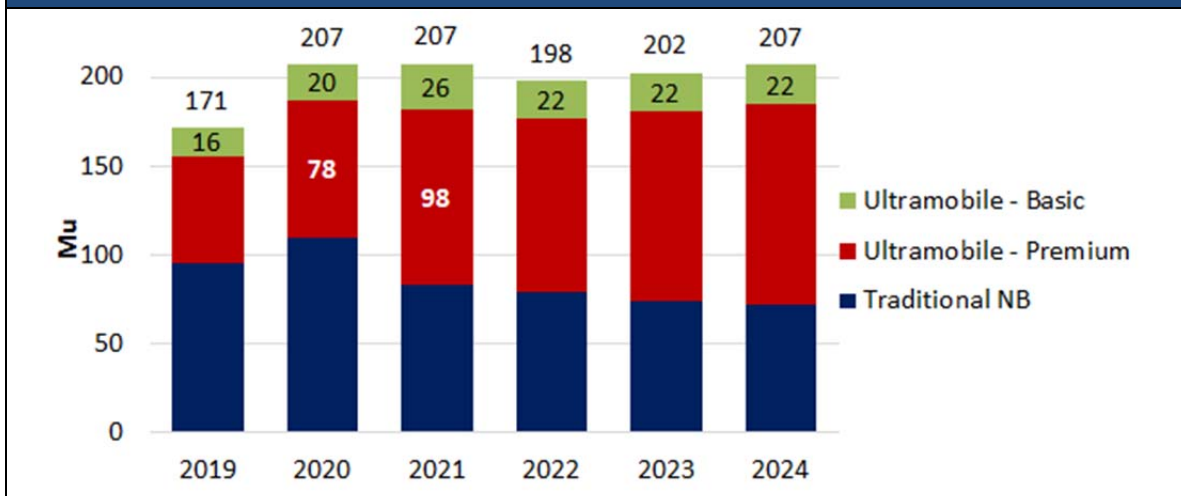
Table 5. Projections and Annual Growth Rate of Global PC Shipments, including Tablets (in millions)



Source : IHS, Gartner, IDC (4Q20)



Table 6. Projections and Annual Growth Rate of Global NB Shipments (in millions)



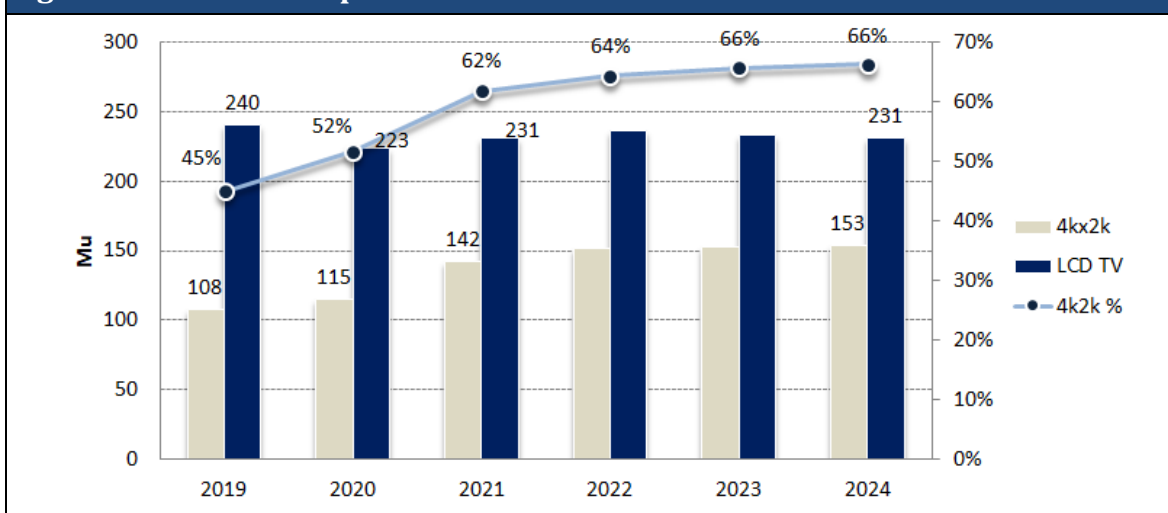
Source : Omdia, Gartner, IDC (4Q20)

Consumer Electronics

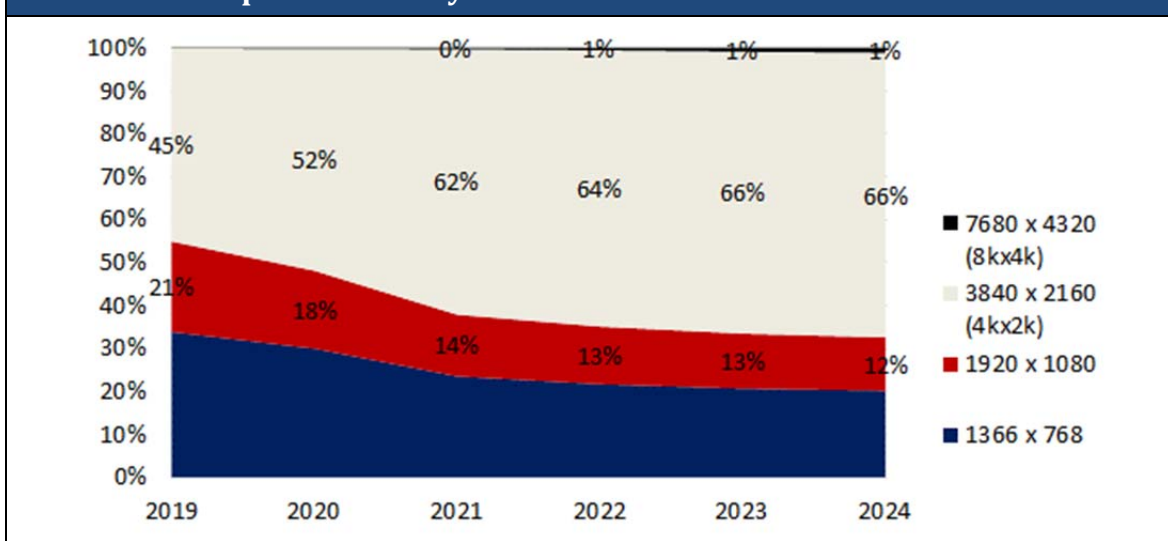
The following figure and table depict the global shipment and resolution trend of LCD TVs. In 2020, the shipment volume was approximately 223 million units, and there was a general shift towards higher resolution. The proportion of FHD (1920x1080) declined to 18% while the penetration rate of UFHD (3840x2160, 4k2k) increased to more than half of the market.

At the end of 2020, panel makers resumed their growth pace. With the steady expansion of large-generation panel production lines, 55" and 65" panels with UFHD resolution have become the mainstream specifications, and the penetration rate is estimated to significantly increase to 62% in 2021. By the same token, 8k4k TVs will be entering commercialization stage while 4k2k models become more advanced and consumer experience improves.

Looking forward to 2021, the panel demand will be strong, prices will increase, the LCD TV shipment will be stable, and expected to reach 230 million units. At the same time, the panel resolution will increase, bringing increase in demand for IC in the TV market, thus spurring the Company's IC operations.

Figure 2. Global TV Shipment Volume and Annual Growth Rate


Source : Omdia, Gartner, IDC (4Q20)

Table 7. LCD Shipment Ratio by Resolution


Source : Omdia (4Q20)

Communication

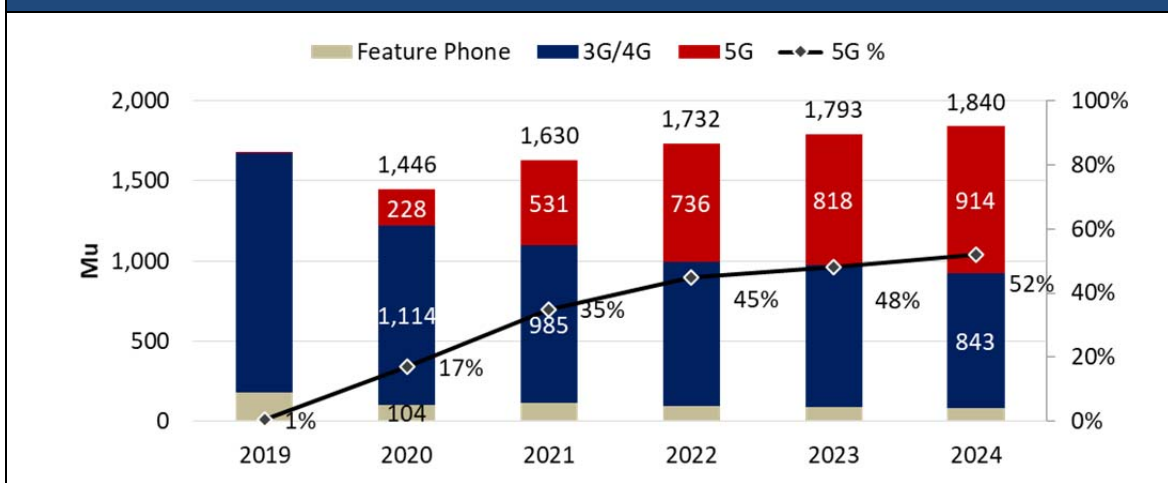
In 2020, when the development of 5G mobile communications is growing, and the deployment of communications equipment in various countries was also accelerating. The iPhone launch at the end of the year further triggered competition in the end market for mobile phones. Almost all brands jumped on the bandwagon and launched new models, elevating the penetration rate of new products. Despite the impact of the pandemic, smartphone shipments declined by 10%, and overall mobile phone shipments fell to 1.45 billion units, but 5G mobile phones accounted for 230 million, penetration rate reached 17%, and is expected to double to 35% in 2021.

In the 5G era, to facilitate more timely transmission of text, audio and video content, faster transmission speeds and longer battery life are required. These, along with other higher-order design requirements such as camera and display driver etc would



drive the growth of related semiconductors such as arithmetic processor (AP), radio frequency IC (RFIC), power management IC (PMIC), discrete devices, display driver IC and sensor ICs, etc. In particular, the demand for power management ICs, especially for smart phones and base stations, has grown exponentially. As power management IC is most cost-effective in the 8-inch fabs production, the capacity utilization rate of 8-inch wafer foundry industry has reached a all time high recently. Besides the capability to produce related semiconductor, the Singapore plant acquired in 2020 also provided production capacity, hence driving the Company's growth in line with market movements.

Table 8. Global Mobile Phone Shipments (in millions of units) and Growth Rate Forecast



Source : Omdia, Gartner, IDC (4Q20)

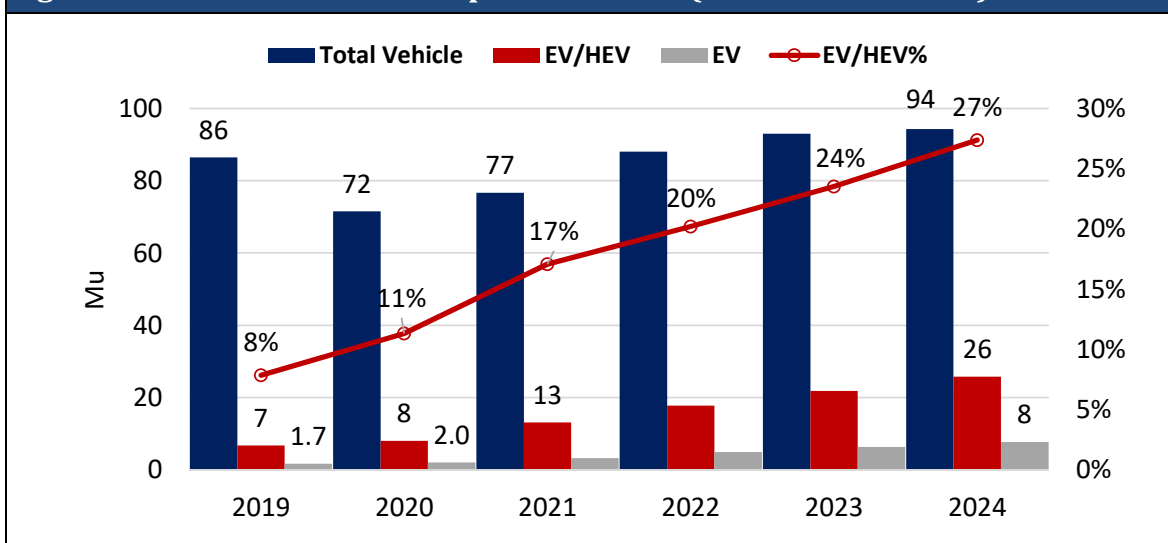
Automotive Electronics

The global automotive shipment volume is shown in the following figure. Although the automotive market suffered a decline in mid 2020, the market picked up again towards the end of the year and the annual shipment was 720 million units. However, due to the allocation of production by some semiconductor manufacturers and the shortage of semiconductors, automobile manufacturers are still actively seeking support from the semiconductor supply chain for production capacity. At present, it is estimated that the sales volume will be revised to 770 million units in 2021. Although the traditional fuel vehicles are still prevalent, the market has shown increasingly more attention on clean energy. The proportion of fully electric vehicles, plug-in and hybrid electric vehicles would rise rapidly. It is estimated that the proportion of electric vehicles will reach 27% in 2024.

The global automotive electronic semiconductor output value is illustrated in the following table. In 2020, income associated with automotive semiconductor fell to

US\$3.74 billion. In addition to the aforementioned energy conservation requirements for electric vehicles, the automotive market will become highly dependent on semiconductor elements as product designs that incorporate networking capabilities and driverless. Moreover, the industry output as a whole has the opportunity to achieve a scale of US\$64.7 billion in 2024. In response to demand for automotive electronics, the company has been actively working on this market for over 10 years. In addition to fabless companies, we have also shown good performance with regard to IDM customers.

Figure 3. Global Automotive Shipment Volume (in millions of units)



Source : Autodata, LMC automotive, Gartner (4Q20)

Table 9. Automobile Semiconductor Output Value (US\$ Billion)

Device Category	Device	2019	2020	2021	2022	2023	2024	CAGR (19'-24')
Total, US \$B		41.0	37.4	46.5	53.4	59.0	64.7	9.5%
General-Purpose	Analog	3.1	2.7	3.3	3.6	3.9	4.1	5.8%
	Discrete	6.3	6.1	7.6	8.9	9.9	10.7	11.2%
	Memory	2.6	2.4	3.4	4.6	5.3	6.4	20.2%
	MCU	7.2	6.3	7.6	8.6	9.5	10.4	7.5%
	Optoelectronics	3.6	3.4	4.1	4.6	5.0	5.5	9.1%
	Nonoptical Sensors	4.1	3.5	4.0	4.4	4.7	5.0	4.1%
	Logic	1.0	0.9	1.2	1.4	1.5	1.7	11.0%
Application-Specific	ASIC/ASSP	13.2	12.2	15.3	17.4	19.2	20.9	9.6%

Source : Gartner (Dec'20)

b. Competitiveness

In IC foundry processes, in addition to the 0.5um, 0.35um, 0.25um, 0.18um, 0.16um, and 0.11um processes, we have developed multiple integrated circuit technologies and successfully mass produced these products to enhance the competitiveness of our customers' products. In contrast to digital ICs, analog ICs, mixed-signal ICs, and high-voltage technologies are the key to bridging communication between reality and digital systems. The design of each product requires specific components and IP. VIS

therefore cultivates the development of specific components and IP to help clients quickly enter the market. This business model of jointly developing novel technologies with our customers helps VIS in forming a consolidated, longstanding partnership with its customers.

3. Technology and R&D

R&D expenses in past 2 years and to the day this report was printed.

Year	R&D spending (in NTD thousand)
2019	1,745,567
2020	1,796,390
2021/01/01–2021/02/28	289,208

In order to provide customers with more competitive technologies and services, the Company is continuously developing more specialized applications from its core technology as well as enhancing the value of the services we provide. In terms of R&D for flat panel display driver IC, VIS offers cost effective flat panel display driven ICs from generations 0.18um, 0.15um to 0.11um. It has the advantages of minimizing the size of components and reducing the number of photo masks, while maintaining the characteristics of components, thereby reducing cost. VIS is also at the forefront of development of different high specification manufacturing processes to meet customization needs and enhance the competitiveness of customers' products. VIS also continuously strengthen the wafer foundry automotive solutions to achieve the high quality level of 0 dppm. These technologies which have been successfully developed have been deployed in 4K and 8K TVs, in-vehicle displays and high-end laptops, etc.

In terms of power management ICs, VIS focused on the development of smart phones, MIPI interfaces, 5G telecommunications equipment, lithium batteries for electric vehicles, and automotive electronics. From the perspective of product portfolio, it includes 0.15um (1.8V/5V, 6V~120V), 0.25um (2.5V/5V~80V), customized manufacturing process and other power management IC (PMIC) mass production. In the past two years, hundreds of product certifications have been obtained and customers have also continuously planned for the use of the respective chips to be applied in more developments. The development of 0.15um BCD technology focused on low resistance and reducing the number of photo masks to effectively reduce production costs and at the same time provide high-efficiency and low-energy power management supply and new processes that can be flexibly matched to customer-specific applications, providing a more suitable 60V server level shifter and 80-120V brushless motor driver. At the same time, the introduction of non-volatile memory

element (NVM) related power management IP and the successful and complete verification of MTP, OTP and other non-volatile memory types will provide customers with a wide range of option, enabling the introduction of power management chip in fast charging and wireless charging applications, maximize the flexibility of memory combination, and meet the diverse application needs of PMIC customers. With regard to optical sensor technologies, the 0.18 micron process for proximity sensors and smart ambient light sensors has been verified and is ready to be introduced to mass production. The 0.18/0.11 micron process used in ultra-thin optical fingerprint recognition is expected to commence trial production in 2021 after successfully demonstrated the latest optical fingerprint recognition function in line with the integration of the supply chain and the needs of leading customers. The 0.5 micron SOI process has also been introduced into mass production, while product verification for specific customers for 0.25 micron SOI process has completed and will be introduced into mass production, and process development and customer product verification has been completed for 0.15 micron SOI process. The 0.5-micron ultra-high voltage (UHV) process platform provides a complete AC/DC application solution, from providing LED lighting driver ICs through ultra-high voltage process with a reduced number of masks, to variety of ultra-high voltage devices (200V/500V/700V) offering fast power charging solutions and pre-gate grade drivers, most of these products have already passed the reliability verification and been introduced into the mass production stage. With respect to wide bandgap semiconductors, the Company has made preliminary progress in the application of gallium nitride (GaN) including for providing special base materials and also by completing development on the production of epitaxial wafers (epiwafer). Moreover, the Company is continuing to evaluate development of additional components, and we anticipate being able to provide customers with better alternatives to conventional silicon-based materials in upcoming next-generation power control components. In the future, Vanguard International will continue to actively develop the high voltage and power management technology components that the market demands and continue to collaborate with TSMC to develop even more advanced processes.

It is expected that VIS will increase its R&D spending in Y2021 to 5% of its revenue.

Project	Description
0.5um UHV Low Ron & High Side Technology	Based on customer demand, develop UHV Technology for Motor Driver IC & LED Driver IC.
Power Management IC Technology Platform	Develop 0.15um/0.11um with 120V extension power management IC technology platforms to supply products for computers (including desktop, notebook, netbook, and tablet), cell phones, and automotive application.
Display driver IC technology platform	Based on customer demand, develop display driver IC technology platform for 8K4K, 4K2K TV, tablet, mobile phone, touch panel and automotive panel display.
Gallium nitride Technology Platform	Research and develop gallium nitride technology platform that fulfills the requirement of customization and industry's latest development applications.

4. Long and short-term business development plans

Short-term development plan

We are constantly innovating and developing new technologies. We have conducted R&D in the high-voltage process field for many years. In the short term we will continue to apply our high-voltage process technology to power management and driver IC products, while developing BCD, UHV, SOI, NVM and MEMS processes in an effort to response to customers' increasing diverse needs and enhance customer service quality.

- a. Short-term business development plan: We will strengthen our on-time delivery rate in order to boost customer satisfaction: We plan production of most of our products after get orders from customers. Because our customers' exacting design and customization needs, we commonly engage in face-to-face communication with customers, and provide consulting-style services. Our superior process technology, professional technical personnel, and rigorous certification measures have helped us win our customers' trust.
- b. We will continue to improve our large panel driver ICs performance. We have developed e-book, tablet, and TV applications, and hope to capture over 30% market share of for gate driver ICs and over 25% market share for source driver ICs.
- c. We will strive to develop high-efficiency, energy-conserving, carbon-reducing products. We look forward to the continued growth of our power management ICs in the years ahead. Our current main products include DC to AC power converters and AC to DC converters, which are used in small-/medium-size computers, smartphones, LCD TVs, and energy-saving home appliances and lighting fixtures.

- d. We will endeavor to set up an embedded Flash, magnetic and fingerprint sensor IC platform and expand other markets in addition to the driver IC and power management IC markets, in order to provide more devices solutions to customers.
- e. Various reliability certifications recently obtained by VIS pertaining to automotive application technologies, including AEC-Q100 Grade 0 and VDA 6.3 Grade A, will be utilized to make further inroads in the automotive electronics market.
- f. We will integrate our global resource and actively expand our foreign market.
- g. We continue to develop GaN power devices in wide band gap power semiconductors, and we have not only completed the development of epitaxial wafers, but also the power devices to meet the dynamic on-resistance requirements. We will continue to optimize the device characteristics in order to provide customers with better choices than traditional silicon substrates for next-generation power control and high frequency devices.

Long-term development plan

- a. We will strengthen our BCD, UHV, Discrete, and eNVM R&D, enhance our yield rates and technological maturity, improve our processes, and cut costs.
- b. We will continue to develop new process technologies, keep on going processes for products with new specifications such as GaN, expand our range of product applications, widen our customer base, and strengthen overseas market development.
- c. We will seek partners to establish strategic alliance and attempt to prolong the life cycle of our 8-inch FAB.
- d. Planning and rolling out expansions into new areas of business and new production capacity.

B. Industry survey and market analysis

1. Market analysis

Major product sales areas

	Y2019		Y2020	
	Net Revenue	%	Net Revenue	%
Asia	25,779,088	91	30,437,190	92
Europe	1,839,018	7	1,187,345	4
America	667,878	2	1,506,667	4
Oceania	88	0	0	0
Total	28,286,072	100	33,131,202	100

Unit: NT\$, in thousands



Market share

VIS has cultivated the high-voltage process market for many years, and will continue to develop BCD, UHV, and SOI process technology, boosting operating performance. VIS had revenue of approximately NT\$33.1 billion in Y2020. According to statistics from the research firm, Gartner, VIS had a market share of roughly 1.5% in Y2020, making it the world's No. 8 largest pure foundry player.

(Please see Industry Overview concerning future supply and demand and growth)

Favorable and unfavorable factors affecting competitive niche and development vision, and response measures

Favorable competitive factors

- a. Since 1996, the Company have successfully obtained international certifications (as summarized in table below), a testament that the manufacturing quality are of international standards. Automotive electronics AEC-Q100, VDA 6.3 and other certifications have also been adopted by relevant customers. At the same time, VIS has also established good collaboration relations with many international manufacturers, thus stabilizing production utilization and market share to a certain extent.

Table of international certifications obtained by VIS

Certifications obtained by VIS	Date of certification	Most recent renewal date	Effective period
ISO 9001 Quality Management Systems	1996	May 15, 2018	May 14, 2021
ISO 14001 Environmental Management	1997	January 18, 2021	January 17, 2024
IATF 16949 Automotive Quality Management System	2004	May 15, 2018	May 14, 2021

- b. VIS and TSMC maintain a close wafer foundry service relationship, and VIS has been transferred TSMC's 0.5/0.35/0.25/0.18/0.16/0.11um process technologies, which have been successfully entered in mass production. VIS has also successfully developed many specialty IC technologies, which have been used in mass production.

- c. Our highly effective management team, in conjunction with our professional process team and outstanding sales team, enable us to achieve superb business performance.
- d. Our highly flexible customer support system helps us to form long-term partnerships with customers. Currently, VIS has a large number of scattered customers, including well-known IC design companies and international IDM manufacturers.
- e. Demand for production capacity of the foundry industry is under supplied, and the prospects for the 8-inch special wafer foundry in the next few years are promising.

Unfavorable factors to competition

- a. The current trend of component integration is such that, when the accumulated degree of integration is higher, the Company's 8-inch process technology might not be able to meet the needs of advanced processing customers.
- b. The merging and acquisition trend within semiconductor industries have elevated market centralization, which is detrimental to the Company's business operations.
- c. China's self-sufficiency policies have caused tectonic plate shifts in our supply chain, and this shift is also detrimental to the Company's future operations. Potential threats of capacity conversion of Legacy, a 12-inch foundry and memory manufacturing plant.

Response measures

- a. Continuously observe and grasp changes in the market supply chain, response for short-term strategy and long-term strategy. In addition to the continuous pursuit of organic growth, the possibility of continuing M & A is not ruled out.
- b. We will continue to improve our process technology, quality, and mass production capability, reduce production costs for various products, enhance our yield rate and service, boost production efficiency, and consolidate our professional wafer foundry service capacity.
- c. We will accelerate process development, make opportune innovations in the specialty IC foundry area, and consolidate our partnerships with customers by maintaining differentiation, making us become the best choice of specialty IC manufacturing service provider.
- d. We will focus on and optimize high-voltage, ultra-high-voltage, and discrete, BCD, eNVM, as well as MEMS technology, and concentrate our resources in order to enhance our competitiveness.

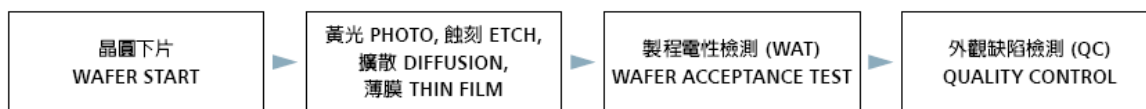


- e. We will strengthen our partnerships with customers and adopt an IDM Fab-lite strategy in order to better complement our customers.
- f. We will strengthen marketing and customer service performance, continue to raise customer satisfaction, and achieve our goal of sustainable operation.

2. Major Applications of Products

VIS provides world-class quality Logic IC manufacturing service. Those products can be applied into Computers and its peripherals (including TFT LCD monitor, CD-ROMs and Motherboard), Communications (including Mobile phone, Wireless LAN, Switch, and mobile navigator), Consumer electronics (including High Resolution TV, tablet, e-book, Digital Camera, and Media player) , and Industrial & Automotive(including Data Center, green energy, and ADAS).

Production Flow



3. Major Materials Supply Status

Major Product	Major Material	Major Suppliers	Supply Status
Logic Foundry	Wafer	FORMOSA SUMCO TECHNOLOGY Corp. TAISIL ELECTRONIC MATERIALS Corp. SHIN-ETSU HANDOTAI TAIWAN Co., Ltd. (Local Agent: TOPCO SCIENTIFIC Co., Ltd.) GLOBALWAFERS CO., LTD.	Normal
	Chemical	CABOT MICROELECTRONICS Corp. TAIWAN Branch WAH LEE INDUSTRIAL Corp. BASF ELECTRONIC MATERIALS TAIWAN LTD. AIR PRODUCTS SAN FU GAS CO., LTD.	Normal
	Photo Resist	TOKYO OHKA KOGYO Corp. Ltd. TOPCO SCIENTIFIC CO., LTD. SUMITRONICS TAIWAN CO., LTD. ROHM AND HAAS ELECTRONIC MATERIALS TAIWAN LTD.	Normal
	Gas	UNITED INDUSTRIAL GASES CO., LTD. BOC LIENHWA INDUSTRIAL GASES CO., LTD. AIR PRODUCTS SAN FU CO., LTD. SHOWA SPECIALTY GAS(TAIWAN) CO. LTD.	Normal

4. Suppliers and Customers accounting for 10 percent or more of total procurement (sales) amount in either of the 2 most recent fiscal years

Major Customers : No apparent changes

Unit: NT\$, in thousands

		Y2019		Y2020	
No	Customer	Net Revenue	Relation to VIS	Customer	Net Revenue
1	A	4,865,261	17	A	5,545,103
2	TSMC	3,062,881	11	TSMC	3,471,499
	Others	20,357,930	72	Others	24,114,600
	Net Revenue	28,286,072	100	Net Revenue	33,131,202



Major Suppliers : The procurement ratio of Supplier C was 2% and 11% in Y2019 and Y2020 separately because of the increase market share from mergers and acquisition.

Unit: NT\$, in thousands

No	Supplier	Y2019			Relation to VIS	Y2020			Relation to VIS
		Amount	%	Supplier		Amount	%	Supplier	
1	Supplier A	1,197,176	18	Supplier A	None	483,971	7	None	None
2	Supplier B	782,721	12	Supplier B	None	745,257	11	None	None
3	Supplier C	98,787	2	Supplier C	None	747,264	11	None	None
	Others	4,425,776	68	Others		5,120,099	71		
	Net Procurement	6,504,460	100	Net Procurement		7,096,591	100		

5. Productions over the Last Two Years

Unit: Capacity and Quantity (8 inch equivalent wafer) / Amount (NT\$, in thousands)

Major Product	Y2019			Y2020		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Foundry	2,502,100	2,128,961	17,797,846	2,874,610	2,578,395	21,569,245
Total	2,502,100	2,128,961	17,797,846	2,874,610	2,578,395	21,569,245

6. Shipment and Net Revenue over the Last Two Years

Units: Quantity (8 inch equivalent wafer in thousands) / Amount (NT\$, in thousands)

	Y2019						Y2020					
	Domestic			Export			Domestic			Export		
	Quantity	Net Revenue	Quantity	Net Revenue	Quantity	Net Revenue	Quantity	Net Revenue	Quantity	Net Revenue	Quantity	Net Revenue
Revenue from Sales of Goods	1,316	16,294,153	807	11,389,685	2,123	27,683,838	1,661	19,797,307	951	12,605,167	2,612	32,402,474
Other	0	225,020	0	377,214	0	602,234	0	408,372	0	320,356	0	728,728
Total	1,316	16,519,173	807	11,766,899	2,123	28,286,072	1,661	20,205,679	951	12,925,523	2,612	33,131,202

C. Personnel Structure

As of February 28, 2021

Year		2019	2020	2021.2.28
Personnel	Direct	2,385	2,542	2,626
	Indirect	2,904	3,387	3,384
	Total	5,289	5,929	6,010
Average Age		38	39	39
Average Year of Service		8.3	8.0	8.0
Average Year of Service Education	PH. D	45	48	52
	Master	1,425	1,439	1,431
	College	2,407	2,740	2,794
	High School (and below)	1,412	1,702	1,733

D. Environmental Protection Measures

Environmental Investment

VIS continuously improves our environmental management and upgrade pollution control equipments. In addition to the existing equipment maintenance, we continuously invested in purchasing pollution control equipments for special chemical substances, wastewater and exhaust, and local scrubbers. The total investment was around NT\$423 million in Y2020.

● Greenhouse Gases Emissions Management

According to the company's greenhouse gas reduction policy, VIS divides risks into three dimensions: laws and regulations, climate disasters and other behaviors, and identifies the risks and opportunities brought by global climate change to VIS.

Dimensions	Risk Consideration	Response plan	Implementation result for 2020
Laws	Mandatory inventory and declaration of greenhouse gases	Driving data inventory: investigating greenhouse gas emissions and energy use	100% of greenhouse gas inventory was reached
	Product energy consumption and carbon footprint	Improve product energy efficiency and manufacture low-energy consumption products for customers as a key analysis basis for identifying carbon reduction and energy conservation	Carbon footprint in 2020 presents product carbon usage management
	Greenhouse Gas Reduction	It is expected that greenhouse gas emissions per unit wafer area will be reduced by another 25% in 2022 compared to 2015	18% reduction in greenhouse gas emissions per unit wafer area was reached in 2020.
Natural Disaster	Wind disasters, floods and droughts lead to	Strengthen the resilience of organization and operation: establish crisis management	Establish guidelines for continuous operation management (VIS

Dimensions	Risk Consideration	Response plan	Implementation result for 2020
	reduced or interrupted capacity	procedures and build disaster prevention and response capacity	BUSINESS CONTINUITY MANAGEMENT GUIDELINE)
Other behavioral effects	Stakeholders demand for the establishment of green supply chain that can adapt to climate change	External initiatives: jointly promote climate change related initiatives and plans with the government and the industry	Participate in national reduction plan group and semiconductor association to implement reduction plan

And the company's GHG emissions in Y2018, and Y2019, and Y2020 are 787.6 thousand tons CO₂e, 722.6 thousand tons CO₂e, and 795.6 thousand tons CO₂e, respectively. And the company has accomplished the GHG reduction of 296 thousand tons CO₂e in 2020.

VIS conducts its GHG inventories by following ISO/CNS 14064-1 standards, the Executive Yuan Environmental Protection Administration (EPA) Greenhouse Gas Validation Guidelines Note, "Greenhouse Gas Emission Inventory Registration Guidelines", and the WBCSD/WRI GHG Protocol, with 100% control to define organizational boundaries (Operational Control Act).

Our target of the GHG emission per unit area of wafer is expected to be 25% less by 2022 than the amount emitted in 2015. As of the end of 2020, the target reached 18%.

VIS ensures the transparency of its GHG information by disclosing relevant GHG emission and reduction information through various channels. VIS performs self-inspection during the disclosure process and obtains external opinions in order to continuously reduce its GHG emissions. Information disclosure channels include the following:

- Since 2005, VIS has utilized third-party verification for annual greenhouse gas (GHG) emissions and submitted annual reports of GHG emission to the Taiwan Semiconductor Industry Association (TSIA) and EPA, Executive Yuan.
- Since 2014, VIS has voluntarily participated in the Carbon Disclosure Project (CDP) to disclose climate change-related information on a yearly basis which includes information on GHG emissions and reductions. In addition, we conduct inspections and make improvements on risks and opportunities relating to legal regulations, natural disasters, finance, and business operations. External bodies are able to access relevant information on the CDP website.
- Since 2014, VIS has made its annual Corporate Sustainability Reports publicly available on the Company's website, which includes information disclosures which are of concern to our customers and investors.

Furthermore, the company announced its safety, health, and environment policy to promote environmental protection and development of a sustainable environment. For details, please visit VIS website as follows: <http://www.vis.com.tw>

● Energy Management

The company is a professional manufacturer of integrated circuit design, R&D, manufacturing and sales. In order to maintain the sustainable operation of the company and fulfill the responsibility of good corporate citizens, based on risk management, green production and energy impact consideration, the company participates fully in the operation of the energy management system, and achieves the goal of meeting laws and regulations, customer requirements and improving energy efficiency. In order to achieve this goal, the company commits to continuously carry out and improve the following works:

1. Abide by the energy regulations - abide by the relevant energy laws and regulations;
2. Effectively use the energy - cherish and properly use the power, natural gas and other resources;
3. Implement the goal management - set the energy performance indicators, and manage according to the PDCA model;
4. Continuously improve the performance - review regularly, and continuously improve the energy efficiency;
5. Support green procurement - support the procurement of energy-saving equipment or products;
6. Promote internal and external communication - establish internal and external communication channels to promote information transmission;
7. Provide appropriate resources to achieve goals and targets;
8. Move towards energy conservation and sustainability.

VIS continues to work towards low carbon. From 2015 to 2020, the power consumption per unit wafer area decreased from 1.01 degree / cm² to 0.8 degree / cm², a decrease of about 20%.

The Company ceaselessly saves energy in various public facilities and has invested \$113,659K to deploy energy-saving equipment in line with the government's energy-saving policy. In 2020, the energy saving was 18,219,309kWh. The energy conservation initiative comprised of 59 projects under four categories- public facilities, air-conditioning equipment, process evaluation parameters, and upgrading to energy-saving type machine accessories. ISO 50001:2011 certification has been imported into three plants in 2017, and the whole plant of the company has passed the third-party external verification of SGS in 2020. By comparing the systematic management procedure of ISO 50001:2018 with the cross plant energy efficiency, we can find the opportunity point of energy saving improvement that has not been found and improve the energy saving performance.

Through promoting many energy-saving schemes, VIS has continuously invested more energy-saving measures and responded to the national energy-saving goal. According to the "energy users set a target of 1% reduction in saving electricity consumption" announced by the Ministry of Economic Affairs on August 1, 2014 (Ri-Jing-Neng-Zi No. 10304603580), VIS' power-saving rate has reached more than 1% of power-saving rate in the past five years.

- Air Pollution Control

VIS currently has four wafer fabrication plants, all of which are equipped with extensive waste gas and wastewater collection, monitoring and treatment systems that surpass the regulatory requirements and operate continuously 24 hours a day. To prevent abnormal discharge of waste gas and wastewater during power outage, we have included our production machinery and pollution control equipment into the emergency power supply system to make sure that all waste gas and wastewater are adequately treated before discharge. For waste gas treatment, our various waste gas scrubbers are monitored 24 hours a day, allowing on-duty personnel to quickly manage any system issues that may occur. The level of volatile organic compounds in the treated waste gas we discharge is far below the legal standard of 0.06kg/hr.

- Water resource management/ Prevention and control of water pollution

In terms of water resource management, in order to lessen the impact of water shortages on production processes during periods of low rainfall, the Company has developed the "VIS water vehicle transportation contingency response plan during water shortages" based on the status and condition at each plant as well as the practices of other foundries. This response mechanism can be activated in the event of water shortages to minimize impacts on production.

The tap water consumption of VIS in 2019 and 2020 changed with the acquisition of Singapore plants, the increase of production capacity and process water recycling rate, and was 4.98 million tons and 6.56 million tons respectively. The above data will be verified through the product water footprint verification commissioned to SGS once every two years by the company, which is completed by August 2020. The previous implementation of the product water footprint verification is 2018.

VIS maximizes the reuse of water discharged from its manufacturing processes. Based on the characteristics of the discharged water, VIS has established over 10 types of water discharge pipes and various types of recycling systems, which are classified according to

water quality and user demands. The recycling systems described above can be used to reduce wastewater discharge and ease the burden on the environment, as well as prevent the use of tap water for refilling, thereby conserving more water.

VIS's water pollution prevention strategy is focused on reducing the generation of pollutants and recycling and treating water pollutants by using effective equipment, thereby ensuring that the quality of discharged water meets or exceeds government standards.

VIS has installed water quality and quantity monitoring equipment at the discharge outlet of its wastewater treatment facilities to monitor and record changes in water quality and quantity. To prevent wastewater tanks from rupturing and causing contamination of underground water, VIS also conducts annual groundwater sampling tests at its plant sites and tests the soil at its facilities every three years. This ensures that wastewater discharge and underground water and soil conditions near the vicinity of the plant comply with monitoring standards.

- Waste management and recycling

In order to properly manage the waste generated by the company, VIS has established waste disposal control procedures in accordance with the spirit of ISO 14001, and requires all colleagues to strictly comply with the requirements of classification, collection, storage, removal and treatment at all stages. All waste of VIS shall be properly disposed or reused by qualified waste removal, treatment or reuse institutions. The total output of waste is 6,933 metric tons in 2018, 6,493 metric tons in 2019 and 8,540 metric tons which included 1,315.4 metric tons from fabVS1 in 2020. The above data will be verified through the product carbon footprint verification commissioned to SGS once every two years by the company, which is completed by August 2020. The previous implementation of the product carbon footprint verification is 2018.

With regard to VIS's promotion of environmental, safety, and health management, please see the chapter of **E. Employee / employer relations, 5. Employee Working Environment and Personal Safety**, or the VIS Corporate Sustainability Report for more details.



E. Employee / employer relations

1. Employee Benefit and Implementation

VIS places high priority in employee's health, and made great effort to improve the working environment, setting up facilities and planned leisure activities as well as providing health and insurance services. VIS was granted a number of awards, including the Healthy Workplace Certification given by the Health Promotion Administration in 2020.

Miscellaneous Employee Benefits

To ensure the comfort of employee's health and daily life, in terms of facilities, VIS provides a clean and comfortable work environment, several and variety of leisure facilities and regular examination of environment operation. In terms of health, the Medical Center arranges health checkup for supervisors and all members; in occasions, discounted health checkup and consulting services by doctors are arranged in each FAB. Moreover, we constantly organize activities to help enhance employee's health condition and relieve work pressure, helping make life more pleasant for all.

The Company's employee welfare measures include: a leave system superior to Labor Standards Act requirements, where flexible leave days are also provided on top of various types of leave according to the law, and employees can enjoy special leave after completing three months on employment. Provision of subsidies for the year-end celebration activities, birthday vouchers, childbirth, weddings and bereavements, emergency assistance, and organizing group tours from time to time and subsidies for communities. The Company shall insure each employee with labor insurance and national health insurance in accordance with the law, and shall comply with the social laws and regulations to protect the basic rights and interests of employees. Further, every employee will be enrolled to the Company's free high coverage group comprehensive insurance from the induction day. The coverage includes life insurance, accident insurance, medical insurance, and cancer insurance, etc., and covers the spouse and children of colleagues. In addition, the accident insurance covers parents of the colleagues.

Employee profit sharing plan:

The profit sharing plan with employees refers to financial goal of the employees are in line with the business goal of the Company. All employees work hard for creating profit in a concerted effort. This allows the employees to share the joy of success of the

Company. If there is a surplus at the end of the fiscal year after account settlement, specific percentage of the profit will be allocated as employee bonuses.

Group insurance

Labor insurance and national health insurance give basic protection for the employees. VIS seeks to provide better protection of its people by taking a group insurance policy to cover the inadequacy of the said insurance programs. Under this group insurance policy, the spouse and the dependents of the employees are also protected so that the families of VIS people can enjoy the benefits as well. The limitation of insurance benefits claim under the group policy is much lesser than the labor insurance and the benefit amount is higher. The Company pays for the group insurance premium and employees are entitled to take specific options on their own under the group coverage at their own cost. (The scope of coverage: life insurance, accident insurance, medical insurance on accidents, coverage for hospitalization and treatment of cancer.)

For details of VIS Employee Benefits, please refer to VIS Corporate Sustainability Report.

2. Training

Education and Training programs:

To better facilitate the Company's vision and help meet strategic goals and organization demand, VIS has continued its endeavors to construct a comprehensive talent development system.

The company develops individual learning and development plans according to employees' work and career development needs. In addition, not only has the company built an internal online platform to encourage employees to learn, but also employees can participate in external training courses, thereby combining both internal and external training resources in order to cultivate and improve employees' capabilities, and eventually help employees grow with the company.

- a. VIS has a comprehensive training system for training professional talents and developing employees' potential. This comprehensive training system includes new comers' orientation, management training, professional / technical training, external training, and self- development. The company improves employees' professional competence and competitiveness through on-the-job training (OJT) and off the job training (Off-JT).



- b. The company has also built a training management system, an e-learning platform, and a knowledge management platform as personal learning resources. Employees are required to set learning and development goals every year, and develop personal development plans after having discussions with their supervisors in order to achieve continuous development goals and apply learning results to their work fields, thereby continuously improving work efficiency.
- c. VIS provides an e-learning web portal which offers over 934 courses, and the Company's educational materials are constantly being updated. At present, VIS's training covers a wide range of topics including engineering technology, professional competencies, management, and other courses on specialized skill sets. This training mechanism allows VIS employees to expand their knowledge without limitations imposed by time or location. Employees can increase their competitiveness by learning at their own pace. Thus it can foster a Company culture which encourages self-directed learning. VIS e-learning classes were viewed around 50 thousand times in 2020.
- d. The training statistics of Y2020 are summarized in the following table. And total training expenses is over NTD 7 million.

Average Numbers of Personnel	Total Training Hours	Total Employees Trained	Average Training Hours Per Employee
5,929	86,256	88,211	14.55

3. Retirement Plan:

The specific content and current state of implementation of the Company's retirement system is as follows:

Proportion and status of disbursements under the new and old retirement systems:

The monthly contribution rate for labor pension disbursements provided by the Company for applicable employees as stipulated under the Labor Pension Act is six percent (6%) of the employee's monthly wage or salary; under the old labor pension fund system, the contribution rate for disbursements is two percent (2%) of the employee's monthly wage or salary.

Procedures and Qualifications for Employee Retirement Applications:

The Company's standards for employee retirement are implemented in accordance with the following regulations:

- (1) An employee of the Company who meets any one of the following conditions may apply for voluntary retirement:



- a. The employee has worked at the Company for 15 years or longer and is aged 55 or older.
 - b. The employee has worked at the Company for 25 years or longer.
 - c. The employee is aged 60 or older and has worked for 10 years or longer.
- (2) An employee of the Company who meets any one of the following conditions shall be subject to compulsory retirement:
- a. The employee is aged 65 or older.
 - b. The employee is mentally or physically incapacitated such that he or she is unable to perform his or her work duties.

The Company may request the central competent authority to approve an adjustment to the age limit stipulated in Subparagraph 1 of the preceding paragraph if the specific job entails risk, requires substantial physical strength, or otherwise of a special nature, but the minimum age may be no lower than 55.

Except where otherwise stipulated in the Labor Pension Act or other law or regulation, the calculation method for pensions shall be handled in accordance with the regulations set forth under the Labor Standards Act.

When applying for retirement, an employee shall fill out a Retirement Application Form and submit it for review; applications shall not be effective until they have been reviewed and approved. If an employee's pension plan is governed by the old pension system, an application shall be submitted to the Pension Supervisory Committee for review, and the pension shall be disbursed to the employee within 30 days from the date of retirement. An employee whose pension plan is subject to the new labor pension system shall submit an application on his or her own behalf to the Bureau of Labor Insurance; If an employee becomes deceased prior to claiming his/her pension, the employee's survivor(s) or designated claimant(s) shall apply to the Bureau of Labor Insurance to claim the insurance benefits. Where an employee's pension plan was already subject to the retirement provisions set forth under the Labor Standards Act prior to promulgation of the Labor Pension Act, and where the employee continued to work at the Company after the foregoing provisions went into effect, and where the employee opted to remain bound by the pension system prescribed by the foregoing provisions, the employee shall retain the number of years of service he/she accumulated prior to being subject to the foregoing provisions, and he/she may continue to be subject to the retirement provisions stipulated under the Labor Standards Act.

Operation status of the Supervisory Committee of Labor Retirement Reserve:



The Supervisory Committee of Labor Retirement Reserve (hereinafter referred to as the "Committee") consists of nine members. The number of worker representatives shall not be less than two-thirds of all the members of the Committee. A chairman shall be appointed to manage committee affairs, whereas a vice-chairman shall be appointed to assist in handling committee affairs. Each member will serve a term of three years. Worker representatives (committee members) may be re-elected; however, the number of re-elected worker representatives shall not exceed half the total number of committee members. Employer representatives (committee members) may be re-elected, and may be re-assigned according to changes in duties. In addition, an executive secretary shall be appointed to handle matters related to regular meetings. The appointment of executive secretary has to be submitted to the committee for approval.

The mission (responsibilities) of the Committee includes:

- (1) Deliberate on the suspension of contribution to the labor retirement reserve.
- (2) Review the amount of contribution to the labor retirement reserve.
- (3) Examine the deposits into and use of the labor retirement reserve.
- (4) Examine the amount of labor retirement payment.
- (5) Provide the balance of the labor retirement reserve account when employees inquire about the account.
- (6) Supervise other matters related to the labor retirement reserve.

The Committee shall convene a meeting once every three months, and shall convene extraordinary meetings when necessary. Committee meetings shall be chaired by the Chairman of the Committee. If the Chairman is unable to attend a committee meeting, the committee meeting shall be chaired by the Vice-Chairman. A committee meeting must be attended by a majority of all the members of the Committee. A resolution shall be valid when it is approved by two-thirds of all the members of the Committee.

4. Other important agreements and employment protection policies:

The Company treasures the establishment of harmonious atmosphere in labor-management relation through mutual trust in corporate management, and adopts the proactive openness model of management to create a challenging and joyful work environment.

For example, VIS highly treasures the opinions of the employees and thereby established an "Employee Relation Section" for handling labor-management relation and related matters. Different channels were cultivated for labor-management communications in order to create an open environment. Further to quarterly labor-management meetings

and executive meetings, department meetings, which were held not on a regular basis and orientation of new people, VIS also set up a mailbox for employee communication. In addition, VIS conducts survey on employee opinions on their satisfaction with management and the welfare system regularly. VIS not only made efforts in sustaining positive labor-management relation, but also provided consultation services to employees, and organized related speech presentations and symposiums with the employees at any time as needed to strengthen the communications of idea and establish a consensus.

5. Employee Working Environment and Personal Safety

VIS's Environmental, Safety, and Health Policies

When it comes to the Company's environmental, safety, and health policies, VIS places a strong emphasis on full participation by all employees to ensure across-the-board safety. After being reviewed and signed by VIS Chairperson and President Leuh Fang, the latest policies are posted on the Company's official website and the announcement board of each production site. To ensure that each employee clearly understands the Company's policies and works to achieve their objectives, the policies are also printed out onto cards which are then distributed to all employees, thereby facilitating widespread compliance. In addition, VIS's contractors are required to comply with the Company's policies pertaining to safety and health management. To this end, VIS has incorporated various informational directives concerning health, safety, and environmental policies into related education training provided to contractors, ensuring that all contractors which handle work for VIS clearly grasp the Company's health, safety, and environmental policies.

Environmental, Safety and Health Management Systems

With regard to safety and health management as it relates to VIS's improvement-oriented management methodology, our primary strategy for boosting occupational safety is to prevent harm associated with equipment use to the greatest extent possible. To this end, the Company continually proposes and implements improvement plans where feasible in a bid to clamp down on potential safety and health risks. In terms of environmental protection, the top three approaches VIS has adopted to improve its impact on the environment are waste reduction, re-use and recycling, and energy conservation, all of which effectively serve to reduce the waste of resources. In the course of promoting our environmental, safety, and health management system, we create relevant forms in the system in order to comply with PDCA (Plan-Do-Check-



Action) tracking methodology and to uphold our spirit of continuous improvement, including: Environmental Safety & Health (ESH) management system, regulatory compliance verification, corrective and preventive measures, and other systems for managing non-compliance.

Promotion of Environmental, Safety, and Health in Each Department

Each department designates senior personnel to record and assess safety and health risks and environmental aspects associated with the various types of occupational activities, products, and services encountered on the job as well as common occupational hazards, insurance company audits, recommendations from outside experts, and records of previous accidents and regulatory requirements of each department and partnering plants. In addition, VIS departments are required to submit ESH improvement proposals which address high-risk and significant environmental aspects. Proposals currently being implemented include the following:

- a. Formulating environmental, safety, and health management programs
- b. Determining and verifying regulatory compliance
- c. Measuring safety and health performance, and managing environmental monitoring
- d. Administering competitive KPI benchmarks for environmental, safety, and health compliance
- e. Carrying out internal and external audits

Promotion of Environmental Safety and Health Education

With an employee-oriented approach, VIS actively promotes personnel education and training, as well as acquisition of relevant professional certificates with the support of senior executives, raises safety awareness among our coworkers through learning, and establishes a safety culture, thereby achieving the vision of "a healthy, joyful workplace, and a happy home".

Conduct assortment of training courses according to the safety and health / environmental protection education and training methods and annual curriculum plan. Tailoring to different education and training target audience, job nature and job requirements, training is divided into four categories: new employee training, dangerous mechanical equipment operator training, supervisor training and emergency response training. The efficacy of training is controlled through training assessments, so as to enhance hazard awareness of each worker and ensure personal safety and health.

- a. On-the-Job Training Employees participate in various on-the-job training programs in order to enhance specific skill sets related to different job duties.

- b. A grading system for environmental, safety and health courses to improve the professional skills of environmental, safety and health personnel at all levels.
- c. Promoting Education: VIS is dedicated to fulfilling its responsibilities as a good corporate citizen, including participating in the "annual industrial safety and environmental protection month" events hosted by the Hsinchu Science Park Administration. In line with the Annual Industrial Safety and Environmental Protection Month conducted by the Administration Bureau of Hsinchu Science Park and bringing it into the campus, we introduce food forest and practical teaching to improve the environmental awareness of the industry peers and students in the park; The Company also proactively adopted Cherry Blossom Park and Qianjia Park, and organized tree planting festival, firefly restoration and other activities to enable nearby community residents and schools to maintain the environment together with VIS, and appreciate the symbiotic relationship between human, the environment and land.
- d. Disaster preparedness training: through various disaster preparedness training and drills, all employees and supervisors can correctly and effectively minimize personal injury, property loss and environmental impact in case of emergency.

Employee Behavior and Ethical Standards

VIS takes the following as its core managerial principles: "rounded in integrity, guided by professional ethics" and "Ethical Management and Guidelines for Conduct." Furthermore, it has established a code of professional conduct for its employees. Not only are employees asked to adhere to this code, they are forbidden from giving or taking bribes, from acting in any way contrary to the interests of the company, and from any instance of conflict of interest. Each year, employees are asked to fill out a conflict of interest disclosure form as well as a voluntary disclosure form. VIS has established a Proprietary Information Protection policy, which clearly lays out guidelines for confidential company information as well as the receiving, sending, saving and utilization of sensitive data.

To align with the corporate vision and value, VIS specifies four core competencies, which are Integrity, Customer Oriented, Value Oriented, and Commitment as the behavior/ethical standards for management team and employees.



Human rights policies

VIS complies with the respective laws and regulations of its global operation sites, formulates human rights protection policies in accordance with "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies", the "The United Nations Global Compact", and implements "Responsible Business Alliance and Behavior thereof", and formulated a human rights protection policy to treat all employees with dignity.

In terms of the employment, appointment, working hours, wages and benefits of employees, VIS has always complied with or surpassed the relevant laws and international human rights norms, including: employees work voluntarily and have the right to terminate their employment relationship at any time, prohibition of child labor; working hours, minimum wage, overtime pay, labor insurance, health insurance, group insurance, employee benefits, and severance and pension paid in accordance with the local legal norms. In addition, VIS supports the notion that employees should enjoy humane treatment, including dignity and respect without discrimination, intolerance of any form of sexual harassment, corporal punishment, mental or physical coercion and verbal abuse, and respect for employees' right to form organizations and associate freely in accordance with local laws and regulations.

The Company's human rights projects and specific management plan are as follows:

Human rights item	Specific management plan
Provide a safe and healthy working environment (occupational diseases, occupational health protection, abnormal work load, human factors engineering, public injury, maternity protection)	1. Management goal of "incident free, sick leave free" Abide by laws and international conventions, build a safe and healthy working environment 2. Full participation in safety and health work, source control of environmental safety and health risks, promote safety and health. 3. Through communication, education and training, strengthen the awareness of safety and health responsibility and entrench strong safety and health culture. 4. Based on the analysis of health examination results and work life questionnaire data, conduct tiered tracking management for colleagues to prevent potential health risks and improve their health. 5. Incorporate the Company's philosophy, health examination analysis and employees' health needs, promote health promotion activities and employee assistance programs, encourage colleagues to participate, and create a common goal of healthy workplace.

Human rights item	Specific management plan
Prohibiting discrimination, sexual harassment, and personal data protection to ensure equal work opportunities	1. Support the international human rights of employees and treat them with dignity and respect without discrimination. No inhumane treatment, including sexual harassment, corporal punishment, psychological coercion or verbal abuse, will be tolerated. 2. Promote and implement internal control procedures and comply with local labor laws. For information provided by job applicants and evaluation criteria, no discrimination will be made on the basis of race, class, language, ideology, religion, political party, ancestry, place of birth, gender, sexual orientation, age, marriage, appearance, facial features, physical and mental disabilities.
No child labor	1. Strictly abide by labor laws and regulations and do not employ child labor. Interviews shall be limited to only applicants 18 years old or above, and the information should be confirmed after the interviewee is signed in. 2. There is no record of child labor over the years.
Prohibition of forced labor and elimination of human trafficking	1. Abide by local government labor laws and regulations, place emphasis on the willingness of personnel to choose their jobs freely, and never force personnel to provide labor services by means of coercion or threat. 2. All employees work voluntarily and have the right to terminate their employment relationship at any time. 3. Comply with local government labor laws and regulations, conduct the hiring process in accordance with the law, and verify the interviewer's identity and registration information.
Assist employees in maintaining physical and mental health and work-life balance	1. Provide colleagues with diversified cultural, health, parent-child and community activities and facilitate their interpersonal interactions so as to enrich the notion of "work life balance". 2. Share various activities of colleagues through quarterly newsletter which acts as a bridge between employees and the Company. 3. Provide smooth communication channels and care hotline for employees, take employees' opinions seriously, care for employees and create harmonious labor relations.
To protect employees' freedom of association and create harmonious communication between employers and employees	1. Establish a Corporate Sustainability Manual, which stipulates that employees have the right to freely associate in accordance with local laws and regulations, and that the company respects employees' right to form labor unions in accordance with legal procedures. 2. Provide smooth communication channels and care lines for employees, value employees' opinions, take care of employees and create harmonious labor relations.



6. Losses due to labor disputes from previous year till current year printing of annual report:

VIS sees its employees as its most precious asset. The company is committed to establishing a positive relationship with employees, pays attention to two-way communication, and provides supervisors, coworkers and peers with an environment for open communication. By establishing multiple channels for employee feedbacks, the company offers these channels in a clear and effective manner for use by coworkers in need. Each case will be handled and tracked rapidly in a confidential manner. Thus, we have maintained harmonious labor relations and have not suffered any losses due to labor disputes.

F. Major Contracts

Major Contract	Contracting Party	Term of Agreement	Major Contents of Agreement	Limitation
Manufacturing, License, and Technology Transfer Agreement	Taiwan Semiconductor Manufacturing Co., Ltd. (TSMC)	April 1, 2004 to March 31, 2006 to be renewed on an annual basis.	TSMC grants specific process technology license to VIS for manufacturing TSMC and VIS foundry products. VIS reserves certain capacity for TSMC.	None
Sale and Purchase Agreement	GLOBALFOUNDRIES SINGAPORE PTE. LTD.(GF)	January 1, 2019 to the Completion Date.	Acquire GF's Fab 3E in Tampines, Singapore. The transaction includes the 8-inch wafer fab buildings, facilities, and equipment, as well as IP associated with MEMS business.	None

VI. FINANCIAL STATEMENTS

A. Condensed Balance Sheets and Statements of Comprehensive Income

1. Condensed Balance Sheets

Consolidated

Unit: NT\$, in thousands

Item	Year	Financial analysis from 2016 to 2020				
		2016	2017	2018	2019	2020
Current assets		25,662,921	23,993,539	25,803,146	21,116,555	22,211,916
Property, plant and equipment		6,284,081	6,249,123	6,444,050	13,418,411	13,513,579
Intangible assets		30,282	19,271	25,999	345,735	271,454
Other assets		3,002,758	4,036,391	5,379,834	7,911,411	7,673,213
Total Assets		34,980,042	34,298,324	37,653,029	42,792,112	43,670,162
Current liabilities	Before distribution	5,476,672	5,498,113	7,189,330	11,078,984	11,428,693
	After distribution	10,393,619	10,415,060	12,434,073	16,323,727	Note
Non-current liabilities		804,107	924,209	1,024,576	2,180,995	2,683,871
Total Liabilities	Before distribution	6,280,779	6,422,322	8,213,906	13,259,979	14,112,564
	After distribution	11,197,726	11,339,269	13,458,649	18,504,722	Note
Equity attributable to shareholders of parent company		28,699,263	27,876,002	29,439,123	29,532,133	29,557,598
Share capital		16,389,823	16,389,823	16,389,823	16,389,823	16,389,823
Capital surplus		862,594	856,629	856,616	881,651	881,945
Retained earnings	Before distribution	11,484,802	11,006,580	12,355,401	12,966,213	13,942,897
	After distribution	6,567,855	6,089,633	7,110,658	7,721,470	Note
Other equity		(37,956)	(377,030)	(162,717)	(705,554)	(1,657,067)
Treasury stock		-	-	-	-	-
Non-controlling interests		-	-	-	-	-
Total Equity	Before distribution	28,699,263	27,876,002	29,439,123	29,532,133	29,557,598
	After distribution	23,782,316	22,959,055	24,194,380	24,287,390	Note

Note: Subject to change after shareholders' meeting resolution.

Unconsolidated

Unit: NT\$, in thousands

Item	Year	Financial analysis from 2016 to 2020				
		2016	2017	2018	2019	2020
Current assets		24,829,499	19,852,150	21,019,704	15,364,942	15,975,531
Property, plant and equipment		6,282,629	6,248,171	6,443,435	6,907,162	6,878,239
Intangible assets		30,282	19,271	25,999	72,744	51,082
Other assets		3,828,955	8,173,041	10,153,074	19,622,968	18,256,768
Total Assets		34,971,365	34,292,633	37,642,212	41,967,816	41,161,620
Current liabilities	Before distribution	5,467,995	5,492,422	7,178,513	10,254,752	9,476,195
	After distribution	10,384,942	10,409,369	12,423,256	15,499,495	Note
Non-current liabilities		804,107	924,209	1,024,576	2,180,931	2,127,827
Total Liabilities	Before distribution	6,272,102	6,416,631	8,203,089	12,435,683	11,604,022
	After distribution	11,189,049	11,333,578	13,447,832	17,680,426	Note
Share capital		16,389,823	16,389,823	16,389,823	16,389,823	16,389,823
Capital surplus		862,594	856,629	856,616	881,651	881,945
Retained earnings	Before distribution	11,484,802	11,006,580	12,355,401	12,966,213	13,942,897
	After distribution	6,567,855	6,089,633	7,110,658	7,721,470	Note
Other equity		(37,956)	(377,030)	(162,717)	(705,554)	(1,657,067)
Treasury stock		-	-	-	-	-
Total Equity	Before distribution	28,699,263	27,876,002	29,439,123	29,532,133	29,557,598
	After distribution	23,782,316	22,959,055	24,194,380	24,287,390	Note

Note: Subject to change after shareholders' meeting resolution.

2. Condensed Statements of Comprehensive Income

Consolidated

Unit: NT\$, in thousands

Item \ Year	Financial analysis from 2016 to 2020				
	2016	2017	2018	2019	2020
Net revenue	25,828,634	24,909,613	28,928,094	28,286,072	33,131,202
Gross profit	8,924,152	7,973,638	10,168,270	10,332,787	11,256,284
Operating income	6,100,905	5,228,458	7,154,708	6,909,389	7,416,206
Non-operating income and expenses	159,189	52,170	317,478	448,930	151,001
Income before income tax	6,260,094	5,280,628	7,472,186	7,358,319	7,567,207
Income from operations of continued segments-after tax	5,537,925	4,505,064	6,166,269	5,860,497	6,305,520
Income (loss) from operations of discontinued segments-after tax	-	-	-	-	-
Net Income	5,537,925	4,505,064	6,166,269	5,860,497	6,305,520
Other comprehensive income (loss)	5,592	(405,413)	284,652	(539,802)	(1,035,606)
Total comprehensive income	5,543,517	4,099,651	6,450,921	5,320,695	5,269,914
Net income attributable to owner of the corporation	5,537,925	4,505,064	6,166,269	5,860,497	6,305,520
Net income attributable to non-controlling interests	-	-	-	-	-
Total comprehensive income attributable to owner of the corporation	5,543,517	4,099,651	6,450,921	5,320,695	5,269,914
Total comprehensive income attributable to non-controlling interests	-	-	-	-	-
Diluted earnings per share (Note)	3.35	2.73	3.72	3.54	3.81

Note: Based on weighted average outstanding shares in each year.

Unconsolidated

Unit: NT\$, in thousands

Item \ Year	Financial analysis from 2016 to 2020				
	2016	2017	2018	2019	2020
Net revenue	25,828,634	24,909,613	28,928,094	28,302,399	30,610,342
Gross profit	8,924,152	7,973,638	10,168,270	10,349,995	12,561,416
Operating income	6,097,353	5,225,314	7,150,268	7,048,669	8,983,102
Non-operating income and expenses	166,174	58,478	324,206	336,795	(1,151,266)
Income before income tax	6,263,527	5,283,792	7,474,474	7,385,464	7,831,836
Income from operations of continued segments-after tax	5,537,925	4,505,064	6,166,269	5,860,497	6,305,520
Income (loss) from operations of discontinued segments-after tax	-	-	-	-	-
Net Income	5,537,925	4,505,064	6,166,269	5,860,497	6,305,520
Other comprehensive income (loss)	5,592	(405,413)	284,652	(539,802)	(1,035,606)
Total comprehensive income	5,543,517	4,099,651	6,450,921	5,320,695	5,269,914
Diluted earnings per share (Note)	3.35	2.73	3.72	3.54	3.81

Note: Based on weighted average outstanding shares in each year.

3. Independent Auditors' Opinion

VIS has retained Deloitte & Touche Certified Public Accountants as the external auditors over the last 5 years.

Year	CPA	Audit Opinion
2016	Yu-Feng Huang, Cheng-Chih Lin	An Unqualified Opinion
2017	Yu-Feng Huang, Cheng-Chih Lin	An Unqualified Opinion
2018	Tung-Hui Yeh, Ming-Yuan Chung	An Unqualified Opinion
2019	Tung-Hui Yeh, Ming-Yuan Chung	An Unqualified Opinion
2020	Tung-Hui Yeh, Ming-Yuan Chung	An Unqualified Opinion

B. Financial Analysis

Consolidated

Item	Year	Financial analysis from 2016 to 2020				
		2016	2017	2018	2019	2020
Capital Structure Analysis	Debt Ratio(%)	17.95	18.72	21.81	30.98	32.31
	Long Term Capital to Properties, Plant and Equipment (%)	469.49	460.86	472.74	236.34	238.58
Liquidity Analysis	Current Ratio (%)	468.58	436.39	358.90	190.60	194.35
	Quick Ratio(%)	424.92	382.47	309.12	160.81	165.96
	Times Interest Earned (Times)	-	-	-	180	115
Operating Performance Analysis	Avg. Collection Turnover (Times)	7.36	6.20	5.90	5.28	6.19
	Avg. Collection Days	50	59	62	69	59
	Avg. Inventory Turnover (Times)	7.59	6.78	6.04	5.50	7.07
	Avg. Payment Turnover (Times)	16.83	13.87	14.41	15.49	19.65
	Avg. Inventory Turnover Days	48	54	60	66	52
	Properties, Plant and Equipment Turnover (Times)	3.89	3.97	4.55	2.84	2.46
	Total Assets Turnover (Times)	0.76	0.71	0.80	0.70	0.76
Profitability Analysis	Return on Total Assets (%)	16.44	13.00	17.14	14.65	14.70
	Return on Total Equity (%)	19.74	15.93	21.52	19.88	21.34
	Pre-tax Income to Capital Stock (%)	38.19	32.21	45.59	44.89	46.17
	Net Margin (%)	21.44	18.08	21.31	20.71	19.03
	Basic Earnings per Share(NT\$) (Note)	3.38	2.75	3.76	3.58	3.85
	Diluted Earnings per Share(NT\$) (Note)	3.35	2.73	3.72	3.54	3.81
Cash Flow	Cash Flow Ratio (%)	145.58	108.30	103.76	76.22	94.15
	Cash Flow Adequacy Ratio (%)	149.39	125.49	106.47	93.05	94.35
	Cash Flow Reinvestment Ratio (%)	3.84	1.06	2.51	3.07	5.12
Leverage Analysis	Operating Leverage	3.19	3.53	3.05	3.19	3.53
	Financial Leverage	1.00	1.00	1.00	1.00	1.00

Analysis of variation over 20% - Y2020 vs. Y2019:

1. Lower times interest earned ratio was mainly due to the Singapore subsidiary started up in 2020, the leasing interest increased.
2. Higher inventory turnover and shorter selling days were mainly due to the lower finished goods and work-in-progress inventory level resulting from tight semiconductor capacity and strong customer demand in 2020.
3. Higher payment turnover was mainly due to the Singapore subsidiary started up in 2020, the beginning balance of accounts payable was lower.
4. Higher cash flow ratio and cash flow reinvestment ratio were contributed by higher operating cashflow.

Note: Based on weighted average outstanding shares in each year.

Unconsolidated

Item		Financial analysis from 2016 to 2020				
		2016	2017	2018	2019	2020
Capital Structure Analysis	Debt Ratio (%)	17.93	18.71	21.79	29.63	28.19
	Long Term Capital to Properties, Plant and Equipment (%)	469.60	460.93	472.78	459.13	460.66
Liquidity Analysis	Current Ratio (%)	454.08	361.44	292.81	149.83	168.58
	Quick Ratio (%)	410.37	307.48	242.97	118.19	140.74
	Times Interest Earned (Times)	-	-	-	181	218
Operating Performance Analysis	Avg. Collection Turnover (Times)	7.36	6.20	5.90	5.29	6.13
	Avg. Collection Days	50	59	62	69	60
	Avg. Inventory Turnover (Times)	7.59	6.78	6.04	5.51	6.46
	Avg. Payment Turnover (Times)	16.83	13.87	14.41	15.49	17.44
	Avg. Inventory Turnover Days	48	54	60	66	57
	Properties, Plant and Equipment Turnover (Times)	3.89	3.97	4.55	4.23	4.44
	Total Assets Turnover (Times)	0.76	0.71	0.80	0.71	0.73
Profitability Analysis	Return on Total Assets (%)	16.44	13.00	17.14	14.80	15.23
	Return on Total Equity (%)	19.74	15.93	21.52	19.88	21.34
	Pre-tax Income to Capital Stock (%)	38.21	32.23	45.60	45.06	47.78
	Net Margin(%)	21.44	18.08	21.31	20.70	20.59
	Basic Earnings per Share(NT\$) (Note)	3.38	2.75	3.76	3.58	3.85
	Diluted Earnings per Share(NT\$) (Note)	3.35	2.73	3.72	3.54	3.81
Cash Flow	Cash Flow Ratio (%)	145.55	107.19	101.32	81.74	119.61
	Cash Flow Adequacy Ratio (%)	149.21	125.11	105.61	107.89	116.01
	Cash Flow Reinvestment Ratio (%)	3.83	0.99	2.32	3.01	5.75
Leverage Analysis	Operating Leverage	3.19	3.53	3.05	3.13	2.70
	Financial Leverage	1.00	1.00	1.00	1.00	1.00

Analysis of variation over 20% - Y2020 vs. Y2019:

- 1.Higher times interest earned ratio was mainly due to the increase in net income and the decrease in leasing interest.
- 2.Higher cash flow ratio and cash flow reinvestment ratio were contributed by higher operating cashflow.

Note: Based on weighted average outstanding shares in each year.

C. Audit Committee's Review Report

The company's Y2020 financial statement (including parent company only and consolidated financial reports), which was approved by our Audit Committee and authorized through the Board of Directors resolution, has been audited and certified by Deloitte & Touche, and for which an audit report has been issued.

The Board of Directors has also prepared and submitted the Y2019 business report and earnings distribution plan, which have been audited and confirmed by our Audit Committee as having being properly prepared in accordance with Article 14-4 of the Securities and Exchange Law and Article 219 of the Company Act.

Please kindly review and approve the provided information.

The above is respectfully submitted at the VIS Y2021 General Shareholders' Meeting

Vanguard International Semiconductor Corporation

Convener of the Audit Committee: Benson W.C. Liu

February 1, 2021

D. Financial Statements and Independent Auditors' Report

Please refer to IX. Financial Statements, Consolidated Financial Statements and Independent Auditors' Report

E. Consolidated Financial Statements and Independent Auditors' Report

Please refer to IX. Financial Statements, Consolidated Financial Statements and Independent Auditors' Report

F. The financial impact to the Company due to company or affiliate companies financial difficulties: None

VII. Financial Position, Operating Results and Risk Management

A. Analysis of Consolidated Financial Position

Unit: NT\$, in thousands

Item \ Year	2020	2019	Difference	
			Amount	%
Current Assets	22,211,916	21,116,555	1,095,361	5
Property, Plant and Equipment	13,513,579	13,418,411	95,168	1
Other Non-current Assets	7,944,667	8,257,146	(312,479)	(4)
Total Assets	43,670,162	42,792,112	878,050	2
Current Liabilities	11,428,693	11,078,984	349,709	3
Non-current Liabilities	2,683,871	2,180,995	502,876	23
Total Liabilities	14,112,564	13,259,979	852,585	6
Share Capital	16,389,823	16,389,823	0	0
Capital Surplus	881,945	881,651	294	0
Retained Earnings	13,942,897	12,966,213	976,684	8
Total Equity	29,557,598	29,532,133	25,465	0

Analysis for variation over 20% :

- The increase in non-current liabilities was mainly due to the increase in lease liabilities.

B. Analysis of Consolidated Financial Performance

Unit: NT\$, in thousands

Item \ Year	2020	2019	Difference	
			Amount	%
Net Revenue	\$ 33,131,202	\$ 28,286,072	\$ 4,845,130	17
Cost of Revenue	21,874,918	17,953,285	3,921,633	22
Gross Profit	11,256,284	10,332,787	923,497	9
Operating Expenses	3,840,078	3,423,398	416,680	12
Operating Income	7,416,206	6,909,389	506,817	7
Non-operating Income and Expenses	151,001	448,930	(297,929)	(66)
Income before Income Tax	7,567,207	7,358,319	208,888	3
Income Tax Expenses	1,261,687	1,497,822	(236,135)	(16)
Net Income	6,305,520	5,860,497	445,023	8
Other Comprehensive Income (Loss)	(1,035,606)	(539,802)	(495,804)	92
Total Comprehensive Income	\$ 5,269,914	\$ 5,320,695	\$ (50,781)	(1)

- Analysis for variation over 20% :

- 1.1 The increase in cost of revenue was mainly due to the joining of Singapore plant since year 2020.
- 1.2 The decrease in non-operating income and expenses was mainly due to the decrease in interest revenue, the increase in net losses of foreign exchange and the settlement of insurance claims last year.
- 1.3 The decrease in other comprehensive income (loss) was due to the decrease in exchange differences on translation of foreign operations.

- Reasons for changing the Company's major business; explain the variance resulting from the adjustment of selling prices or costs, the increase or decrease of quantity and the combination of production and selling, or the replacement of old products. If the Company's operation strategy, market situation, economic environment, other internal or external factors have changed or expects to have any significant changes, explain the fact, influencing factors and the possible impact to the Company's future finance and responding proposal :

Not Applicable

- Planned selling quantities and its base for next year. Explain the major factors that keep the Company's forecast sales quantity to rise or decline :

Please refer to the " Letter To The Shareholders"

C. Analysis of Consolidated Cash Flow

Unit : NT\$, in millions

Cash Balance 2020/1/1	Net Cash Provided by Operating Activities	Net Cash Used in Investing and Financing Activities	Cash Balance 2020/12/31	Remedy for Cash Shortfall	
				Investing Plan	Financing Plan
10,888	10,561	(12,030)	9,419	None	None
1. Analysis of Cash Flows for Y2020:					
1.1 Cash provided by operating activities NT\$10,561 million was mainly from net income and depreciation/amortization.					
1.2 Cash used in investing activities NT\$5,716 million was mainly due to capital expenditures and the acquisitions of financial assets.					
1.3 Cash used in financing activities NT\$6,314 million was mainly for the payment of cash dividends and the repayment of short-term bank loans.					
2. Remedy for Cash Shortfall and Liquidity Analysis :					
Not Applicable.					
3. Cash Flow Projection for Next Year :					
Cash Balance 2021/1/1	Net Cash Provided by Operating Activities	Net Cash Used in Investing and Financing Activities	Cash Balance 2021/12/31	Remedy for Cash Shortfall	
				Investing Plan	Financing Plan
9,419	11,078	(9,709)	10,788	None	None
1. Analysis of Cash Flows for Y2021:					
1.1 Cash provided by operating activities NT\$11,078 million was mainly from net income and depreciation/amortization.					
1.2 Cash used in investing and financing activities NT\$9,709 million was mainly due to capital expenditures and the payment of cash dividends.					

D. Major Capital Expenditure

Capital expenditure was approximately NT\$3.55 billion in 2020 primarily spent on acquiring and renovation of facilities, and equipment etc.

Unit : NT\$, in billions

Project	Actual or Planned Sources of Capital	Planned Completion Date Year/Month	Total Capital Expenditure	Execution of Major Capital Expenditure	
				Y2019	Y2021
1 Purchase and renovate facilities, equipment etc	Own capital	2021.12	18.03	9.48	5.00



E. Long-term Investment Policy and Results

To align with the company's development, VIS has long-term business cooperation as purpose and strategically invested in eight companies. While due to the strategic investment companies Qromis Inc. and CMSC Inc. need a longer time for product development and verification, the loss from these investments recognized at equity method amounted to NT\$25 million on a consolidated basis in 2020. In the same time VIS also disposed some shares of Image Match Design Inc. with gain of around NT\$1 million, followed the change of industry environment and strategy adjustment itself time by time. Looking forward, the company will continue to carefully evaluate investment based on long-term strategy and monitors the performance of investments regularly.

F. Risk Management

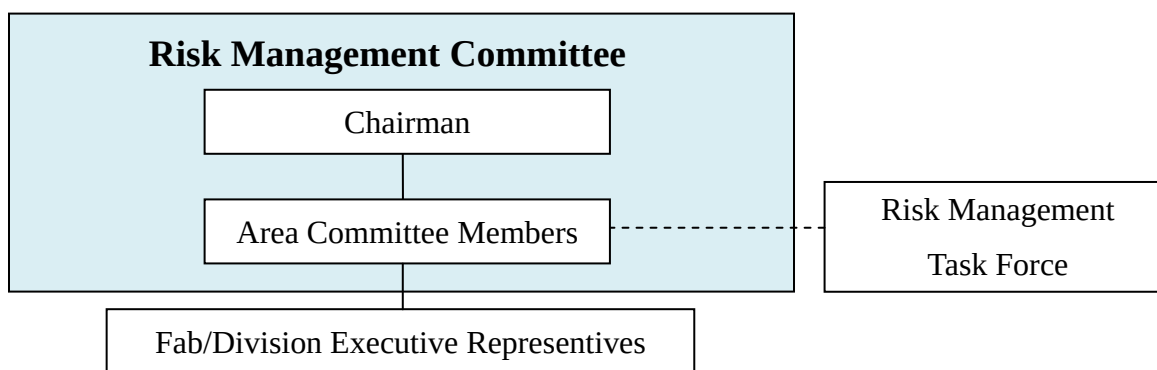
Risk management policy

VIS actively implements risk prevention and loss control through professional technique and concept of risk assessment at home and abroad, and enables all colleagues to participate in education, training and continuous improvement through effective insurance engineering technique and risk management mechanism. VIS established the "Enterprise Risk Management Policies and Procedures" on August 4, 2020 and integrate risk management measures into daily internal control operations. Each unit shall regularly inspect its own risk control situation, and the Board of Directors and senior management shall inspect the implementation effect of risk control, so as to effectively control the company's risks within an acceptable range. To further implement the execution of risk management policies, the company has established the Risk Management Committee to report to the Audit Committee and the Board of Directors on risk management policies and procedures.

Risk management organization structure

The organizational structure and responsibilities of the company's risk management are as follows:

(I) Organizational structure



- (1) Committee Chairman: President of the Company.
- (2) Area Committee Members: Composed of the heads of each Area and the General Manager of subsidiaries.
- (3) Fab/Division Executive Representatives: Composed of the heads of each Fab/Division.
- (4) Risk Management Task Force: Composed of area task force representatives, served by department managers or above appointed by Area Committee Members respectively. One of the area task force representatives shall be appointed by the General Commander as the General Coordinator.

(II) Operating situation

- (1) First quarter
Complete the review on execution performances of 2019 company-wide risk items and to formulate the 2020 items with control measures, as well as reported to the Audit Committee and Board of Directors on 2020/02/20
- (2) Second quarter
Mid-year review of area risk items execution status
- (3) Third quarter
Promotion of the Enterprise Risk Management Committee: 2020/08/04 The Board of Directors approved the "Enterprise Risk Management Policies and Procedures", which sets out the organization and operation procedures of the Committee.
- (4) Fourth quarter
Review on execution performances of 2020 area risk item and formulate the 2021 items with control measures by each Area.

(III) Responsibilities

- (1) Formulate risk management policies and procedures, and submit them to the Board of Directors for approval for enforcement.
- (2) Report the execution result of risk management to the Audit Committee and the Board of Directors on an annual basis.
- (3) Formulate risk management measures.
- (4) Identify and approve the priority of risk controls.
- (5) Plan, review, and implement risk identification results and control measures.
- (6) Supervise the improvement of risk management.

(IV) Scope of Risk Management

The management scope of this Policy applies to:

- (1) Strategic risks: including but not limited to the risks that have a significant impact on the Company due to domestic or foreign economic or policy factors, technological and industrial changes, market demand and competition.
- (2) Operational risks: including but not limited to the risks that cause losses to the Company due to internal operations, systems or personnel, such as improper production, R&D, quality control, information security, talent recruitment, or excessive concentration

- of sales and procurement.
- (3) Financial risks: including but not limited to the risks that have a significant impact on the Company due to insufficient protection of financial assets and transactions, inappropriate presentation of financial statements, failure to timely respond to changes in interest rates and exchange rates, improper financing or investment activities, and failure of contracts fulfillment by customers and suppliers.
 - (4) Hazard risks: including but not limited to the risks that cause significant losses to the Company due to natural disasters, infectious diseases, climate change, interruption of water and electricity supply, fire or chemical leakage, and other inadequate preventive measures.
 - (5) Compliance risks: including but not limited to the risks that jeopardize the Company's reputation or cause significant losses to the Company due to non-compliance with relevant laws and regulations, failure to timely respond to changes in laws and regulations, and improper signing and execution of legal documents.
 - (6) Other risks: Any risks other than those listed above, as determined by the Risk Management Committee, that cause significant losses to the Company.

1. Interest Rates Fluctuation, Foreign Exchange Rate Volatility and Inflation

Interest rate:

VIS' investment portfolio, which is composed by cash and investment grade debt securities, is exposed to interest rate risks and the interest income is sensitive to interest rates fluctuations. Changes in R.O.C. and U.S. interest rates affect the interest earned on the Company's cash, cash equivalent and marketable securities and the fair value of those securities. All VIS's debts are short term bank loans and therefore changes in interest rate have limit impact on financial expenses.

Foreign exchange:

Majority of VIS' revenues are denominated in U.S. dollar. A weakening U.S. dollar against NT dollar would have an adverse impact on VIS's revenue and profit as expressed in NT dollar. On the other hand, VIS' materials payments and capital expenditures are dominated in US Dollars, Japanese Yens and Euros, among which a substantial portion is in US Dollars. Therefore, benefits from natural hedge by setting off account receivable and payable would partially reduce the impact from foreign exchange volatility. But if U.S. dollar significantly appreciates versus other major currencies, the demand for VIS's products and services will likely decrease, which will negatively affect the Company's revenues.

Inflation:

2020 Taiwan CPI annual average rate is -0.23% (YOY). The decline in the crude oil and commodity prices during Covid-19 outbreak drove CPI negative but the negative inflation rate did not have significant impact on VIS's operation and profit. CPI has

moderately increased and turned to positive growth as the continuous recovery of global economy lift raw material prices. VIS will endeavor to improve production process and efficiency for the reduction of operating cost and eliminate the impact from inflation risk.

2. High risk, high leveraged investment, lending, endorsement and guarantee for other parties and financial derivatives transactions

VIS focuses on foundry manufacturing operations and IC wafer production. The company does not make high risk/high leveraged investments. All financial derivatives transactions that VIS enters into are strictly for hedging purpose and not for trading and speculative purposes. Except Vanguard International Semiconductor Singapore Pte. Ltd., a wholly-owned subsidiary, VIS did not provide lending, endorsement, and guarantee for any other entity. In order to control and monitor various types of financial transactions, VIS has established internal control policies and procedures conforming to the relevant laws and regulations promulgated by the authorities concerned. These policies and procedures include “Policies and Procedures for Financial Derivative Transactions”, “Procedures for Lending Funds to Other Parties” and “Procedures for Endorsement and Guarantee”.

3. R&D Plan and Progress

In Y2020, VIS capital expenditure is about NT\$3.55 billion, while in Y2021 capital expenditure is planned to be around NT\$5 billion. Other than equipment and facility maintaining expense, capital expenditure covers the product and process R&D to provide complete IC manufacturing service for customers and to enhance our competitiveness in global market. VIS will continue to build on the existing foundation and strengthen the specialty process technologies. R&D budget in Y2021, estimated around 5% of total sales. (Please refer to 「Technology and R&D Status」)

4. Changes in Domestic and International Policies and Regulations

Management team closely monitors political and regulatory developments that could have a material impact on business and operations. Political and regulatory developments did not have any material adverse effect on VIS during Y2020.



5. Changes in Technology

VIS has continued its investment in the product development and process technology for the market needs; on the other hand, we also adapt ourselves to the changes and needs due to technology evolutions to reduce risks and pursue long-term steady development in finance and business. (please refer to Overview of the Industry”)

6. Changes in Company Image

The Company focuses on its primary business activities, upholds the principle of good faith, abides by rigorous code of professional ethics, endeavors to improve the Company's competitiveness and pursue corporate sustainability, and strictly forbids conducts that violate the Company's principle of good faith and core corporate values.

The Company conducts regular inspections on its external environment, operating models, and management systems, simulates unexpected incidents that may influence corporate reputation, proposes response strategies, and minimizes the potential impact of uncertain factors and disasters that the Company may face in the future, in order to maintain the Company's normal operations and protect the overall interest of our shareholders, customers, and employees.

Furthermore, the Company also actively participates in community and charity events in fulfillment of its corporate sustainability. From Y2020 to the publication date of this annual report, the Company has been and remains free of changes in corporate image or events that have influenced its capacity for crisis management.

7. Risks from Merge, Acquisition and Plant Expansion

To meet customer demand and increase capacity effectively, the company acquired GLOBALFOUNDRIES's Fab 3E in Tampines, Singapore by end of Y2019. The transaction includes buildings, facilities, and equipment, as well as IP associated with GF's MEMS business. The relevant prices were paid according to the contract. The newly added plant and equipment increase the company's production capacity by 30,000 eight-inch wafers per month in 2020, which will further meet customers' demand and increase the company's market share. Beyond that, the Company's BOD approved that VIS will acquire AUO's building and facilities of L3B fab located in No.1, Li-Hsin Rd 2, Hsinchu Science Park. The transaction amounts is around NT\$90 million NTD and the transfer of ownership is set to be completed on January 1st, 2022.

8. Risks from Plant Expansion

VIS plans to de-bottleneck tools in the existing fabs and further meet customers' demand and increase the company's market share.

9. Risks from Concentration of Stock and Sales

To avoid overly concentrated risk and to protect raw materials supply for the manufacturing process at all time, VIS has maintained multiple suppliers for the major materials to spread the risk. In Y2019 and Y2020, the top two customers have made around 28% and 27% of company annual sales respectively. The concentration of sales is the industry nature of our business as focused specialty foundry. To minimize the risks, we'll continue to expand the product lines and customer base.

10. Transfer of Shareholdings of Directors, Supervisors or Large Shareholders

The value of shareholders' investment may be reduced by possible future sales of VIS shares owned by the major shareholders. No other transfer of shareholdings of directors, supervisors or large shareholders occurred from Y2020 to the date of publishing this annual report.

11. Change of Management

No change of management occurred from Y2020 to the date of publishing this annual report.

12. Litigation or non-litigation proceedings

VIS received an Ancillary Civil Action Complaint filed by PSI from Hsinchu District Court on 2021.03.17. PSI stated that its trade secret was reproduced and utilized by IST and VIS' ex-employees without PSI' authorization and claimed against the above persons and VIS for joint and several liability for compensation of PSI's damages and loss of benefit. VIS considers that it needs to be verified if the information claimed by PSI involves confidentiality and trade secrets based on current information. In addition, it is ex-employees personal behaviors. PSI's claim is legally groundless. VIS has engaged lawyers to deal with the litigation and will take proactive legal actions to respond against the complaint to protect right of VIS and shareholders. There is no material impact on the Company's business and financials for the above litigation and all business remains normal as usual.

13. Other Material Risks

In order to improve the company's information security management, the company established the "Proprietary Information Protection Committee" (PIP Committee) in 2003 and formulated the "Important Information Protection Measures", which is responsible for information protection strategy, implementation content and related authorization matters, and quarterly review of the company's information security status. In July 2013, we formulated the "VIS Information Security Policy" and established the information security management framework, committed to pay attention to the information security and implement it to ensure the company's competitive advantage, and passed the certification of ISO 27001 Information Security Management System – ISO / IEC 27001: 2013 in December 2015, which continues up to now.

In 2020, in response to domestic and overseas companies being invaded by hackers who carry out ransomware attacks, besides promptly fixing system weaknesses and loopholes according to the recommendations of the information security company, the Company also fortified remote connection security protection capabilities by introducing dynamic password on top of the original username and password for remote connection to the Company's system when working from home to achieve two-factor authentication.

Although the company has established a complete framework and defense system to ensure the company's customer service and production and operation functions, it cannot guarantee that the relevant computer system can completely avoid malicious attacks from third parties. In case of serious attack, the VIS system may lose important data or be unable to operate for a long time. The attack may also include snooping confidential information and stealing business secrets. Considering this risk, VIS has taken out Cyber Risk Management Insurance to reduce the losses caused by the above situations.

Emerging Risks

1. Taiwan's renewable energy development policy: According to the draft amendments to the Renewable Energy Development Act in 2020, VIS is required to purchase renewable energy or set up and install its own renewable energy equipment based on the prescribed ratio of contracted capacity by 2025, which will then

lead to a rise in electricity costs. VIS plans to set up and install its own renewable energy-based power generation equipment, purchase renewable energy-based electric power, and prove its response to regulatory requirements.

2. Payment of carbon tax in Singapore: According to the laws and regulations in Singapore, VIS is expected to begin paying carbon tax in 2023. Furthermore, the Singapore government plans to increase carbon tax rates (by an estimated two to three times) by 2030, which will then lead to a rise in production costs. Hence, VIS has actively introduced an energy conservation project (to replace energy-consuming equipment with energy-saving equipment), with a view to increasing energy efficiency and reducing carbon emissions.

Measures responding to events that seriously impact on the company operations

VIS regularly conducts drills and trainings for managing natural or man-made damage, such as typhoon, earthquake, fire, gas and chemicals leak, and establish broad and detailed prevention measures as well as contingent plans. VIS is capable of maintaining the company operations and protecting the interests of shareholders, customers and employees. No emergency event occurred from Y2020 to the publishing date of this annual report.

G. Other important matters:

Intellectual Property Management Policy

The company's intellectual property management is based on the intellectual property management policies of "protecting research and development achievements, promoting innovation", "using intellectual property, strengthening competition", "avoiding infringement risks, and sustainable operation", and has established management objectives and relevant systems to ensure compliance with the company's business strategy, and report to the board of directors on the implementation status and management results of the intellectual property management plan every year..

Management System

In order to protect the most important information of the company, such as business secrets, since 2003, according to the Proprietary Information Protection Policy (PIP Policy), through the cross-organizational PIP Committee, regular meetings have been held to review violations,



improve system deficiencies, and discuss time-sensitive cases and issues, so as to fully implement the protection measures.

According to the company's operation strategy, we will continue to invest in innovative R&D, and the R&D personnel and intellectual property management personnel will cooperate with the R&D strategy to carry out global patent layout, so as to ensure that the R&D achievements are fully protected and strengthen the power of intellectual property. Since its establishment, the company has obtained more than 2,000 patents from various countries. In recent years, the number of certified patents has grown steadily. In addition to gaining a unique leading position in technology to strengthen competitive advantage, it can provide more perfect protection for the rights and interests of the enterprise itself and its customers.

Possible intellectual property risks and countermeasures

In the process of business operation, in addition to protecting the company's intellectual property rights from infringement to maintain competitiveness, the company may also face the risk of infringement of the technology used, thus unable to continue production or suffer major liability for compensation, resulting in damage to the company's operation.

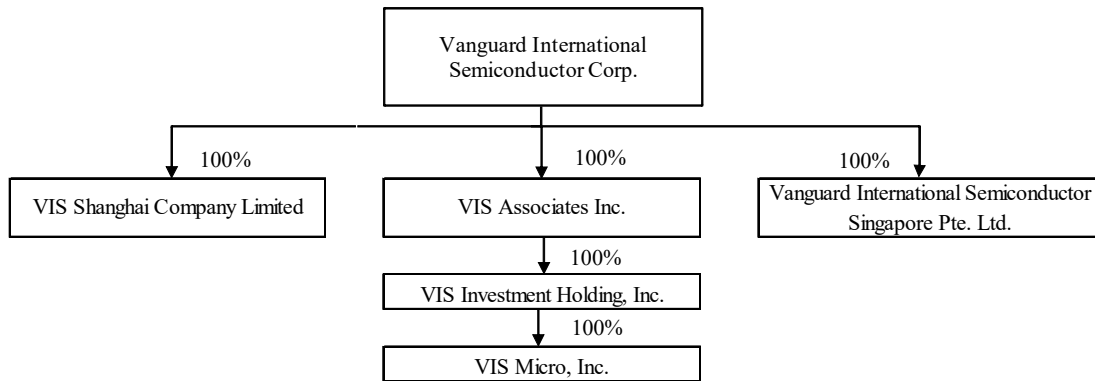
In order to avoid such risks, it is necessary to enhance the risk awareness of each colleague and implement it in daily work. In this regard, the company has established an important information protection zone at the portal of the internal website, which provides colleagues with access to relevant regulations, advocacy and training materials in a timely manner, so that colleagues can carry out self-education at any time, and enhance their cognition of the company's business secrets and important information protection through the required PIP advocacy online courses, irregular case advocacy and physical courses every year, so as to strengthen the protection of business secrets and important information. In addition, we also provide patent online courses for colleagues to study, conduct online advocacy on R&D units and relevant organizations from time to time, and require them to complete test questionnaires, assist colleagues to further establish specific concepts of patent and business secret protection, improve their cognition and awareness, so as to effectively reduce operational risk and enhance market competitiveness.

VIII. SPECIAL NOTES

A. Affiliated Information

1. VIS Affiliated Companies Chart

As of December 31, 2020



2. Business Scope of the Affiliated Companies

As of December 31, 2020

Investee Company	Major Business Items
VIS Associates Inc.	Investment
VIS Investment Holding, Inc.	Investment
VIS Micro, Inc.	Marketing Service
VIS Shanghai Company Limited	Marketing Service
Vanguard International Semiconductor Singapore Pte. Ltd.	Semiconductor manufacturing, selling and packaging

3. Affiliates Information

Unit: USD/RMB/SGD, in thousands, As of December 31, 2020

Name of Enterprise	Date of Establishment	Address	Paid-in Capital	Major Business / Production Items
VIS Associates Inc.	1996.9.24	Trident Chambers, PO Box 146, Road Town Tortola, British Virgin Islands	USD 317,000	Investment
VIS Investment Holding, Inc.	1996.11.15	Corporation Trust Center 1209 Orange Street Wilmington, Delaware 19801	USD 6,250	Investment
VIS Micro, Inc.	1996.11.21	1475 S. Bascom Ave, Suite 109 Campbell, CA 95008	USD 200	Marketing Service
VIS Shanghai Company Limited	2017.8.16	Room 1628, Unit 1604-1606, Tower B, No. 588, Dalian Road, Yangpu District, Shanghai City, China 200082	RMB 1,000	Marketing Service
Vanguard International Semiconductor Singapore Pte. Ltd.	2019.1.21	1 Tampines Industrial Avenue 5 Singapore 528830	SGD 400,000	Semiconductor Manufacturing, Selling and Packaging

Note: Foreign exchange rate on balance sheet date is \$1 USD = \$28.097 NTD; \$1 RMB = \$4.319 NTD; \$1 SGD = \$21.252 NTD.

4. VIS Shareholders Representing Both Holding Companies and Subordinates: None

5. Directors, Supervisors & Presidents of Affiliates

As of December 31, 2020

Unit: Shares and amount, in thousands

Name of Enterprise	Title	Name or Representative	Holding Shares	
			Shares/Amount	%
VIS Associates Inc.	Director	Leuh Fang ; Amanda Huang	317	100%
VIS Investment Holding, Inc.	Director	Leuh Fang ; Amanda Huang	63	100%
VIS Micro, Inc.	Director	Leuh Fang ; Amanda Huang ; Claire Chen	200	100%
VIS Shanghai Company Limited	Director / Supervisor	Chiang, Kun-Sheng / Liu, Yu-Ching	Investment Amount RMB 1,000	100%
Vanguard International Semiconductor Singapore Pte. Ltd.	Director	Leuh Fang ; Goh Inn Swee ; Amanda Huang	400,000	100%



6. Operating Highlights of Affiliates

Unit: NT\$, in thousands, except earnings per share

Name of Enterprise	Capital	Total Assets	Total Liabilities	Net Worth	Net Revenue	Operating Income (Loss)	Net Income (Loss)	EPS (NT\$) (after tax)
VIS Associates Inc.	\$9,774,919	\$9,132,671	\$0	\$9,132,671	\$0	(\$242)	\$215,113	\$678.59
VIS Investment Holding, Inc.	175,606	79,515	140	79,375	0	(502)	707	11.31
VIS Micro, Inc.	5,619	87,153	24,202	62,951	86,876	4,096	3,087	15.43
VIS Shanghai Company Limited	4,556	4,144	72	4,072	850	(80)	(23)	None
Vanguard International Semiconductor Singapore Pte. Ltd.	9,105,342	9,877,353	2,824,047	7,053,306	2,675,426	(1,570,325)	(1,318,840)	(3.31)

Note: Foreign exchange rate for balance sheet amounts is \$1 USD = \$28.097 NTD; \$1 RMB = \$4.319 NTD; \$1 SGD = \$21.252 NTD. Foreign exchange rate for income statement amounts is \$1 USD = \$29.482 NTD; \$1 RMB = \$4.266 NTD; \$1 SGD = \$21.38 NTD.

B. Private placements Securities

VIS has no private placements securities from Y2020 to the publishing date of this annual report.

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C. VIS Common Shares acquired, disposed of and held by subsidiaries

VIS Common Shares was not acquired, disposed of and held by subsidiaries from Y2020 to the publishing date of this annual report.

D. Other Necessary Supplement: None

E. Any Events in Y2020 that had Significant Impacts on Shareholders' Right or Security Prices as started in Item 3 paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan: None



IX. Financial Statements, Consolidated Financial Statements and Independent Auditors' Report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2020 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard No.10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION

By

LEUH FANG
Chairman

February 1, 2021

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Vanguard International Semiconductor Corporation

Opinion

We have audited the accompanying consolidated financial statements of Vanguard International Semiconductor Corporation and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters identified in the consolidated financial statements of the Group for the year ended December 31, 2020, are described as follows:

Timing of revenue recognition

1. The sales revenue of the Group is material to the Group. Please refer to Note 25. The major types of sales transactions together with their timing of recognition are as follows:
 - 1) Revenue generated from domestic shipment with the transaction term of ex-works accounted for approximately 51% of total revenue and is recognized as sales revenue at point of ex-factory. Revenue generated from domestic shipment with the transaction term of delivered-at-place accounted for 20% of total revenue and is also recognized at point of ex-factory as the goods are delivered and received by customers on the same day.
 - 2) Revenue generated from overseas shipment accounted for 29% of the total revenue and is recognized when the risk of goods is transferred to customers.
2. Revenues generated from domestic and foreign shipments which are recognized at point of ex-factory accounted for 98% of total revenue. In the revenue recognition process, sales personnel verify the shipment on the computer system, and the system automatically recognizes the sales revenue and issues invoice. When the customers or their designated forwarders have withdrawn the goods, the warehouse personnel will sign off on handheld devices and transmit the information to the shipping system. The system automatically checks the goods withdrawn on a daily basis. For goods that are not withdrawn, the system will notify sales personnel for confirmation and delete from the shipping list and the sales revenue will be reversed automatically and the invoice cancelled.
3. Since the above process also consists of manual controls, there is a risk that revenue before and after the end of the reporting period may not be recognized in the appropriate period.
4. We reviewed the revenue recognition policy of the Group, assessed the reasonableness of the revenue recognition process, conducted on-site observation and recorded the details of the last shipment for the year ended December 31, 2020. We also traced all of the shipping records at December 31, 2020 against relevant supporting documents and accounting records to verify the accuracy of the timing of sales revenue recognition as well as the monetary amount, and evaluated whether the risk and rewards of goods have been transferred.

Timing of capitalization of property, plant and equipment

1. The annual capital expenditure of the Group relating to property, plant and equipment is significant to its consolidated financial statements. Because of the significance of such expenditure, delay in the capitalization may lead to the consolidated financial statements not fairly presented. Please refer to Note 16.
2. We reviewed the capital expenditure policy of the Group on property, plant and equipment, assessed the reasonableness of the timing of capitalization. We also:
 - 1) Selected samples of newly acquired items from the lists of Advance Payments and Construction in Progress at the end of the year and verified that the items were included in the list of uncapitalized items.
 - 2) Selected samples of items transferred from Advance Payments and Construction in Progress to Property, Plant and Equipment and verified that such items were not included in the list of uncapitalized items.
 - 3) Selected samples of items in the list of uncapitalized items at the end of the year and performed on-site inspection of such items not ready for their intended use.

- 4) Selected samples of items that were not capitalized within three months in the list of uncapitalized items and verified that such uncapitalized items were approved by supervisors and its reasons.

Other Matter

We have also audited the parent company only financial statements of Vanguard International Semiconductor Corporation as of and for the years ended December 31, 2020 and 2019 on which we have issued an unmodified opinion.

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

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

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

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Tung-Hui Yeh and Ming-Yuan Chung.

Deloitte & Touche

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 1, 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 audit such consolidated financial statements are those generally applied in the Republic of China.

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

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4, 6 and 31)	\$ 9,419,015	22	\$ 10,888,029	25
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 31)	233,438	-	150,256	-
Financial assets at amortized cost - current (Notes 4, 5, 9, 10 and 31)	3,337,603	8	1,233,827	3
Notes and accounts receivable, net (Notes 4, 5, 12, 25 and 31)	5,408,629	12	4,769,130	11
Receivables from related parties (Notes 4, 5, 25, 31 and 32)	324,893	1	199,084	1
Other receivables (Notes 4 and 31)	237,848	1	227,338	1
Other receivables from related parties (Notes 4, 31 and 32)	3,086	-	-	-
Inventories (Notes 4 and 13)	3,072,362	7	3,107,612	7
Prepayments	172,434	-	192,524	-
Other current assets (Notes 19 and 31)	2,608	-	348,755	1
Total current assets	22,211,916	51	21,116,555	49
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8 and 31)	233,211	-	180,848	-
Financial assets at amortized cost - non-current (Notes 4, 5, 9, 10 and 31)	4,206,150	10	4,956,334	12
Investments accounted for using equity method (Notes 4 and 15)	204,285	-	240,575	1
Property, plant and equipment (Notes 4 and 16)	13,513,579	31	13,418,411	31
Right-of-use assets (Notes 4, 5 and 17)	2,219,009	5	1,848,440	4
Intangible assets (Notes 4 and 18)	271,454	1	345,735	1
Deferred income tax assets (Notes 4 and 27)	503,402	1	188,646	1
Refundable deposits (Note 31)	2,966	-	192,481	1
Other non-current assets (Notes 4, 19, 31 and 33)	304,190	1	304,087	1
Total non-current assets	21,458,246	49	21,675,557	51
TOTAL ASSETS	\$ 43,670,162	100	\$ 42,792,112	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loans (Notes 20, 29 and 31)	\$ 2,273,118	5	\$ 3,210,000	7
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 31)	6,877	-	-	-
Notes and accounts payable (Note 31)	1,201,237	3	1,012,509	2
Payables to related parties (Notes 31 and 32)	-	-	12,195	-
Accrued compensation of employees and remuneration of directors (Notes 26 and 31)	1,613,600	4	1,227,834	3
Payables to contractors and equipment suppliers (Note 31)	712,757	2	961,708	2
Other payables (Notes 21 and 31)	3,169,774	7	2,557,357	6
Other payables to related parties (Notes 31 and 32)	4,311	-	3,920	-
Current income tax liabilities (Notes 4 and 27)	1,236,546	3	1,081,862	3
Lease liabilities - current (Notes 4, 5, 17, 29 and 31)	251,334	-	259,726	1
Other current liabilities (Notes 22, 25 and 32)	959,139	2	751,873	2
Total current liabilities	11,428,693	26	11,078,984	26
NON-CURRENT LIABILITIES				
Deferred income tax liabilities (Notes 4 and 27)	314,361	1	206,169	-
Lease liabilities - non-current (Notes 4, 5, 17, 29 and 31)	1,463,622	3	1,104,788	3
Net defined benefit liabilities - non-current (Notes 4 and 23)	711,973	2	813,887	2
Other non-current liabilities (Notes 29, 31 and 32)	193,915	-	56,151	-
Total non-current liabilities	2,683,871	6	2,180,995	5
Total liabilities	14,112,564	32	13,259,979	31
EQUITY (Notes 4, 8 and 24)				
Share capital	16,389,823	38	16,389,823	38
Capital surplus	881,945	2	881,651	2
Retained earnings	-	-	-	-
Legal reserve	5,713,252	13	5,127,697	12
Special reserve	705,555	2	162,717	-
Unappropriated earnings	7,524,090	17	7,675,799	18
Total retained earnings	13,942,897	32	12,966,213	30
Other equity	(1,657,067)	(4)	(705,554)	(1)
Total equity	29,557,598	68	29,532,133	69
TOTAL LIABILITIES AND EQUITY	\$ 43,670,162	100	\$ 42,792,112	100

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

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
NET REVENUE (Notes 4, 11, 17, 25 and 32)	\$ 33,131,202	100	\$ 28,286,072	100
COST OF REVENUE (Notes 4, 13, 26 and 32)	<u>21,874,918</u>	<u>66</u>	<u>17,953,285</u>	<u>63</u>
GROSS PROFIT	<u>11,256,284</u>	<u>34</u>	<u>10,332,787</u>	<u>37</u>
OPERATING EXPENSES (Notes 26 and 32)				
Marketing	379,271	1	326,739	1
General and administrative	1,664,417	5	1,351,092	5
Research and development	<u>1,796,390</u>	<u>6</u>	<u>1,745,567</u>	<u>6</u>
Total operating expenses	<u>3,840,078</u>	<u>12</u>	<u>3,423,398</u>	<u>12</u>
OPERATING INCOME	<u>7,416,206</u>	<u>22</u>	<u>6,909,389</u>	<u>25</u>
NON-OPERATING INCOME AND EXPENSES (Note 4)				
Gain arising from derecognition of financial assets at amortized cost (Note 9)	-	-	13,765	-
Interest income (Note 26)	267,406	1	388,005	1
Dividend income (Notes 8 and 26)	31,071	-	30,330	-
Other income (Note 32)	79,977	-	162,689	-
Gain on financial assets and liabilities at fair value through profit or loss (Note 26)	139,823	1	9,594	-
Interest expense (Notes 4, 5 and 26)	(66,522)	-	(41,167)	-
Loss on disposal of property, plant and equipment	-	-	(273)	-
Net foreign exchange loss (Note 26)	(276,096)	(1)	(73,926)	-
Share of loss of associates and joint ventures (Note 15)	<u>(24,658)</u>	<u>-</u>	<u>(40,087)</u>	<u>-</u>
Total non-operating income and expenses	<u>151,001</u>	<u>1</u>	<u>448,930</u>	<u>1</u>
INCOME BEFORE INCOME TAX	7,567,207	23	7,358,319	26
INCOME TAX EXPENSE (Notes 4 and 27)	<u>(1,261,687)</u>	<u>(4)</u>	<u>(1,497,822)</u>	<u>(5)</u>
NET INCOME	<u>6,305,520</u>	<u>19</u>	<u>5,860,497</u>	<u>21</u>

(Continued)

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (Notes 4 and 24)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 23)	\$ (85,186)	-	\$ (15,849)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	54,556	-	(42,029)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations	(1,004,966)	(3)	(481,924)	(2)
Share of other comprehensive loss of associates and joint ventures (Note 15)	(10)	-	-	-
Total other comprehensive loss	(1,035,606)	(3)	(539,802)	(2)
TOTAL COMPREHENSIVE INCOME	\$ 5,269,914	16	\$ 5,320,695	19
NET INCOME ATTRIBUTABLE TO				
Owners of the Corporation	\$ 6,305,520	19	\$ 5,860,497	21
Non-controlling interests	-	-	-	-
	\$ 6,305,520	19	\$ 5,860,497	21
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO				
Owner of the Corporation	\$ 5,269,914	16	\$ 5,320,695	19
Non-controlling interests	-	-	-	-
	\$ 5,269,914	16	\$ 5,320,695	19
EARNINGS PER SHARE (Note 28)				
Basic	\$ 3.85		\$ 3.58	
Diluted	\$ 3.81		\$ 3.54	

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

(Concluded)

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	Share Capital	Capital Surplus	Retained Earnings			Other Equity			Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income		
BALANCE AT JANUARY 1, 2019	\$ 16,389,823	\$ 856,616	\$ 4,511,070	\$ 377,030	\$ 7,467,301	\$ (55,587)	\$ (107,130)	\$ 29,439,123	
Appropriation of prior year's earnings	-	-	616,627	-	(616,627)	-	-	-	
Legal reserve	-	-	-	-	(5,244,743)	-	-	(5,244,743)	
Cash dividends - 32%	-	-	-	(214,313)	214,313	-	-	-	
Reversal of special reserve	-	-	-	-	-	-	-	-	
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	36	-	-	-	-	-	36	
Other changes in capital surplus	-	148	-	-	-	-	-	148	
Net income for the year ended December 31, 2019	-	-	-	-	5,860,497	-	-	5,860,497	
Other comprehensive loss for the year ended December 31, 2019	-	-	-	-	(15,849)	(481,924)	(42,029)	(539,802)	
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	5,844,648	(481,924)	(42,029)	5,320,695	
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	18,884	-	(18,884)	-	
Adjustments on changes in percentage of ownership in affiliates	-	24,851	-	-	(7,977)	-	-	16,874	
BALANCE AT DECEMBER 31, 2019	16,389,823	881,651	5,127,697	162,717	7,675,799	(537,511)	(168,043)	29,532,133	
Appropriation of prior year's earnings	-	-	585,555	-	(585,555)	-	-	-	
Legal reserve	-	-	-	542,838	(542,838)	-	-	-	
Cash dividends - 32%	-	-	-	-	(5,244,743)	-	-	(5,244,743)	
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	80	-	-	-	-	-	80	
Other changes in capital surplus	-	214	-	-	-	-	-	214	
Net income for the year ended December 31, 2020	-	-	-	-	6,305,520	-	-	6,305,520	
Other comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	(85,186)	(1,004,976)	54,556	(1,035,606)	
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	6,220,334	(1,004,976)	54,556	5,269,914	
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	1,093	-	(1,093)	-	
BALANCE AT DECEMBER 31, 2020	\$ 16,389,823	\$ 881,945	\$ 5,713,252	\$ 705,555	\$ 7,524,090	\$ (1,542,487)	\$ (114,580)	\$ 29,557,598	

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

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 7,567,207	\$ 7,358,319
Adjustments for:		
Depreciation	3,416,663	2,128,035
Amortization	83,318	13,048
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	62	(126)
Interest expense	66,522	41,167
Net gain arising from derecognition of financial assets at amortized cost	-	(13,765)
Interest income	(267,406)	(388,005)
Dividend income	(31,071)	(30,330)
Share of loss of associates and joint ventures	24,658	40,087
Loss on disposal of property, plant and equipment	-	273
Net (gain) loss on foreign exchange	(14,441)	240
Changes in operating assets and liabilities:		
Financial assets mandatorily classified as at fair value through profit or loss	16,756	(48,604)
Notes and accounts receivable	(639,499)	542,755
Receivables from related parties	(125,809)	217,135
Other receivables	(46,377)	72,664
Other receivables from related parties	(3,086)	3,842
Inventories	35,250	307,973
Prepayments	20,077	(33,722)
Other current assets	346,147	(345,863)
Financial liabilities held for trading	6,877	(4,547)
Notes and accounts payable	365,374	(265,974)
Payables to related parties	(12,195)	(2,093)
Other payables	619,863	(27,855)
Other payables to related parties	391	(6,443)
Other current liabilities	207,266	223,033
Net defined benefit liabilities	(187,100)	(6,448)
Accrued compensation of employees and remuneration of directors	385,766	35,239
Cash generated from operations	11,835,213	9,810,035
Interest received	315,114	367,030
Interest paid	(71,684)	(32,171)
Income tax paid	(1,318,445)	(1,699,725)
Net cash generated from operating activities	10,760,198	8,445,169

(Continued)

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial assets at fair value through other comprehensive income	\$ 2,193	\$ 39,416
Acquisitions of financial assets at amortized cost	(3,033,027)	(2,924,444)
Proceeds from disposal of financial assets at amortized cost	-	826,732
Proceeds from redemption of financial assets at amortized cost	1,207,287	1,605,968
Acquisitions of financial assets at fair value through profit or loss	(200,000)	(200,000)
Proceeds from disposal of financial assets at fair value through profit or loss	100,000	100,000
Acquisition of investment accounted for using equity method	-	(30,740)
Acquisitions of property, plant and equipment	(3,757,872)	(8,262,119)
Proceeds from disposal of property, plant and equipment	236	11
Decrease in refundable deposits	13,335	14,934
Acquisitions of intangible assets	(23,184)	(336,692)
Acquisitions of right-of-use assets	(56,554)	(505,058)
Increase in other non-current assets	(103)	(128)
Dividends received	<u>31,071</u>	<u>30,330</u>
Net cash used in investing activities	<u>(5,716,618)</u>	<u>(9,641,790)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term loans	(925,660)	3,210,000
Repayment of the principal portion of lease liabilities	(234,253)	(172,111)
Increase (decrease) in other non-current liabilities	90,722	(637)
Cash dividends	(5,244,743)	(5,244,743)
Unclaimed dividends	<u>214</u>	<u>148</u>
Net cash used in financing activities	<u>(6,313,720)</u>	<u>(2,207,343)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(198,874)</u>	<u>(315,192)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(1,469,014)</u>	<u>(3,719,156)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>10,888,029</u>	<u>14,607,185</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 9,419,015</u>	<u>\$ 10,888,029</u>

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

(Concluded)

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Vanguard International Semiconductor Corporation (the “Corporation”) was incorporated in Hsinchu Science Park in December 1994 and commenced business in January 1995. The Corporation engages mainly in the manufacturing, selling, packaging, testing and computer-aided design of integrated circuits and other semiconductor devices and the manufacturing of masks.

The Corporation’s shares have been traded over the counter on the Taipei Exchange since March 25, 1998.

The functional currency of the Corporation is the New Taiwan dollar. The consolidated financial statements are presented in New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorized for issue by the Corporation’s Board of Directors on February 1, 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 IFRSs endorsed and issued into effect by the FSC did not have any material impact on the accounting policies of the Corporation and entities controlled by the Corporation (collectively referred to as the “Group”).

- b. The IFRSs endorsed by the FSC for application starting from 2021

New IFRSs	Effective Date Announced by the International Accounting Standards Board (IASB)
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021

As of the date the consolidated financial statements were authorized for issue, the Group has assessed the possible impact that the application of other standards and interpretations will have no material impact on the Group’s financial position and financial performance.



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

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

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

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 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.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of abovementioned 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

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

b. Basis of preparation

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

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. Classification of current and non-current assets and liabilities

Current assets include:

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

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Basis of consolidation

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those of the Corporation.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

See Note 14, Tables 8 and 9 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of each individual entity in the Group, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks.

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

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purpose of presenting consolidated financial statements, the functional currencies of the Corporation and the Group's entities (including subsidiaries, associates, joint ventures and branches in other countries that use currencies which are different from the currency of the Corporation) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

f. Inventories

Inventories consist of raw materials, supplies and spare parts, work-in-process and finished goods and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

g. Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method to account for its investments in associates.

Under the equity method, investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of the equity of associates.

When the Group subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in the Group's share of the equity of associates. If the Group's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of

the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When an entity in the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate are not related to the Group.

h. Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment loss.

Depreciation of property, plant, and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

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

i. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

2) Internally-generated intangible assets - research and development expenditures

Expenditures on research activities are recognized as expenses in the period in which they are incurred.

An internally-generated intangible asset arising from the development phase of an internal project is recognized if, and only if, all of the following have been demonstrated:

- a) The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- b) The intention to complete the intangible asset and use or sell it;
- c) The ability to use or sell the intangible asset;
- d) How the intangible asset will generate probable future economic benefits;
- e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

- f) The ability to measure reliably the expenditures attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the aggregate of the expenditures incurred from the date when the intangible asset first meets the recognition criteria listed above. Subsequent to initial recognition, such intangible assets are measured on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

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

- j. Impairment of property, plant and equipment, right-of-use asset, and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use asset and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

- k. Financial instruments

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

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

Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

1) Measurement category

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

a) Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include derivative financial assets.

A financial asset may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 31.

b) Financial assets at amortized cost

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables, other receivables and other financial assets at amortized cost, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

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

Financial assets are credit impaired when the issuer or debtor experiences significant financial difficulties or default, and the debtor is likely to claim bankruptcy or undergoes financial reorganization, or the active market for financial assets disappears due to financial difficulties.

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

c) Investments in equity instruments at FVTOCI

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

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

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

2) Impairment of financial assets and contract assets

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

The Group always recognizes lifetime ECL for trade receivables. For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to expected credit loss resulting from possible default events of a financial instrument within 12 months after the reporting date.

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

For internal credit risk management purposes, the Group considers financial assets in default when internal or external information shows that the debtor will not be able to repay, without considering the collateral held by the Group.

The Group recognizes an impairment loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

3) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income are transferred directly to retained earnings, without recycling through profit or loss.

Equity instruments

Equity instruments issued by the Group are classified as equity in accordance with the substance of the contractual arrangements and the definitions of an equity instrument.

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

1) Subsequent measurement

Except the following situation, all financial liabilities are measured at amortized cost using the effective interest method:

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities are either held for trading or are designated as at FVTPL.

Financial liabilities held for trading are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividends paid on the financial liability. Fair value is determined in the manner described in Note 31.

2) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Derivative financial instruments

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

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

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 (e.g., financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts, and the host contracts are not measured at FVTPL.

1. Hedge accounting

The Group designates certain hedging instruments, which include derivatives in respect of foreign currency risk, as both fair value hedges and cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

1) Fair value hedges

Gains or losses on derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in profit or loss in the line item relating to the hedged item.

The Group discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised.

2) Cash flow hedges

The effective portion of gains or losses on derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gains or losses relating to the ineffective portion are recognized immediately in profit or loss.

The associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment in the line item relating to the hedged item in the same period when the hedged items affect profit or loss. If a hedge of a forecasted transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognized in other comprehensive income are removed from equity and included in the initial cost of the non-financial asset or non-financial liability.

The Group discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised. The cumulative gain or loss on the hedging instrument that has been previously recognized in other comprehensive income from the period when the hedge was effective remains separately in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

m. Revenue recognition

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

For contracts where the period between the date on which the Group transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Group does not adjust the promised amount of consideration for the effects of a significant financing component.

Revenue from the sales of goods is mainly recognized when a customer obtains control of the promised assets, that is, at which time the goods are delivered to the designated location and the performance obligations are satisfied.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

The Group does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

n. Leasing

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

1) The Group as lessor

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

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

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

2) The Group as lessee

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

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

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

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used.

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

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

o. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

Net defined benefit liabilities represent the actual deficit in the Group's defined benefit plans.

3) Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when the Group recognizes any related restructuring costs.

p. Taxation

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

1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Law in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and loss carryforwards can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and such temporary differences are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical accounting judgments

a. Lease terms

In determining a lease term, the Group considers all facts and circumstances that create an economic incentive to exercise or not to exercise an option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option. Main factors considered include contractual terms and conditions for the optional periods, significant leasehold improvements undertaken over the contract term, the importance of the underlying asset to the lessee's operations, etc. The lease term is reassessed if a significant change in circumstances that are within control of the Group occurs.

Key sources of estimation uncertainty

a. Estimated impairment of financial assets

The provision for impairment of trade receivables and investments in debt instruments is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Notes 10 and 12. Where the actual future cash inflows are less than expected, an impairment loss may arise.

b. Lessees' incremental borrowing rates

In determining a lessee's incremental borrowing rate used in discounting lease payments, a risk-free rate for the same currency and relevant duration is selected as a reference rate, and the lessee's credit spread adjustments and lease specific adjustments (such as asset type, secured position, etc.) are also taken into account.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2020	2019
Bank deposits	\$ 6,851,003	\$ 7,745,618
Cash equivalents		
Bonds acquired under repurchase agreements	<u>2,568,012</u>	<u>3,142,411</u>
	<u>\$ 9,419,015</u>	<u>\$ 10,888,029</u>

The market rate intervals of cash and cash equivalents at the end of the reporting period were as follows:

	December 31	
	2020	2019
Bank deposits	0%-2.03%	0%-3.36%
Bonds acquired under repurchase agreements	0.28%-0.43%	0.50%-0.60%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2020	2019
<u>Financial assets mandatorily classified as at FVTPL</u>		
Derivative instruments (not designated for hedging)		
Forward exchange contracts (a)	\$ 16,807	\$ 18,304
Currency-swap contracts (b)	16,567	31,826
Hybrid instruments		
Credit linked notes (c)	<u>200,064</u>	<u>100,126</u>
Financial assets at FVTPL - current	<u>\$ 233,438</u>	<u>\$ 150,256</u>

(Continued)

	December 31	
	2020	2019
<u>Financial liabilities held for trading</u>		
Derivative instruments (not designated for hedging)		
Forward exchange contracts (a)	\$ 3,857	\$ -
Currency-swap contracts (b)	<u>3,020</u>	<u>-</u>
Financial liabilities at FVTPL - current	<u>\$ 6,877</u>	<u>\$ -</u>
		(Concluded)

- a. At the end of the reporting period, outstanding forward exchange contracts that did not meet the criteria of hedge accounting were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
<u>December 31, 2020</u>			
Sell forward exchange contracts	US\$ to NT\$	2021.01.04-2021.02.23	US\$ 97,600
Sell forward exchange contracts	US\$ to JPY	2021.01.13	US\$ 3,000
Buy forward exchange contracts	US\$ to SGD	2021.01.27-2021.02.25	US\$ 11,000
Buy forward exchange contracts	EUR to US\$	2021.01.13	EUR 4,000

December 31, 2019

Sell forward exchange contracts	US\$ to NT\$	2020.01.08-2020.01.30	US\$ 42,000
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- b. At the end of the reporting period, outstanding currency-swap contracts that did not meet the criteria of hedge accounting were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
<u>December 31, 2020</u>			
Sell forward exchange contracts	US\$ to NT\$	2021.01.21-2021.03.26	US\$ 134,000
Buy forward exchange contracts	US\$ to SGD	2021.02.24-2021.03.26	US\$ 12,000

December 31, 2019

Sell forward exchange contracts	US\$ to NT\$	2020.01.07-2020.02.13	US\$ 141,000
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The Group entered into foreign exchange forward contracts and currency-swap contracts during the years ended December 31, 2020 and 2019 to manage exposures due to exchange rate fluctuations of foreign currency denominated assets and liabilities.

- c. The Group entered into structured investment contracts with the bank in 2020 and 2019. The structured investment contracts included embedded derivative instruments which were not closely related to the host contracts. The entire contract was assessed and mandatorily classified as at FVTPL since it contained a host that is an asset within the scope of IFRS 9.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT

Equity Instruments	December 31	
	2020	2019
Domestic investments		
Listed shares	\$ 66,000	\$ 20,100
Unlisted shares	117,216	107,695
Foreign investments		
Unlisted shares	<u>49,995</u>	<u>53,053</u>
	<u>\$ 233,211</u>	<u>\$ 180,848</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.

As the strategic purposes no longer existed, during the years ended December 31, 2020 and 2019, the Group sold the partial shares of investment. Proceeds from disposal of the shares were \$2,193 thousand and \$39,416 thousand, respectively, and other equity - unrealized gain on financial assets at fair value through other comprehensive income was \$1,093 thousand and \$18,884 thousand, respectively, which was transferred directly to retained earnings.

Dividends from equity investments held at the reporting date were \$31,071 thousand and \$30,330 thousand for the years ended December 31, 2020 and 2019, respectively.

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2020	2019
<u>Current</u>		
Domestic investments		
Financial bonds	\$ 350,740	\$ -
Foreign investments		
Corporate bonds	2,941,862	1,233,827
Government bonds	<u>45,001</u>	<u>-</u>
	<u>\$ 3,337,603</u>	<u>\$ 1,233,827</u>
<u>Non-current</u>		
Domestic investments		
Financial bonds	\$ -	\$ 352,665
Foreign investments		
Corporate bonds	<u>4,206,150</u>	<u>4,603,669</u>
	<u>\$ 4,206,150</u>	<u>\$ 4,956,334</u>

The Group's investments in debt instruments are held for collecting contractual cash flows. For higher contractual cash flows, the partial bonds were disposed of to adjust investment portfolio, and the proceeds from disposal of these bonds were \$826,732 thousand and gain arising from disposal was \$13,765 thousand for the year ended December 31, 2019.

Please refer to Note 10 for information relating to their credit risk management and assessment of impairment.

10. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments classified as at amortized cost were as follows:

	December 31	
	2020	2019
Gross carrying amount	\$ 7,543,753	\$ 6,190,161
Less: Allowance for impairment loss	-	-
Amortized cost	\$ 7,543,753	\$ 6,190,161

The Group only invests in debt instruments that are rated the equivalent of investment grade or higher and have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies. The Group's exposure and the external credit ratings are continuously monitored. The Group continues to review the changes in bond yields and other publicly available information and makes an assessment whether there has been a significant increase in credit risk since the initial recognition to the reporting date.

In determining the ECLs for debt instrument investments, the Group considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and the future prospects of the industries.

The Group's current credit risk grading mechanism is as follows:

Category	Description	Basis for Recognizing ECLs
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12-month ECLs

The gross carrying amounts of debt instrument investments classified by credit category and the corresponding expected loss rates were as follows:

December 31, 2020

Category	Expected Loss Rate	Gross Carrying Amount At Amortized Cost
Performing	0%	\$ 7,543,753

December 31, 2019

Category	Expected Loss Rate	Gross Carrying Amount
		At Amortized Cost
Performing	0%	\$ 6,190,161

11. FINANCIAL INSTRUMENTS FOR HEDGING

The Group's hedging strategy is to enter into forward exchange contracts and currency-swap contracts to avoid exchange rate exposure of its foreign currency receipts and payments and to manage exchange rate exposure of its forecasted foreign currency sales. Those transactions are designated as cash flow hedges. When forecast sales actually take place, basis adjustments are made to the initial carrying amounts of hedged items.

For the hedges of highly probable forecast sales, the major terms (such as notional amount, period and the underlying) of forward exchange contracts and currency-swap contracts are negotiated to match the terms of the hedged items. The Group qualitatively assessed the effectiveness and considered that the value of the forward exchange contracts and currency-swap contracts have a negative correlation with the value of the corresponding hedged items in response to the movements of the underlying exchange rates.

The major cause of hedge ineffectiveness was driven by the effect of the counterparty's breach of the contract. No other factor of ineffectiveness emerged from these hedging relationships.

The following tables summarize the information relating to the hedges of foreign currency risk:

For the year ended December 31, 2019

Effect of Comprehensive Income	Hedging Gains (Losses) Recognized in OCI	Amount of Hedge Ineffectiveness Recognized in Profit or Loss	Line Item of Ineffectiveness	Amount Reclassified to Profit and Loss	
				Due to Hedged Item Affecting P/L	Due to Hedged Future Cash Flows no Longer Expected to Occur
Cash flow hedges					
Forecast sales	\$ -	\$ -	-	\$ (435) Revenue	\$ -

12. NOTES AND ACCOUNTS RECEIVABLE, NET

	December 31	
	2020	2019
Notes and accounts receivable		
At amortized cost		
Gross carrying amount	\$ 5,409,360	\$ 4,769,861
Less: Allowance for impairment loss	<u>(731)</u>	<u>(731)</u>
	<u>\$ 5,408,629</u>	<u>\$ 4,769,130</u>

At amortized cost

The average credit period on sales of goods was 30 to 60 days after month closing. No interest was charged on notes and accounts receivable. Because the discounted effect of accounts receivable was not significant, it was measured by the original invoice amount. In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group applies the simplified approach prescribed by IFRS 9 which permits the use of lifetime ECL as the provision loss of trade receivables. The lifetime ECLs are estimated using a provision matrix approach considering debtors' past default experience, the debtors' current financial position, economic condition of the industry as well as the forecasted GDP and industry outlook. As the Group's historical experience shows no significant difference on individual customer, the Group's provision matrix does not distinguish different customer base. The expected credit loss rates are estimated based on past due days of the trade receivables.

The Group writes off a trade receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation, or when the trade receivables are past due, whichever occurs earlier. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

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

December 31, 2020

Item	Not Past Due	Past Due Less than 60 Days	Past Due 61 to 90 Days	Past Due Over 90 Days	Total
Gross carrying amount	\$ 5,100,886	\$ 307,751	\$ 555	\$ 168	\$ 5,409,360
Loss allowance (Lifetime ECL)	-	(8)	(555)	(168)	(731)
Amortized cost	<u>\$ 5,100,886</u>	<u>\$ 307,743</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,408,629</u>

December 31, 2019

Item	Not Past Due	Past Due Less than 60 Days	Past Due 61 to 90 Days	Past Due Over 90 Days	Total
Gross carrying amount	\$ 4,465,881	\$ 290,859	\$ 11,380	\$ 1,741	\$ 4,769,861
Loss allowance (Lifetime ECL)	-	-	-	(731)	(731)
Amortized cost	<u>\$ 4,465,881</u>	<u>\$ 290,859</u>	<u>\$ 11,380</u>	<u>\$ 1,010</u>	<u>\$ 4,769,130</u>

The movement of the loss allowance of trade receivables was as follows:

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Balance at beginning of year	\$ 731	\$ 3,872
Less: Amounts written off	-	(3,141)
Balance at end of year	<u>\$ 731</u>	<u>\$ 731</u>

13. INVENTORIES

	December 31	
	2020	2019
Finished goods	\$ 124,433	\$ 221,125
Work in process	1,674,826	1,651,841
Raw materials	576,102	725,019
Supplies and spare parts	<u>697,001</u>	<u>509,627</u>
	<u>\$ 3,072,362</u>	<u>\$ 3,107,612</u>

Cost of revenue, write-downs of inventory and unallocated manufacturing overhead included in the cost of revenue were as follows:

	For the Year Ended December 31	
	2020	2019
Cost of revenue	\$ 21,874,918	\$ 17,953,285
Provision of inventory valuation and obsolescence loss	<u>\$ 247,353</u>	<u>\$ 111,181</u>
Unallocated manufacturing overhead	<u>\$ 133,310</u>	<u>\$ 16,766</u>

14. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership	
			December 31	
			2020	2019
Vanguard International Semiconductor Corporation	VIS Associates Inc.	Investments	100%	100%
Vanguard International Semiconductor Corporation	VIS Shanghai Company Limited	Marketing services	100%	100%
Vanguard International Semiconductor Corporation	Vanguard International Semiconductor Singapore Pte. Ltd.	Manufacturing, selling and packaging	100%	100%
VIS Associates Inc.	VIS Investment Holding, Inc.	Investments	100%	100%
VIS Investment Holding, Inc.	VIS Micro, Inc.	Marketing services	100%	100%

15. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in associates

	December 31	
	2020	2019
<u>Associates individually immaterial</u>		
CMSC, Inc.	\$ 38,957	\$ 38,129
Qromis, Inc.	<u>165,328</u>	<u>202,446</u>
	<u>\$ 204,285</u>	<u>\$ 240,575</u>

Please refer to Table 8 “Information on Investees” for the nature of business, principal place of business and country of incorporation of the associates.

Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2020	2019
The Corporation's share of		
Loss from continuing operations	\$ (24,658)	\$ (40,087)
Other comprehensive income	<u>(10)</u>	<u>-</u>
Total comprehensive loss for the year ended December 31	<u>\$ (24,668)</u>	<u>\$ (40,087)</u>

In February 2019, the Group subscribed 873 thousand shares of preference shares of Qromis, Inc. in cash amounting to \$30,740 thousand. As of December 31, 2020, the Group subscribed 10,705 thousand preference shares and the percentage of voting rights in Qromis, Inc. was 39.31%.

The investments in associates accounted for using the equity method, the share of net profit or loss and the share of other comprehensive income (loss) from investments were calculated based on the unaudited financial statements. The Group's management considered that the use of unaudited financial statements of the investees did not have material impact on its consolidated financial statements.

16. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2020	2019
Assets used by the Group	\$ 13,298,299	\$ 13,172,377
Assets subject to operating leases	<u>215,280</u>	<u>246,034</u>
	<u>\$ 13,513,579</u>	<u>\$ 13,418,411</u>

	Assets Used by the Group				Assets Subject to Operating Leases	
	Buildings	Machinery and Equipment	Other Equipment	Advance Payments and Construction in Progress	Buildings	Total
<u>Cost</u>						
Balance at January 1, 2020	\$ 15,736,582	\$ 68,126,952	\$ 486,002	\$ 429,469	\$ 1,037,160	\$ 85,816,165
Additions	499,608	2,331,373	45,610	641,328	-	3,517,919
Disposal	-	(59,245)	(235)	-	-	(59,480)
Reclassified	620	146	490	-	-	1,256
Translation adjustments	<u>(8,295)</u>	<u>(282,893)</u>	<u>(785)</u>	<u>(13,111)</u>	<u>-</u>	<u>(305,084)</u>
Balance at December 31, 2020	<u>\$ 16,228,515</u>	<u>\$ 70,116,333</u>	<u>\$ 531,082</u>	<u>\$ 1,057,686</u>	<u>\$ 1,037,160</u>	<u>\$ 88,970,776</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2020	\$ 13,097,876	\$ 57,918,134	\$ 407,097	\$ -	\$ 791,126	\$ 72,214,233
Depreciation	416,478	2,653,065	25,754	-	30,754	3,126,051
Disposal	-	(59,009)	(235)	-	-	(59,244)
Translation adjustments	<u>(104)</u>	<u>(7,110)</u>	<u>(150)</u>	<u>-</u>	<u>-</u>	<u>(7,364)</u>
Balance at December 31, 2020	<u>\$ 13,514,250</u>	<u>\$ 60,505,080</u>	<u>\$ 432,466</u>	<u>\$ -</u>	<u>\$ 821,880</u>	<u>\$ 75,273,676</u>
<u>Accumulated impairment</u>						
Balance at January 1, 2020 and December 31, 2020	<u>\$ -</u>	<u>\$ 183,521</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 183,521</u>
Carrying amount at December 31, 2020	<u>\$ 2,714,265</u>	<u>\$ 9,427,732</u>	<u>\$ 98,616</u>	<u>\$ 1,057,686</u>	<u>\$ 215,280</u>	<u>\$ 13,513,579</u>

(Continued)

	Assets Used by the Group					
	Buildings	Machinery and Equipment	Other Equipment	Advance Payments and Construction in Progress	Assets Subject to Operating Leases Buildings	Total
<u>Cost</u>						
Balance at January 1, 2019	\$ 14,620,122	\$ 60,424,195	\$ 420,632	\$ 705,043	\$ 1,037,160	\$ 77,207,152
Additions	1,119,029	8,119,114	65,526	(275,532)	-	9,028,137
Disposal	(1,180)	(293,998)	(97)	-	-	(295,275)
Reclassified	2,199	1,709	-	-	-	3,908
Translation adjustments	<u>(3,588)</u>	<u>(124,068)</u>	<u>(59)</u>	<u>(42)</u>	<u>-</u>	<u>(127,757)</u>
Balance at December 31, 2019	<u>\$ 15,736,582</u>	<u>\$ 68,126,952</u>	<u>\$ 486,002</u>	<u>\$ 429,469</u>	<u>\$ 1,037,160</u>	<u>\$ 85,816,165</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2019	\$ 12,782,382	\$ 56,649,896	\$ 386,932	\$ -	\$ 760,371	\$ 70,579,581
Depreciation	316,674	1,561,952	20,316	-	30,755	1,929,697
Disposal	(1,180)	(293,714)	(97)	-	-	(294,991)
Translation adjustments	<u>-</u>	<u>-</u>	<u>(54)</u>	<u>-</u>	<u>-</u>	<u>(54)</u>
Balance at December 31, 2019	<u>\$ 13,097,876</u>	<u>\$ 57,918,134</u>	<u>\$ 407,097</u>	<u>\$ -</u>	<u>\$ 791,126</u>	<u>\$ 72,214,233</u>
<u>Accumulated impairment</u>						
Balance at January 1, 2019 and December 31, 2019	<u>\$ -</u>	<u>\$ 183,521</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 183,521</u>
Carrying amount at December 31, 2019	<u>\$ 2,638,706</u>	<u>\$ 10,025,297</u>	<u>\$ 78,905</u>	<u>\$ 429,469</u>	<u>\$ 246,034</u>	<u>\$ 13,418,411</u>
						(Concluded)

(Concluded)

The Group leases a part of building subject to operating lease from January 2020 to March 2025. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

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

	December 31	
	2020	2019
Year 1	\$ 30,616	\$ 27,526
Year 2	30,616	26,495
Year 3	30,616	26,495
Year 4	30,616	26,495
Year 5	<u>1,030</u>	<u>26,495</u>
	<u>\$ 123,494</u>	<u>\$ 133,506</u>

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

Buildings	
Main plant	20 years
Mechanical and electrical power equipment	5 to 10 years
Clean rooms	10 years
Machinery and equipment	3 to 5 years
Other equipment	3 to 7 years

17. LEASE ARRANGEMENTS

a. Right-of-use assets

	Land	Buildings	Machinery and Equipment	Other Equipment	Total
<u>Cost</u>					
Balance at January 1, 2020	\$ 1,078,359	\$ 941,050	\$ 16,236	\$ 8,408	\$ 2,044,053
Additions	614,843	85,129	-	9,125	709,097
Lease expired	(555)	(8,195)	(1,787)	(3,508)	(14,045)
Lease revised	-	-	(1)	-	(1)
Translation adjustments	(19,789)	(28,684)	-	(100)	(48,573)
Balance at December 31, 2020	<u>\$ 1,672,858</u>	<u>\$ 989,300</u>	<u>\$ 14,448</u>	<u>\$ 13,925</u>	<u>\$ 2,690,531</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2020	\$ 103,840	\$ 80,584	\$ 7,071	\$ 4,118	\$ 195,613
Depreciation	135,101	145,167	5,706	4,638	290,612
Lease expired	(555)	(8,195)	(1,787)	(3,508)	(14,045)
Translation adjustments	(209)	(446)	-	(3)	(658)
Balance at December 31, 2020	<u>\$ 238,177</u>	<u>\$ 217,110</u>	<u>\$ 10,990</u>	<u>\$ 5,245</u>	<u>\$ 471,522</u>
Carrying amount at December 31, 2020	<u>\$ 1,434,681</u>	<u>\$ 772,190</u>	<u>\$ 3,458</u>	<u>\$ 8,680</u>	<u>\$ 2,219,009</u>
<u>Cost</u>					
Restated balance at January 1, 2019	\$ 1,078,359	\$ 385,202	\$ 16,236	\$ 8,548	\$ 1,488,345
Additions	-	573,868	-	-	573,868
Lease expired	-	(2,654)	-	-	(2,654)
Lease revised	-	(3,963)	-	(140)	(4,103)
Translation adjustments	-	(11,403)	-	-	(11,403)
Balance at December 31, 2019	<u>\$ 1,078,359</u>	<u>\$ 941,050</u>	<u>\$ 16,236</u>	<u>\$ 8,408</u>	<u>\$ 2,044,053</u>
<u>Accumulated depreciation</u>					
Restated balance at January 1, 2019	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation	103,840	83,309	7,071	4,118	198,338
Lease expired	-	(2,654)	-	-	(2,654)
Translation adjustments	-	(71)	-	-	(71)
Balance at December 31, 2019	<u>\$ 103,840</u>	<u>\$ 80,584</u>	<u>\$ 7,071</u>	<u>\$ 4,118</u>	<u>\$ 195,613</u>
Carrying amount at December 31, 2019	<u>\$ 974,519</u>	<u>\$ 860,466</u>	<u>\$ 9,165</u>	<u>\$ 4,290</u>	<u>\$ 1,848,440</u>

The Group did not have significant sublease or impairment of right-of-use assets during the years ended December 31, 2020 and 2019.

b. Lease liabilities

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Carrying amount</u>		
Current	<u>\$ 251,334</u>	<u>\$ 259,726</u>
Non-current	<u>\$ 1,463,622</u>	<u>\$ 1,104,788</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2020	2019
Land	1.70%-4.80%	1.70%
Buildings	1.70%-2.88%	1.70%-3.62%
Machinery and equipment	1.70%	1.70%
Other equipment	1.70%-3.70%	1.70%

c. Material lease-in activities and terms

The Group leases the sites of its manufacturing plant and parking lot from Hsinchu Science Park, JTC Corporation and a certain individual under renewable operating lease agreements which expire on various dates of December 2022, July 2026, December 2027, December 2029 and December 2034. The rental pay to Hsinchu Science Park and JTC Corporation can be adjusted according to the lease contracts, and the leases are renewable upon expiration.

d. Subleases

The Group subleases its leasehold land under operating leases with lease term of 3 years.

For the year ended December 31, 2020, the right-of-use assets for subleases revenue were \$900 thousand, presented in other income.

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

	December 31, 2020
Year 1	\$ 2,160
Year 2	2,160
Year 3	<u>1,260</u>
	<u>\$ 5,580</u>

e. Other lease information

	For the Year Ended December 31	
	2020	2019
Expenses relating to short-term leases	\$ 22,207	\$ 2,189
Expenses relating to low-value asset leases	\$ 63	\$ 167
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$ 5,694	\$ 587
Total cash outflow for leases	<u>\$ 312,470</u>	<u>\$ 197,530</u>

The Group leases certain buildings, machinery and equipment qualify as short-term leases, and certain other equipment qualify 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.

18. INTANGIBLE ASSETS

	Computer Software	Technological Assets	Total
<u>Cost</u>			
Balance at January 1, 2020	\$ 872,685	\$ 272,991	\$ 1,145,676
Additions	23,184	-	23,184
Reclassified	(1,256)	-	(1,256)
Translation adjustments	<u>(770)</u>	<u>(12,432)</u>	<u>(13,202)</u>
Balance at December 31, 2020	<u>\$ 893,843</u>	<u>\$ 260,559</u>	<u>\$ 1,154,402</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2020	\$ 799,941	\$ -	\$ 799,941
Amortization	30,892	52,426	83,318
Translation adjustments	<u>3</u>	<u>(314)</u>	<u>(311)</u>
Balance at December 31, 2020	<u>\$ 830,836</u>	<u>\$ 52,112</u>	<u>\$ 882,948</u>
Carrying amount at December 31, 2020	<u>\$ 63,007</u>	<u>\$ 208,447</u>	<u>\$ 271,454</u>
<u>Cost</u>			
Balance, at January 1, 2019	\$ 812,892	\$ -	\$ 812,892
Additions	63,701	278,373	342,074
Reclassified	(3,908)	-	(3,908)
Translation adjustments	<u>-</u>	<u>(5,382)</u>	<u>(5,382)</u>
Balance at December 31, 2019	<u>\$ 872,685</u>	<u>\$ 272,991</u>	<u>\$ 1,145,676</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2019	\$ 786,893	\$ -	\$ 786,893
Amortization	<u>13,048</u>	<u>-</u>	<u>13,048</u>
Balance at December 31, 2019	<u>\$ 799,941</u>	<u>\$ -</u>	<u>\$ 799,941</u>
Carrying amount at December 31, 2019	<u>\$ 72,744</u>	<u>\$ 272,991</u>	<u>\$ 345,735</u>

Technological assets were the patents purchased from other companies.

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

Computer software	3 to 5 years
Technological assets	5 years

19. OTHER ASSETS

	December 31	
	2020	2019
Pledged time deposit	\$ 304,190	\$ 304,087
Repatriated offshore funds deposit	-	345,662
Others	<u>2,608</u>	<u>3,093</u>
	<u>\$ 306,798</u>	<u>\$ 652,842</u>
Current	\$ 2,608	\$ 348,755
Non-current	<u>304,190</u>	<u>304,087</u>
	<u>\$ 306,798</u>	<u>\$ 652,842</u>

20. SHORT-TERM LOANS

	December 31	
	2020	2019
<u>Unsecured loans</u>		
Credit loans	<u>\$ 2,273,118</u>	<u>\$ 3,210,000</u>

The ranges of interest rates on bank loans were (2.50)%-0.86% and 0.83%-0.88% per annum as of December 31, 2020 and 2019, respectively.

21. OTHER PAYABLES

	December 31	
	2020	2019
Bonus	\$ 1,086,876	\$ 849,326
Maintenance	481,771	506,896
Utilities	176,363	134,313
Others	<u>1,424,764</u>	<u>1,066,822</u>
	<u>\$ 3,169,774</u>	<u>\$ 2,557,357</u>

22. OTHER CURRENT LIABILITIES

	December 31	
	2020	2019
Refund liabilities (Provision of sales returns and allowances)	\$ 462,674	\$ 472,091
Contract liabilities - advanced receipts	477,052	279,692
Others	<u>19,413</u>	<u>90</u>
	<u>\$ 959,139</u>	<u>\$ 751,873</u>

The provision of sales returns and allowances was estimated based on historical experience, management's judgments and any other known factors that may affect the returns and allowances. The provision was recognized as a reduction of revenue in the period the related products were sold.

23. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Corporation adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Corporation makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. Besides, VIS Micro, Inc., VIS Shanghai Company Limited and Vanguard International Semiconductor Singapore Pte. Ltd. are required by local regulations to make monthly contributions at a certain percentage of the basic salary of their employees.

b. Defined benefit plans

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

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

	December 31	
	2020	2019
Present value of defined benefit obligation	\$ 1,195,978	\$ 1,150,126
Fair value of plan assets	<u>(484,005)</u>	<u>(336,239)</u>
Net defined benefit liability	<u>\$ 711,973</u>	<u>\$ 813,887</u>

Movements in net defined benefit liability were as follows:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2019	<u>\$ 1,131,640</u>	<u>\$ (327,154)</u>	<u>\$ 804,486</u>
Service cost			
Current service cost	6,942	-	6,942
Interest expense (income)	<u>13,779</u>	<u>(3,821)</u>	<u>9,958</u>
Recognized in profit or loss	<u>20,721</u>	<u>(3,821)</u>	<u>16,900</u>

(Continued)

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liability (Asset)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	\$ -	\$ (11,250)	\$ (11,250)
Actuarial loss - changes in financial assumptions	39,325	-	39,325
Actuarial gain - experience adjustments	(12,226)	-	(12,226)
Recognized in other comprehensive income	27,099	(11,250)	15,849
Contributions from the employer	-	(15,374)	(15,374)
Benefits paid	(29,334)	21,360	(7,974)
Balance at December 31, 2019	1,150,126	(336,239)	813,887
Service cost			
Current service cost	6,330	-	6,330
Interest expense (income)	8,110	(2,065)	6,045
Recognized in profit or loss	14,440	(2,065)	12,375
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(11,936)	(11,936)
Actuarial loss - changes in financial assumptions	21,114	-	21,114
Actuarial loss - experience adjustments	76,008	-	76,008
Recognized in other comprehensive income	97,122	(11,936)	85,186
Contributions from the employer	-	(187,336)	(187,336)
Benefits paid	(65,710)	53,571	(12,139)
Balance at December 31, 2020	\$ 1,195,978	\$ (484,005)	\$ 711,973 (Concluded)

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

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

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

	December 31	
	2020	2019
Discount rates	0.50%	0.75%
Expected rates of salary increase	3.25%	3.25%

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

	December 31	
	2020	2019
Discount rates		
0.50% increase	<u>\$ (41,575)</u>	<u>\$ (39,325)</u>
0.50% decrease	<u>\$ 44,295</u>	<u>\$ 41,954</u>
Expected rates of salary increase		
0.50% increase	<u>\$ 42,904</u>	<u>\$ 40,741</u>
0.50% decrease	<u>\$ (40,725)</u>	<u>\$ (38,615)</u>

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

	December 31	
	2020	2019
Expected contributions to the plans for the next year	<u>\$ 15,938</u>	<u>\$ 15,874</u>
Average duration of the defined benefit obligation	7.1 years	7 years

Maturity analyses of pension benefit were as follows:

	December 31	
	2020	2019
Maturity analyses of undiscounted pension benefit		
No later than 1 year	\$ 130,187	\$ 137,621
Later than 1 year and not later than 5 years	404,598	393,006
Later than 5 years	<u>766,260</u>	<u>717,242</u>
	<u>\$ 1,301,045</u>	<u>\$ 1,247,869</u>

24. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2020	2019
Shares authorized (in thousands of shares)	3,300,000	3,300,000
Capital authorized	\$ 33,000,000	\$ 33,000,000
Shares issued and fully paid (in thousands of shares)	1,638,982	1,638,982
Capital issued	\$ 16,389,823	\$ 16,389,823

The authorized shares include 300,000 thousand shares reserved for the exercise of employee share options.

b. Capital Surplus

	December 31	
	2020	2019
May be used to offset a deficit, distributed by cash or transferred to capital		
Issuance of ordinary shares	\$ 544,884	\$ 544,884
<u>May be used to offset a deficit only</u>		
Employee share options (transferred and inactive)	285,845	285,845
Share of changes in equities of subsidiaries, associates and joint ventures	50,577	50,497
Unclaimed dividends	639	425
	<u>\$ 881,945</u>	<u>\$ 881,651</u>

The capital surplus from shares issued in excess of par may be used to offset a deficit; in addition, when the Group has no deficit, such capital surplus may be distributed in cash or transferred to capital, which is limited to a certain percentage of the Group's paid-in capital.

c. Retained earnings and dividend policy

Earnings distribution and dividend policy

Under the dividends policy as set forth in the Corporation's Articles, where the Corporation made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's Board of Directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. The policies of the distribution of compensation of employees and remuneration of directors set forth in the Articles, please refer to compensation of employees and remuneration of directors in Note 26-c.

The Corporation's Articles also stipulate that all profits may be distributed after taking into consideration the financial, business and operational factors. Dividends are in cash and/or in the form of shares. Since the Corporation's operation is at the steady growth stage, the cash dividend paid (in any given year) should be at least 60% of the dividends of the current year's appropriation. If there is no profit for distribution, or the profit is far less than the profit actually distributed by the Corporation in the previous year or other reasons so require, all or part of the capital surplus may be distributed in accordance with relevant laws or regulations of the authorities in charge.

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

The Corporation appropriates or reverses a special reserve in accordance with Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs". Distributions can be made out of any subsequent reversal of the debit to other equity items.

The appropriations of earnings for 2019 and 2018 which have been approved in the shareholders' meetings on June 12, 2020 and June 14, 2019, respectively, were as follows:

	2019	2018
Legal reserve	\$ <u>585,555</u>	\$ <u>616,627</u>
Special reserve	\$ <u>542,838</u>	\$ <u>(214,313)</u>
Cash dividends	\$ <u>5,244,743</u>	\$ <u>5,244,743</u>
Cash dividends per share (NT\$)	\$ 3.20	\$ 3.20

The appropriation of earnings for 2020 had been proposed by the Corporation's Board of Directors on February 1, 2021. The appropriation and dividends per share were as follows:

	2020
Legal reserve	\$ <u>622,143</u>
Special reserve	\$ <u>951,513</u>
Cash dividends	\$ <u>5,736,438</u>
Cash dividends per share (NT\$)	\$ 3.50

The appropriation of earnings for 2020 is subject to the resolution of the shareholders in the shareholders' meeting to be held on June 18, 2021.

d. Other equity

1) Exchange differences on translation of foreign operations

	For the Year Ended December 31	
	2020	2019
Balance at beginning of year	\$ <u>(537,511)</u>	\$ <u>(55,587)</u>
Recognized during the year		
Exchange differences arising on translation of foreign operations	(1,004,966)	(481,924)
Share of exchange differences of associates accounted for using equity method	<u>(10)</u>	<u>-</u>
Recognized in other comprehensive loss	<u>(1,004,976)</u>	<u>(481,924)</u>
Balance at end of year	\$ <u>(1,542,487)</u>	\$ <u>(537,511)</u>

2) Unrealized gain (loss) on financial assets at FVTOCI

	For the Year Ended December 31	
	2020	2019
Balance at beginning of year	\$ (168,043)	\$ (107,130)
Recognized during the year		
Unrealized gain (loss) - equity instruments	<u>54,556</u>	<u>(42,029)</u>
Recognized in other comprehensive income	<u>54,556</u>	<u>(42,029)</u>
Disposal of investments in equity instruments at fair value through other comprehensive income	<u>(1,093)</u>	<u>(18,884)</u>
Balance at end of year	<u>\$ (114,580)</u>	<u>\$ (168,043)</u>

25. REVENUE

	For the Year Ended December 31	
	2020	2019
Revenue from contracts with customers		
Revenue from the sale of goods	\$ 32,402,474	\$ 27,683,838
Others	<u>645,748</u>	<u>512,453</u>
	<u>33,048,222</u>	<u>28,196,291</u>
Other operating revenue		
Rental income	39,577	38,995
Others	<u>43,403</u>	<u>50,786</u>
	<u>82,980</u>	<u>89,781</u>
	<u>\$ 33,131,202</u>	<u>\$ 28,286,072</u>

Please refer to Note 11 for the effective hedge amounts from the foreign sales cash flow hedges which were recognized as decrease in revenue.

a. Disaggregation of revenue

1) Disaggregation of revenue by region

	For the Year Ended December 31	
	2020	2019
<u>Region</u>		
Asia	\$ 30,437,190	\$ 25,779,088
America	1,506,667	667,878
Europe	1,187,345	1,839,018
Oceania	<u>-</u>	<u>88</u>
	<u>\$ 33,131,202</u>	<u>\$ 28,286,072</u>

2) Disaggregation of revenue by platform

	For the Year Ended December 31	
	2020	2019
<u>Platforms</u>		
Power Management	\$ 18,070,564	\$ 16,322,151
Large panel driver IC	9,155,109	7,988,279
Small panel driver IC	2,345,274	2,005,853
Other platforms	<u>2,831,527</u>	<u>1,367,555</u>
Revenue from sales of goods	32,402,474	27,683,838
Other revenue	<u>728,728</u>	<u>602,234</u>
	<u>\$ 33,131,202</u>	<u>\$ 28,286,072</u>

3) Disaggregation of revenue by process

	For the Year Ended December 31	
	2020	2019
<u>Processes</u>		
0.18 micron (and) below	\$ 15,556,267	\$ 10,758,370
0.25 micron	4,554,419	3,402,689
0.35 micron	5,419,279	6,333,575
0.5 micron (and) above	<u>6,872,509</u>	<u>7,189,204</u>
Revenue from sales of goods	32,402,474	27,683,838
Other revenue	<u>728,728</u>	<u>602,234</u>
	<u>\$ 33,131,202</u>	<u>\$ 28,286,072</u>

b. Contract balances

	December 31	
	2020	2019
Notes and accounts receivable, net (Note 12)	\$ 5,408,629	\$ 4,769,130
Receivables from related parties (Note 32)	<u>324,893</u>	<u>199,084</u>
Trade receivables	<u>\$ 5,733,522</u>	<u>\$ 4,968,214</u>
Contract liabilities		
Contract liabilities - advance receipts (Other current liabilities) (Note 22)	<u>\$ 477,052</u>	<u>\$ 279,692</u>

The change of the contract liabilities primarily results from the timing difference between the satisfaction of performance obligation and the customer's payment.

Revenue from the beginning balance of the contract liability and satisfaction during the years ended December 31, 2020 and 2019 was as follows:

	For the Year Ended December 31	
	2020	2019
Revenue from the beginning balance of contract liabilities		
Sales of goods	<u>\$ 198,634</u>	<u>\$ 91,721</u>

26. OTHER ITEMS IN THE STATEMENTS OF COMPREHENSIVE INCOME

a. Depreciation and amortization

	For the Year Ended December 31	
	2020	2019
Classification of depreciation - by function		
Cost of revenue	\$ 3,301,245	\$ 2,023,112
Operating expenses	<u>115,418</u>	<u>104,923</u>
	<u>\$ 3,416,663</u>	<u>\$ 2,128,035</u>
Classification of amortization - by function		
Cost of revenue	\$ 63,812	\$ 4,678
Operating expenses	<u>19,506</u>	<u>8,370</u>
	<u>\$ 83,318</u>	<u>\$ 13,048</u>

b. Employee benefits expense

	For the Year Ended December 31	
	2020	2019
Post-employment benefits (Note 23)		
Defined contribution plans	\$ 314,200	\$ 217,627
Defined benefit plans	<u>12,375</u>	<u>16,900</u>
	326,575	234,527
Other employee benefits	<u>9,027,747</u>	<u>7,396,178</u>
Total employee benefits expense	<u>\$ 9,354,322</u>	<u>\$ 7,630,705</u>
Employee benefits expense summarized by function		
Cost of revenue	\$ 6,992,566	\$ 5,676,267
Operating expenses	<u>2,361,756</u>	<u>1,954,438</u>
	<u>\$ 9,354,322</u>	<u>\$ 7,630,705</u>

c. Compensation of employees and remuneration of directors

The Corporation should distribute no less than 10% of the current year's profit as compensation of employees in the form of shares or in cash as resolved by the Board of Directors. The employees include those of subsidiaries meeting some conditions agreed by the Board of Directors. The Corporation should also distribute no higher than 1% of the current year's profit as remuneration of directors. However, the Corporation's accumulated losses shall have been covered. For the years ended December 31, 2020 and 2019, the compensation of employees was \$1,576,380 thousand and \$1,205,834 thousand, respectively. For the years ended December 31, 2020 and 2019, the remuneration of directors was \$37,220 thousand and \$21,800 thousand, respectively. The above calculation was at a certain percentage of the base income.

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

The appropriations of compensation of employees and remuneration of directors for 2020 and 2019 which were resolved by the Board of Directors on February 1, 2021 and February 20, 2020, respectively, were as below:

	For the Year Ended December 31			
	2020		2019	
	Cash	Shares	Cash	Shares
Compensation of employees	\$ 1,576,380	\$ -	\$ 1,205,834	\$ -
Remuneration of directors	37,220	-	21,800	-

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

Information of the compensation of employees and remuneration of directors resolved by the Corporation's Board of Directors in 2021 and 2020 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

d. Net gain and loss of financial instruments

	For the Year Ended December 31	
	2020	2019
Interest income		
Cash and cash equivalents	\$ 103,381	\$ 221,234
Financial assets at amortized cost	<u>164,025</u>	<u>166,771</u>
	<u>\$ 267,406</u>	<u>\$ 388,005</u>
Dividend income		
Investments in equity instruments at FVTOCI	<u>\$ 31,071</u>	<u>\$ 30,330</u>
Net foreign exchange loss		
Other monetary assets and liabilities	<u>\$ (276,096)</u>	<u>\$ (73,926)</u>
Gain on financial assets and liabilities at FVTPL		
Financial assets and liabilities mandatorily classified as at FVTPL		
Forward exchange and currency-swap contracts	\$ 138,644	\$ 9,134
Credit linked notes	<u>1,179</u>	<u>460</u>
	<u>\$ 139,823</u>	<u>\$ 9,594</u>

e. Interest expense

	For the Year Ended December 31	
	2020	2019
Bank loans	\$ 16,400	\$ 17,499
Lease liabilities	47,912	23,668
Provision for decommissioning cost	<u>2,210</u>	<u>-</u>
	<u>\$ 66,522</u>	<u>\$ 41,167</u>

27. INCOME TAXES

- a. Major components of tax expenses recognized in profit or loss:

	For the Year Ended December 31	
	2020	2019
Current tax		
In respect of the current year	\$ 1,649,690	\$ 1,515,466
Adjustments for prior years' tax	(199,878)	(17,014)
Withheld tax in accordance with Repatriated Offshore Funds Act	23,305	30,374
Others	<u>(4,866)</u>	<u>(985)</u>
	1,468,251	1,527,841
Deferred income tax		
In respect of the current year	<u>(206,564)</u>	<u>(30,019)</u>
Income tax expense recognized in profit or loss	<u>\$ 1,261,687</u>	<u>\$ 1,497,822</u>

A reconciliation of accounting profit and income tax expense was as follows:

	For the Year Ended December 31	
	2020	2019
Income before income tax	<u>\$ 7,567,207</u>	<u>\$ 7,358,319</u>
Income tax expense calculated at the statutory rate	\$ 1,568,183	\$ 1,450,824
Additional items in determining taxable income	10,559	11,174
Income tax on unappropriated earnings	-	30,936
The origination and reversal of temporary differences	111,552	21,096
Effect of tax on loss carryforward	(247,168)	(28,583)
Adjustments for prior years' tax	(199,878)	(17,014)
Withheld tax in accordance with Repatriated Offshore Funds Act	23,305	30,374
Others	<u>(4,866)</u>	<u>(985)</u>
Income tax expense recognized in profit or loss	<u>\$ 1,261,687</u>	<u>\$ 1,497,822</u>

In July 2019, the president of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are invested in construction or purchase of certain assets or technologies can be deducted from unappropriated earnings when computing the income tax.

- b. Current tax liabilities

	December 31	
	2020	2019
Current tax liabilities		
Income tax payable	<u>\$ 1,236,546</u>	<u>\$ 1,081,862</u>

c. Deferred income tax assets and liabilities

The movements of deferred income tax assets and liabilities were as follows:

2020

Deferred Income Tax Assets	Beginning of Year	Movements	End of Year
Loss carryforwards	\$ 36,748	\$ 247,168	\$ 283,916
Temporary differences	<u>151,898</u>	<u>67,588</u>	<u>219,486</u>
	<u>\$ 188,646</u>	<u>\$ 314,756</u>	<u>\$ 503,402</u>

Deferred Income Tax Liabilities	Beginning of Year	Movements	End of Year
Temporary differences	<u>\$ 206,169</u>	<u>\$ 108,192</u>	<u>\$ 314,361</u>

2019

Deferred Income Tax Assets	Beginning of Year	Movements	End of Year
Loss carryforwards	\$ 9,376	\$ 27,372	\$ 36,748
Temporary differences	<u>106,384</u>	<u>45,514</u>	<u>151,898</u>
	<u>\$ 115,760</u>	<u>\$ 72,886</u>	<u>\$ 188,646</u>

Deferred Income Tax Liabilities	Beginning of Year	Movements	End of Year
Temporary differences	<u>\$ 163,302</u>	<u>\$ 42,867</u>	<u>\$ 206,169</u>

d. Items for which no deferred income tax assets have been recognized

	December 31	
	2020	2019
Loss carryforwards		
Expire in 2020	\$ -	\$ 19,166
Expire in 2021	-	410
Expire in 2027	-	221
Expire in 2034	-	2,306
Expire in 2036	<u>-</u>	<u>88</u>
	<u>\$ -</u>	<u>\$ 22,191</u>
Deductible temporary differences	<u>\$ 411,989</u>	<u>\$ 227,909</u>

e. Unrecognized deferred income tax liabilities associated with investments

As of December 31, 2020 and 2019, there were no taxable temporary differences associated with investment in subsidiaries for which no deferred income tax liabilities have been recognized.

f. Income tax assessments

Income tax returns through 2018 had been examined and cleared by the tax authorities.

28. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Year Ended December 31	
	2020	2019
Basic earnings per share	\$ 3.85	\$ 3.58
Diluted earnings per share	\$ 3.81	\$ 3.54

The earnings and weighted average number of ordinary shares used in the computation of earnings per share were as follows:

Earnings

	For the Year Ended December 31	
	2020	2019
Earnings used in computation of basic earnings per share	\$ 6,305,520	\$ 5,860,497
Effect of dilutive potential ordinary shares:		
Compensation of employees	-	-
Earnings used in the computation of diluted earnings per share	\$ 6,305,520	\$ 5,860,497

Shares

Unit: Shares in Thousands

	For the Year Ended December 31	
	2020	2019
Weighted average number of ordinary shares used in the computation of basic earnings per share	1,638,982	1,638,982
Effect of dilutive potential ordinary shares:		
Compensation of employees	15,702	16,598
Weighted average number of ordinary shares used in the computation of diluted earnings per share	1,654,684	1,655,580

Since the Corporation is allowed to settle compensation paid to employees by cash or shares, the Corporation assumes that the entire amount of the compensation 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. CASH FLOWS INFORMATION FOR FINANCING ACTIVITIES

For the year ended December 31, 2020

	January 1	Cash Flows (Note 1)	Non-cash Changes (Note 2)	December 31
Other non-current liabilities	\$ 56,151	\$ 90,722	\$ 47,042	\$ 193,915
Lease liabilities	1,364,514	(290,807)	641,249	1,714,956
Short-term loans	3,210,000	(925,660)	(11,222)	2,273,118
Dividends Payable	-	(5,244,743)	5,244,743	-
Unclaimed dividends	<u>425</u>	<u>214</u>	<u>-</u>	<u>639</u>
	<u>\$ 4,631,090</u>	<u>\$ (6,370,274)</u>	<u>\$ 5,921,812</u>	<u>\$ 4,182,628</u>

Note 1: The cash flows of lease liabilities comprise cash outflow of \$56,554 thousand with acquisition of right-of-use assets which is classified as investing activity.

Note 2: Non-cash changes comprise changes in leases, changes in exchange rates, recognition of cash dividends payable, recognition of provision for decommissioning cost for right-of-use assets and its financial costs.

For the year ended December 31, 2019

	January 1	Cash Flows	Non-cash Changes	December 31
Other non-current liabilities	\$ 56,788	\$ (637)	\$ -	\$ 56,151
Lease liabilities	1,488,345	(172,111)	48,280	1,364,514
Short-term loans	-	3,210,000	-	3,210,000
Dividends payable	-	(5,244,743)	5,244,743	-
Unclaimed dividends	<u>277</u>	<u>148</u>	<u>-</u>	<u>425</u>
	<u>\$ 1,545,410</u>	<u>\$ (2,207,343)</u>	<u>\$ 5,293,023</u>	<u>\$ 4,631,090</u>

30. CAPITAL MANAGEMENT

The Group manages its capital in a manner to ensure its ability to continue as a going concern while maximizing the return to shareholders. The Group's overall strategy has no significant variations.

The capital structure of the Group consists of net debt (loans offset by cash and cash equivalents) and equity (i.e., share capital, capital surplus, retained earnings and other equity).

The Group is not subject to any externally imposed capital requirements.

31. FINANCIAL INSTRUMENTS

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

December 31, 2020

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Financial assets at amortized cost					
Domestic financial bonds	\$ 350,740	\$ 351,600	\$ -	\$ -	\$ 351,600
Foreign corporate bonds	7,148,012	7,219,211	-	-	7,219,211
Foreign government bonds	45,001	45,646	-	-	45,646

December 31, 2019

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Financial assets at amortized cost					
Domestic financial bonds	\$ 352,665	\$ 354,559	\$ -	\$ -	\$ 354,559
Foreign corporate bonds	5,837,496	5,868,715	-	-	5,868,715

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

1) Fair value hierarchy

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative instruments	\$ -	\$ 33,374	\$ -	\$ 33,374
Hybrid financial assets	-	200,064	-	200,064
	<u>\$ -</u>	<u>\$ 233,438</u>	<u>\$ -</u>	<u>\$ 233,438</u>
Financial assets at FVTOCI				
Equity instruments				
Domestic listed shares	\$ -	\$ 66,000	\$ -	\$ 66,000
Domestic unlisted shares	-	117,216	-	117,216
Foreign unlisted shares	-	49,995	-	49,995
	<u>\$ -</u>	<u>\$ 233,211</u>	<u>\$ -</u>	<u>\$ 233,211</u>
Financial liabilities at FVTPL				
Derivative instruments	<u>\$ -</u>	<u>\$ 6,877</u>	<u>\$ -</u>	<u>\$ 6,877</u>

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative instruments	\$ -	\$ 50,130	\$ -	\$ 50,130
Hybrid financial assets	<u>-</u>	<u>100,126</u>	<u>-</u>	<u>100,126</u>
	<u>\$ -</u>	<u>\$ 150,256</u>	<u>\$ -</u>	<u>\$ 150,256</u>
Financial assets at FVTOCI				
Equity instruments				
Domestic listed shares	\$ -	\$ 20,100	\$ -	\$ 20,100
Domestic unlisted shares	-	107,695	-	107,695
Foreign unlisted shares	<u>-</u>	<u>53,053</u>	<u>-</u>	<u>53,053</u>
	<u>\$ -</u>	<u>\$ 180,848</u>	<u>\$ -</u>	<u>\$ 180,848</u>

There were no transfers between Level 1 and Level 2 of the fair value hierarchy for the years ended December 31, 2020 and 2019, respectively.

There were no acquisition or disposal of financial assets measured by Level 3 of the fair value hierarchy for the years ended December 31, 2020 and 2019, respectively.

2) Valuation techniques and assumptions applied to Level 2 of fair value hierarchy

The fair value of financial assets and financial liabilities is determined as follows:

- a) For those derivative instruments with no quoted market prices, their fair value is determined by using valuation techniques incorporating estimates and assumptions consistent with those generally used by other market participants in their estimates of fair value.

The fair value of forward exchange contracts and currency-swap contracts is determined by using valuation techniques based on forward rates for each contract. The Reuter's quotation system is mainly used as reference for the forward rates.

- b) For the private placement shares issued by listed companies with no quoted market prices, the fair value is determined by using valuation techniques incorporating estimates and assumptions consistent with those generally used by other market participants in their estimates of fair value.

The Group uses "Black-Scholes model" to determine the fair value.

- c) The fair value of the unlisted shares is estimated by reference to comparable targets and compares investees' assets, liabilities, profit and loss with the observable share prices and gives them implicit value multiplier. The "Black-Scholes model" is adopted according to the individual terms of each equity instrument, and it takes the observable share price, share price volatility, risk-free interest rate and exit probability as the parameters, and comprehensively considers the discount of non-controlling rights and liquidity risks.

c. Categories of financial instruments

	December 31	
	2020	2019
<u>Financial assets</u>		
Fair value through profit or loss (FVTPL)		
Mandatorily at FVTPL	\$ 233,438	\$ 150,256
Financial assets at amortized cost (Note 1)	23,244,380	23,115,972
Financial assets at FVTOCI		
Equity instruments	233,211	180,848
<u>Financial liabilities</u>		
Fair value through profit or loss (FVTPL)		
Held for trading	6,877	-
Financial liabilities at amortized cost (Note 2)	9,121,670	9,041,674

Note 1: The balances of financial assets measured at amortized cost comprise cash and cash equivalents, notes and accounts receivable, other receivables, other financial assets, refundable deposits and debt securities.

Note 2: The balances of financial liabilities measured at amortized cost comprise short-term loans, accounts payable, other payables and guarantee deposits.

d. Objectives and policies of financial risk management

The Group's major financial instruments include equity and bond investments, accounts receivable, borrowings, accounts payable, and lease liabilities. The Group's corporate finance function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of derivatives and non-derivative financial instruments, and the investment of excess liquidity. The compliance with policies and the control of exposure limits are reviewed by the internal auditors on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The corporate finance function reports quarterly to the Corporation's Board of Directors and Audit Committee for their overall supervision and control to risks and policy implementation.

1) Market risk

The Group's activities are exposed to the financial risks primarily arising from the changes in foreign currency exchange rates (see (a) below), interest rates (see (b) below) and other prices (see (c) below). The Group enters into a variety of derivative financial instruments including forward exchange and currency-swap contracts to manage its exposure to foreign currency risk.

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

a) Foreign currency risk

The Group's operating activities are partially denominated in foreign currencies and apply natural hedge. The purpose of the Group's management of the foreign currency risk is to hedge the risk instead of making a profit.

The strategy of foreign currency risk management is to review the net position exposed to foreign currency risk and manage the risk of the net position. The Group selects the instruments to hedge currency exposure by considering the hedge cost and hedge period. The Group currently utilizes derivative financial instruments, primarily buys/sells forward exchange contracts, to hedge its currency exposure.

The Group uses forward exchange contracts to eliminate currency exposure. It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item for maximizing the hedge effectiveness.

Investing in foreign operations is for strategic purposes; it is not hedged by the Group.

Sensitivity analysis

The Group is mainly exposed to the exchange rate fluctuation of USD, JPY and EUR.

The following table details the Group's sensitivity to a 5% increase and decrease in the New Taiwan dollar (i.e., the functional currency) against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign currency denominated monetary items (including cash and cash equivalents, financial assets, accounts receivable, other receivables, refundable deposits, accounts payable, and other payables) designated as cash flow hedges, and adjusts their translation at the end of the year for a 5% change in foreign currency rates. The following table indicates the influences when the New Taiwan dollars strengthen 5% against the relevant currency.

	Impact on USD Items	
	For the Year Ended December 31	
	2020	2019
Gain	\$ 2,420	\$ 29,367
	Impact on JPY Items	
	For the Year Ended December 31	
	2020	2019
Loss	\$ 5,318	\$ 558
	Impact on EUR Items	
	For the Year Ended December 31	
	2020	2019
Loss	\$ 13,944	\$ 910

b) Interest rate risk

The Group's financial assets are exposed to interest rate risk both at fixed and floating interest rates.



The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows.

	December 31	
	2020	2019
Fair value interest rate risk		
Financial assets	\$ 11,764,200	\$ 13,408,037
Financial liabilities	3,988,074	4,574,514
Cash flow interest rate risk		
Financial assets	5,702,822	4,420,028

Sensitivity analysis

The sensitivity analyses below are determined based on the Group's exposure to interest rates for the derivative and non-derivative instruments at the end of the reporting period. For the floating rate assets, the analysis is prepared assuming the amount of the asset at the end of the reporting date is outstanding during the reporting year.

If the market interest rate increases/decreases by 0.1% and all other variables remain constant, the pre-tax profit of the Group for the years ended on December 31, 2020 and 2019 will increase/decrease by \$5,703 thousand and \$4,420 thousand, respectively, resulting from the exposure of the net assets with floating rate.

c) Other price risk

The Group is exposed to price risk arising from its investments in shares. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to security price risks at the end of the reporting period.

If financial assets at FVTOCI share prices had been 5% higher/lower, the other comprehensive income for the years ended December 31, 2020 and 2019 would have increased/decreased by \$11,661 thousand and \$9,042 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations and result in financial loss to the Group. At the end of the reporting period, the Group may have a financial loss due to the default on obligation from a counterparty, and the maximum exposure to credit risk is the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

In order to mitigate credit risk, the Group has made the policy of credit management to ensure that appropriate action is taken to recover overdue receivables. In addition, the Group reviews the recoverable amount of each receivable debt at the end of the reporting period to ensure that adequate allowance for impairment losses are made for irrecoverable amounts. In this regard, the Group considers the credit risk is significantly reduced.

The credit risk on operating funds and derivatives is limited as the counterparties are creditworthy banks.

The Group's accounts receivable outstanding arose from trading with its customers spreading across diverse industries and geographical areas. The balances are monitored on an ongoing basis by evaluating the customer's financial condition.

The Group's credit concentration risk was related to the 5 largest customers. Besides the 5 largest customers, credit concentration risks related to other customers do not exceed 10% of total gross accounts receivable at any time during the period. The 5 largest customers are creditworthy counterparties; therefore, the Group believes the concentration of credit risk is insignificant for the remaining accounts receivable.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining adequate reserves of cash and cash equivalents to fund the Group's operations and mitigate the effects of fluctuations in cash flows.

a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

December 31, 2020

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	More than 15 Years	Total
Non-derivative financial liabilities						
Non-interest bearing liabilities	\$ 6,701,679	\$ -	\$ -	\$ -	\$ -	\$ 6,701,679
Lease liabilities	294,066	713,304	628,920	272,425	168,245	2,076,960
Short-term loans	<u>2,273,118</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,273,118</u>
	<u>\$ 9,268,863</u>	<u>\$ 713,304</u>	<u>\$ 628,920</u>	<u>\$ 272,425</u>	<u>\$ 168,245</u>	<u>\$ 11,051,757</u>

December 31, 2019

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	More than 15 Years	Total
Non-derivative financial liabilities						
Non-interest bearing liabilities	\$ 5,775,523	\$ -	\$ -	\$ -	\$ -	\$ 5,775,523
Lease liabilities	275,164	586,609	509,991	93,248	-	1,465,012
Short-term loans	<u>3,210,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,210,000</u>
	<u>\$ 9,260,687</u>	<u>\$ 586,609</u>	<u>\$ 509,991</u>	<u>\$ 93,248</u>	<u>\$ -</u>	<u>\$ 10,450,535</u>

b) Liquidity and interest rate risk tables for derivative financial liabilities

The following tables detail the Group's liquidity analysis for its derivative financial instruments. The tables were based on the undiscounted net inflows and outflows from those derivatives with gross settlement.



December 31, 2020

	Less than 1 Year	More than 1 Year
<u>Gross settled</u>		
Forward exchange and currency-swap contracts		
Inflows	\$ 7,408,539	\$ -
Outflows	<u>(7,382,042)</u>	<u>-</u>
	<u>\$ 26,497</u>	<u>\$ -</u>

December 31, 2019

	Less than 1 Year	More than 1 Year
<u>Gross settled</u>		
Forward exchange and currency-swap contracts		
Inflows	\$ 5,537,934	\$ -
Outflows	<u>(5,487,804)</u>	<u>-</u>
	<u>\$ 50,130</u>	<u>\$ -</u>

c) Financial facilities

	<u>December 31</u>	
	2020	2019
Unsecured bank credit facilities (Reviewed annually)	\$ 2,336,000	\$ 3,212,000
Amount used	<u>12,334,000</u>	<u>9,906,000</u>
Amount unused	<u>\$ 14,670,000</u>	<u>\$ 13,118,000</u>

32. TRANSACTIONS WITH RELATED PARTIES

Intercompany balances and transactions between the Corporation and its subsidiaries, which are related parties of the Corporation, have been eliminated upon consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties were disclosed below.

a. Name and relationship of related parties

<u>Name</u>	<u>Relationship with the Group</u>
Taiwan Semiconductor Manufacturing Company Ltd.	Investor with significant influence over the Group
Image Match Design Inc.	Key management personnel (Not-related party since June 12, 2020)
Shenzhen Winsemi Microelectronics Co., Ltd.	Key management personnel
Global Unichip Corp.	Substantial related party
Systems on Silicon Manufacturing Co. Pte. Ltd.	Substantial related party
CMSC, Inc.	Associate
Qromis, Inc.	Associate

b. Operating transactions

	Revenue from Sales of Goods	
	For the Year Ended December 31	
	2020	2019
Investors with significant influence over the Group		
Taiwan Semiconductor Manufacturing Company Ltd.	\$ 3,471,499	\$ 3,062,881
Key management personnel	67,393	74,628
Substantial related parties	68,135	46,203
Associates	<u>58,741</u>	<u>31,519</u>
	<u>\$ 3,665,768</u>	<u>\$ 3,215,231</u>

	Purchases (Returns)	
	For the Year Ended December 31	
	2020	2019
Investors with significant influence over the Group	\$ 720	\$ 161
Substantial related parties	<u>(12,422)</u>	<u>(1,722)</u>
	<u>\$ (11,702)</u>	<u>\$ (1,561)</u>

	Manufacturing Expenses	
	For the Year Ended December 31	
	2020	2019
Investors with significant influence over the Group	<u>\$ 46,902</u>	<u>\$ 25,423</u>

	Research and Development Expenses	
	For the Year Ended December 31	
	2020	2019
Investors with significant influence over the Group	<u>\$ 310</u>	<u>\$ -</u>

	Non-operating Income and Gains	
	For the Year Ended December 31	
	2020	2019
Investors with significant influence over the Group	<u>\$ 4,528</u>	<u>\$ 10,754</u>

The following balances were outstanding at the end of the reporting period:

	Receivables from Related Parties	
	December 31	
	2020	2019
Investors with significant influence over the Group		
Taiwan Semiconductor Manufacturing Company Ltd.	\$ 309,320	\$ 153,977
Key management personnel	3,258	26,773
Associates	8,920	8,447
Substantial related parties	<u>3,395</u>	<u>9,887</u>
	<u>\$ 324,893</u>	<u>\$ 199,084</u>



Other Receivables from Related Parties		December 31	
		2020	2019
Investors with significant influence over the Group			
Taiwan Semiconductor Manufacturing Company Ltd.		\$ 2,085	\$ -
Associates			
Qromis, Inc.		<u>1,001</u>	<u>-</u>
		<u>\$ 3,086</u>	<u>\$ -</u>
Payables to Related Parties		December 31	
		2020	2019
Substantial related parties			
Systems on Silicon Manufacturing Co. Pte. Ltd.		<u>\$ -</u>	<u>\$ 12,195</u>
Other Payables to Related Parties		December 31	
		2020	2019
Investors with significant influence over the Group			
Taiwan Semiconductor Manufacturing Company Ltd.		<u>\$ 4,311</u>	<u>\$ 3,920</u>
Contract Liabilities - Advanced Receipts (Other Current Liabilities)		December 31	
		2020	2019
Key management personnel		\$ 1,046	\$ 7,400
Associates		-	835
Substantial related parties		<u>-</u>	<u>283</u>
		<u>\$ 1,046</u>	<u>\$ 8,518</u>
Guarantee Deposits (Other Non-current Liabilities)		December 31	
		2020	2019
Key management personnel			
Shenzhen Winsemi Microelectronics Co., Ltd.		<u>\$ 11,239</u>	<u>\$ 11,995</u>

The terms of sales and purchases transactions with related parties were not significantly different from those transactions of third parties. However, for other related-party transactions, outsourcing, non-operating income and gains and guarantee deposits, there were no similar transactions in the market; thus, transaction terms were determined in accordance with related contracts.

c. Compensation of key management personnel

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	\$ 275,754	\$ 229,791
Post-employment benefits	<u>2,451</u>	<u>2,922</u>
	<u>\$ 278,205</u>	<u>\$ 232,713</u>

The remuneration of directors and other key management personnel was determined by the Compensation Committee in accordance with the individual performance and the market trends.

33. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets had been pledged as guarantee for customs duty and lease of the manufacturing plant from the Hsinchu Science Park Bureau:

	December 31	
	2020	2019
Pledged time deposits (presented under other non-current assets)	<u>\$ 304,190</u>	<u>\$ 304,087</u>

34. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The significant commitments of the Group as of December 31, 2020 were as follows:

The Corporation entered into a “Manufacturing, License, and Technology Transfer Agreement” with Taiwan Semiconductor Manufacturing Company Ltd. beginning January 1, 2004; under the agreement, the Corporation pays fees according to the net sales of certain products and reserved portion of its production capacity.

35. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the entities in the Group and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

	December 31			
	2020		2019	
	Foreign Currency	Exchange Rate	Foreign Currency	Exchange Rate
<u>Financial assets</u>				
Monetary items				
USD	\$ 623,659	28.097	\$ 546,472	29.988
EUR	4,946	34.531	1,194	33.617
JPY	479,518	0.2724	277,080	0.2761
SGD	7,219	21.252	18,691	22.266
RMB	1,269	4.319	907	4.295

(Continued)

	December 31			
	2020		2019	
	Foreign Currency	Exchange Rate	Foreign Currency	Exchange Rate
Non-monetary items				
USD	\$ 5,884	28.097	\$ 6,751	29.988
RMB	11,576	4.319	12,352	4.295
Derivative instruments				
USD	23,000	28.097	-	-
EUR	4,000	34.531	-	-
JPY	310,410	0.2724	-	-
<u>Financial liabilities</u>				
Monetary items				
USD	84,168	28.097	56,160	29.988
EUR	870	34.531	652	33.617
JPY	399,506	0.2724	236,680	0.2761
SGD	51,966	21.252	841	22.266
RMB	31	4.319	79	4.295
Derivative instruments				
USD	239,489	28.097	183,000	29.988
SGD	30,732	21.252	-	-
				(Concluded)

Please refer to the consolidated statements of comprehensive income for the total of realized and unrealized foreign exchange gain and loss for the years ended December 31, 2020 and 2019. Since there were varieties of foreign currency transactions and functional currencies within the subsidiaries of the Group, the Group was unable to disclose foreign exchange gain (loss) by each foreign currency with significant impact.

36. SEPARATELY DISCLOSED ITEMS

Information on significant transactions and information on investees:

- Financing provided to others: Table 1 (attached)
- Endorsements/guarantees provided: Table 2 (attached)
- Marketable securities held (excluding investment in subsidiaries, associates and jointly ventures): Table 3 (attached)
- Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: Table 4 (attached)
- Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None.
- Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5 (attached)

- h. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 6 (attached)
- i. Trading in derivative instruments: Notes 7 and 11.
- j. Intercompany relationships and significant intercompany transactions: Table 7 (attached)
- k. Information on investees: Table 8 (attached)
- l. Information on investment 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, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 9 (attached)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: Table 7 (attached)
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period
 - c) The amount of property transactions and the amount of the resultant gains or losses
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receiving of services
- m. Information of major shareholders:

List all shareholders with ownership of 5% or greater showing the name, the number of shares owned, and percentage of ownership hold by each shareholder: Table 10 (attached)

37. SEGMENT INFORMATION

- a. Segment revenue, results and segment assets

For the purpose of resource allocation and performance assessment, the Group's chief operating decision maker reviews operating results and financial information on a per plant basis. It focuses on the operating result of each plant. Accordingly, each plant constitutes an operating segment of the Group. As each plant shares similar economic characteristics, produces similar products by using similar production process and all of products produced are distributed and sold to the same level of customers through a central sales function, the Group's segments are aggregated into a single reportable segment.

The revenue, operating results and financial information on a plant by plant basis presented to the chief operating decision maker are consistent with the information in the consolidated financial statements. The segment revenue and operating results for the years ended December 31, 2020 and 2019 can be referred to the consolidated statements of comprehensive income for the years ended December 31, 2020 and 2019. The segment assets as of December 31, 2020 and 2019 can be referred to the consolidated balance sheets as of December 31, 2020 and 2019.

b. Revenue from major products and services

For the Group's revenue from its major products and services, please refer to Note 25.

c. Geographic information

For revenue by region as of December 31, 2020 and 2019, please refer to Note 25. Non-current assets by region were as follows:

	Non-current Assets	
	December 31	
	2020	2019
Asia	\$ 15,732,384	\$ 15,265,289
America	<u>204</u>	<u>1,562</u>
Total	<u>\$ 15,732,588</u>	<u>\$ 15,266,851</u>

Non-current assets exclude the investments accounted for by the equity method, financial instruments, intangible assets, deferred income tax assets, refundable deposits and other assets.

d. Major customers

Sales to customers amounting to at least 10% of total gross revenue:

Customer	For the Year Ended December 31	
	2020	2019
A	\$ 5,545,103	\$ 4,865,261
B	3,471,499	3,062,881

TABLE 1

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Financing Company	Counterparty	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrowing Company (Note 3)	Total Available Amount for Leading (Note 3)	Note
													Item	Value			
0	Vanguard International Semiconductor Corporation	Vanguard International Semiconductor Singapore Pte. Ltd.	Other receivables from related parties	Note 2	\$ 1,513,150 (USD 50,000)	\$ 1,404,850 (USD 50,000)	\$ 280,970 (USD 10,000)	0.72	For short-term financing	\$ -	Capital expenditures and operating funding needed	\$ -	-	\$ -	\$ 2,955,759	\$ 5,911,519	-

Note 1: The description of the number column is as follows:

(1) Issuer fills in 0.

(2) The invested company is numbered sequentially according to the company from arabic number 1.

Note 2: Directly held subsidiary.

Note 3: The amount of loan to each borrowing company and the total available amount for all borrowings shall not exceed 10% and 20% of the Corporation's net equity, respectively.



TABLE 2

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Endorsement/Guarantee Provider	Guarantee Party		Limit Amount for Endorsement/ Guarantee to Each Guarantee Party (Note 3)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements (%)	Allowable amount for Endorsement/ Guarantee (Note 3)	Endorsement/ Guarantee Provided by Subsidiaries	Endorsement/ Guarantee Provided to Subsidiaries in Mainland China	Note
		Company Name	Nature of Relationship										
0	Vanguard International Semiconductor Corporation	Vanguard International Semiconductor Singapore Pte. Ltd.	Note 2	\$ 8,867,279	\$ 707,717 (USD 23,600)	\$ -	\$ -	\$ -	-	\$ 8,867,279	No	No	-

Note 1: The description of the number column is as follows:

- (1) Issuer fills in 0.
- (2) The invested company is numbered sequentially according to the company from arabic number 1.

Note 2: Directly held subsidiary.

Note 3: The individual amount to each company and the total amount of endorsement/guarantee shall not exceed 30% of the Corporation's net equity.

TABLE 3

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Marketable Security Type and Name (Note 1)	Relationship with the Securities Issuer	Financial Statement Account	Shares/Units (Thousands)	December 31, 2020 Carrying Value	% of Ownership	Market Value or Net Asset Value	Note
Vanguard International Semiconductor Corporation	Structured Instruments Yang Ming Marine Transport Corporation 5 th credit linked structured investment notes	-	Financial assets at fair value through profit or loss - current	-	\$ 200,064	-	\$ 200,064	-
	Shares							
	Advanced Microelectronic Products Inc.	Investee	Financial assets at fair value through other comprehensive income - non-current	30,000	66,000	7%	66,000	-
	United Industrial Gases Co., Ltd.	Investee	Financial assets at fair value through other comprehensive income - non-current	4,246	115,761	2%	115,761	-
	AnDAPT Holding Ltd.	Investee	Financial assets at fair value through other comprehensive income - non-current	1,000	-	6%	-	-
	Image Match Design Inc.	Investee	Financial assets at fair value through other comprehensive income - non-current	590	1,455	2%	1,455	-
	Voltafield Technology Corporation (Cayman)	Investee	Financial assets at fair value through other comprehensive income - non-current	600	-	2%	-	-
	Shenzhen Winsemi Microelectronics Co., Ltd.	Investee	Financial assets at fair value through other comprehensive income - non-current	-	49,995	9%	49,995	-
	Financial Debentures							
	MEGA Bank 2014 1 st Subordinated Financial Debentures	-	Financial assets at amortized cost - current	-	100,136	-	100,293	-
	MEGA Bank 2014 2 nd Subordinated Financial Debentures	-	Financial assets at amortized cost - current	-	150,376	-	150,852	-
	Taiwan Cooperative Bank 2014 1 st Subordinated Financial Debentures	-	Financial assets at amortized cost - current	-	100,228	-	100,475	-
VIS Associates Inc.	Government bonds The Kingdom of Saudi Arabia	-	Financial assets at amortized cost - current	-	45,001	-	45,646	-
	Bonds							
	ABN AMRO Bank N.V. (XS1377968307)	-	Financial assets at amortized cost - current	-	56,251	-	56,333	-
	ABN AMRO Bank N.V. (XS1871116171)	-	Financial assets at amortized cost - current	-	112,278	-	114,637	-
	Aozora Bank Ltd.	-	Financial assets at amortized cost - current	-	68,030	-	68,821	-
	AVIC International Finance & Investment Ltd.	-	Financial assets at amortized cost - current	-	121,563	-	122,013	-
	Azure Nova Finance (XS1511025907)	-	Financial assets at amortized cost - current	-	56,113	-	56,784	-
	Bank of China Ltd., Hong Kong Branch (XS137152208)	-	Financial assets at amortized cost - current	-	196,308	-	197,152	-
	Bank of China Ltd., Luxembourg Branch	-	Financial assets at amortized cost - current	-	169,682	-	169,747	-
	BOC Aviation Ltd. (US09681MAC29)	-	Financial assets at amortized cost - current	-	47,690	-	48,070	-
	BOC Aviation Ltd. (US09681MAG33)	-	Financial assets at amortized cost - current	-	56,279	-	56,170	-
	Credit agricole S.A., London Branch	-	Financial assets at amortized cost - current	-	195,633	-	198,661	-
	DIB Sukuk Ltd. (XS1387925958)	-	Financial assets at amortized cost - current	-	81,719	-	82,108	-
	Foxconn (Far East) Ltd.	-	Financial assets at amortized cost - current	-	225,711	-	226,733	-
	HSBC Holdings PLC (US404280AV16)	-	Financial assets at amortized cost - current	-	252,873	-	254,294	-
	Kookmin Bank	-	Financial assets at amortized cost - current	-	252,781	-	259,264	-
	Lloyds Banking Group PLC	-	Financial assets at amortized cost - current	-	56,258	-	56,379	-

(Continued)





Holding Company Name	Marketable Security Type and Name (Note 1)	Relationship with the Securities Issuer	Financial Statement Account	September 30, 2020			Note
				Shares/Units (Thousands)	Carrying Value	% of Ownership	Market Value or Net Asset Value
VIS Associates Inc.	Mitsubishi UFJ Financial Group Inc. (US606822AF11)	-	Financial assets at amortized cost - current	-	\$ 55,948	-	\$ 56,576
	Mizuho Financial Group Inc.	-	Financial assets at amortized cost - current	-	159,720	-	161,152
	QNB Finance Ltd. (XS1824431313)	-	Financial assets at amortized cost - current	-	280,970	-	281,005
	Santander UK PLC (US802831LA08)	-	Financial assets at amortized cost - current	-	224,525	-	227,533
	Union National Bank P.J.S.C	-	Financial assets at amortized cost - current	-	140,854	-	142,944
	Xingsheng (BVI) Company Ltd.	-	Financial assets at amortized cost - current	-	130,676	-	131,716
	ABO Finance Ltd.	-	Financial assets at amortized cost - non-current	-	195,822	-	198,934
	Azure Nova Finance (XS1572322318)	-	Financial assets at amortized cost - non-current	-	169,951	-	172,774
	Bank of China Ltd., Hong Kong Branch (XS1561673986)	-	Financial assets at amortized cost - non-current	-	143,834	-	143,660
	Bank of China Ltd., Hong Kong Branch (XS1641476657)	-	Financial assets at amortized cost - non-current	-	141,078	-	140,801
	BMW finance NV	-	Financial assets at amortized cost - non-current	-	197,375	-	198,300
	BPCE S.A.	-	Financial assets at amortized cost - non-current	-	139,249	-	147,068
	China Construction Bank Co., Hong Kong	-	Financial assets at amortized cost - non-current	-	267,058	-	269,967
	CK Hutchison International (17) Ltd.	-	Financial assets at amortized cost - non-current	-	114,201	-	115,401
	DIB Sukuk Limited (XS1565166789)	-	Financial assets at amortized cost - non-current	-	85,303	-	86,929
	Emirates NBD Bank P.J.S.C	-	Financial assets at amortized cost - non-current	-	140,103	-	146,719
	First Abu Dhabi Bank P.J.S.C	-	Financial assets at amortized cost - non-current	-	56,401	-	56,509
	HSBC Holdings PLC (US404280BF56)	-	Financial assets at amortized cost - non-current	-	84,332	-	85,958
	ICBC, Hong Kong Branch	-	Financial assets at amortized cost - non-current	-	287,644	-	287,046
	ICBC, Luxembourg Branch	-	Financial assets at amortized cost - non-current	-	253,048	-	252,514
	ICBC, Singapore Branch (XS1602480177)	-	Financial assets at amortized cost - non-current	-	141,117	-	140,869
	ICBC, Singapore Branch (XS2225790588)	-	Financial assets at amortized cost - non-current	-	75,902	-	75,742
	ING Group N.V.	-	Financial assets at amortized cost - non-current	-	113,158	-	113,594
	Inventive Global Investments Ltd.	-	Financial assets at amortized cost - non-current	-	281,665	-	281,856
	Lotte Property & Development Co., Ltd	-	Financial assets at amortized cost - non-current	-	84,525	-	84,501
	Mitsubishi UFJ Financial Group Inc. (US606822BG84)	-	Financial assets at amortized cost - non-current	-	88,183	-	90,020
	QNB Finance Ltd. (XS1985100509)	-	Financial assets at amortized cost - non-current	-	253,391	-	253,505
	Santander UK PLC (US802831LAY92)	-	Financial assets at amortized cost - non-current	-	137,519	-	145,252
	Shinhan Bank	-	Financial assets at amortized cost - non-current	-	124,615	-	127,104
	State Elite Global Ltd.	-	Financial assets at amortized cost - non-current	-	288,578	-	288,452
	Sumitomo Mitsui Financial Group, Inc.	-	Financial assets at amortized cost - non-current	-	114,178	-	118,585
	Want Want China Finance Ltd.	-	Financial assets at amortized cost - non-current	-	227,920	-	229,079

Note 1: Marketable securities mentioned in the table include shares, bonds, beneficiary certificate and the derivative securities from a forementioned items.

Note 2: As of December 31, 2020, all the securities were not pledged or restricted.

Note 3: With respect to the information of subsidiaries, associates and joint ventures, please see Tables 8 and 9.

(Concluded)

TABLE 4

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition (Note 1)		Disposal		Gain (Loss) on Disposal		Ending Balance (Note 2)	
					Shares/Units (Thousands)	Amount	Shares/Units (Thousands)	Amount	Shares/Units (Thousands)	Amount	Carrying Amount		Shares/Units (Thousands)	Amount
Vanguard International Semiconductor Corporation	Unlisted shares Investment Vanguard International Semiconductor Corporation Singapore Pte. Ltd.	Investment accounted for using equity method	-	Subsidiary	325,610	\$ 7,100,120	74,390	\$ 1,656,368	-	\$ -	-	\$ -	400,000	\$ 7,053,306

Note 1: Subscription of cash injection shares.

Note 2: The ending balance included the profit and loss recognized by using equity method and the exchange differences on translation of the financial statements of foreign operations.



TABLE 5

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Detail			Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchases/Sales	Amount	% to Total	Payment Term	Unit Price	Payment Term	Ending Balance	
Vanguard International Semiconductor Corporation	Taiwan Semiconductor Manufacturing Company Ltd.	Major shareholder	Sales	\$ 3,471,499	10	30 days after closing	\$ -	-	\$ 309,320	5
										-

TABLE 6

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2020**

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Vanguard International Semiconductor Corporation	Taiwan Semiconductor Manufacturing Company Ltd.	Major shareholder	\$ 309,320	14.99	\$ -	-	\$ -	\$ -



TABLE 7

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

No.	Company Name	Company Name	Nature of Relationship	Intercompany Transactions			Percentage of Consolidated Net Revenue or Total Assets
				Financial Statement Item	Amount	Terms (Note)	
0	Vanguard International Semiconductor Corporation	VIS Micro, Inc.	Transaction from ultimate parent company to subsidiary	Marketing expenses	\$ 86,876	-	0.26%
		VIS Shanghai Company Limited	Directly held subsidiary	Other payables to related parties	11,031	-	0.03%
		Vanguard International Semiconductor Singapore Pte. Ltd.	Directly held subsidiary	Marketing expenses	846	-	-
				Interest income	145	-	-
				Other receivables from related parties	324,729	-	0.74%
				Sales revenue	146,813	-	0.44%
				Purchases	7,748	-	0.02%
				Payables to related parties	3,119	-	-

Note: The trade term of the intercompany transactions was based on related agreements.

TABLE 8

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEE OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING THE INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2020		Net Gain (Loss) of the Investee (Foreign Currencies in Thousands)	Investment Gain (Loss) Recognized (Foreign Currencies in Thousands)	Note
				December 31, 2020 (Foreign Currencies in Thousands)	December 31, 2019 (Foreign Currencies in Thousands)	Shares (In Thousands)	Percentage of Ownership			
Vanguard International Semiconductor Corporation	VIS Associates Inc.	British Virgin Islands	Investments	\$ 9,774,919	\$ 9,774,919	317	100	\$ 215,113	\$ 215,113	Subsidiary
	Vanguard International Semiconductor Singapore Pte. Ltd.	Singapore	Semiconductor manufacturing, selling and packaging	9,105,342	7,448,974	400,000	100	(1,318,840)	(1,318,840)	Subsidiary
	CMSC, Inc.	Hsinchu City, Taiwan	Integrated circuit design services and related businesses	112,650	112,650	9,902	25	3,360	838	Investment accounted for using equity method
	Qromis, Inc.	Delaware, USA	Semiconductor research and development related businesses	347,490	347,490	10,705	39	(64,860)	(25,496)	Investment accounted for using equity method
VIS Associates Inc.	VIS Investment Holding, Inc.	Delaware, USA	Investments	175,606 (US\$ 6,250)	187,425 (US\$ 6,250)	63	100	707 (US\$ 24)	707 (US\$ 24)	Subsidiary
VIS Investment Holding, Inc.	VIS Micro, Inc.	California, USA	Marketing services	5,619 (US\$ 200)	5,998 (US\$ 200)	200	100	3,087 (US\$ 104)	3,087 (US\$ 104)	Subsidiary



TABLE 9

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020
(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, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020	Note
					Outflow	Inflow							
VIS Shanghai Company Limited	Marketing services	\$ 4,556 (RMB 1,000 thousand)	Note 1	\$ 4,556 (RMB 1,000 thousand)	\$ -	\$ -	\$ 4,556 (RMB 1,000 thousand)	\$ (23) (RMB (5) thousand)	100	\$ (23) (RMB (5) thousand)	\$ 4,072 (RMB 943 thousand)	\$ -	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020	Investment Amount Authorized by Investment Commission, MOEA (Note 3)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$4,556 (RMB1,000 thousand)	\$4,556 (RMB1,000 thousand)	\$17,734,558

Note 1: Directly invested.

Note 2: The amount was recognized based on the subsidiary's financial statements which were audited by the certified public account of parent company.

Note 3: The investment amount in Mainland China authorized by Investment Commission, MOEA totaled \$109,105 thousand (RMB23,340 thousand), of which \$104,549 thousand (RMB 22,340 thousand) is accounted for financial assets at fair value through other comprehensive income. Please refer to Table 3.

TABLE 10

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION

INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2020

Name of Major Shareholders	Shares	
	Shares of Ownership (Shares)	% of Ownership
Taiwan Semiconductor Manufacturing Company Ltd. National Development Fund, Executive Yuan JPMorgan Chase Bank, N.A., Taipei Branch in custody of capital income founder fund	464,223,493	28.32
	274,029,592	16.71
	98,037,249	5.98

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation base on the last business day for the current quarter and calculated by the shareholders' ordinary shares including treasury stock which is registered for securities issued in dematerialized form over 5% of 1,638,982 thousand shares issued by the Corporation.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustee who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.





INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Vanguard International Semiconductor Corporation

Opinion

We have audited the accompanying parent company only financial statements of Vanguard International Semiconductor Corporation (the "Corporation"), which comprise the parent company only balance sheets as of December 31, 2020 and 2019, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies (collectively referred to as the "parent company only financial statements").

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Corporation as of December 31, 2020 and 2019, and the parent company only financial performance and the parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters identified in the parent company only financial statements of the Corporation for the year ended December 31, 2020, are described as follows:

Timing of revenue recognition

1. The sales revenue of the Corporation is material to the Corporation. Please refer to Note 24. The major types of transactions together with their timing of recognition are as follows:
 - 1) Revenue generated from domestic shipment with the transaction term of ex-works accounted for approximately 52% of total revenue and is recognized as sales revenue at point of ex-factory. Revenue generated from domestic shipment with the transaction term of delivered-at-place accounted for 22% of

total revenue and is also recognized at point of ex-factory as the goods are delivered and received on the same day.

- 2) Revenue generated from overseas shipment accounted for 26% of the total revenue and is recognized when the risk of goods is transferred to customers.
2. Revenues generated from domestic and foreign shipments which are recognized at point of ex-factory accounted for 99% of total revenue. In the revenue recognition process, sales personnel verify the shipment on the computer system, and the system automatically recognizes the sales revenue and issues invoice. When the customers or their designated forwarders have withdrawn the goods, the warehouse personnel will sign off on handheld devices and transmit the information to the shipping system. The system automatically checks the goods withdrawn on a daily basis. For goods that are not withdrawn, the system will notify sales personnel for confirmation and delete from the shipping list and the sales revenue will be reversed automatically and the invoice cancelled.
3. Since the above process also consists of manual controls, there is a risk that revenue before and after the end of the reporting period may not be in the appropriate period.
4. We reviewed the revenue recognition policy of the Corporation, assessed the reasonableness of the revenue recognition process, conducted on-site observation and recorded the details of the last shipment for the year ended 2020. We also traced all of the shipping records at December 31, 2020, against relevant supporting documents and accounting records to verify the accuracy of the timing of sales revenue recognition as well as the monetary amount, and evaluated whether the risk and rewards of goods have been transferred.

Timing of capitalization of property, plant and equipment

1. The annual capital expenditure of the Corporation relating to property, plant and equipment is significant to its parent company only financial statements. Because of the significance of such expenditure, delay in the capitalization may lead to the parent company only financial statements not fairly presented. Please refer to Note 15.
2. We reviewed the capital expenditure policy of the Corporation on property, plant and equipment, assessed the reasonableness of the timing of capitalization. We also:
 - 1) Selected samples of newly acquired items from the lists of Advance Payments and Construction in Progress at the end of the year and verified that the items were included in the list of uncanceled items.
 - 2) Selected samples of items transferred from Advance Payments and Construction in Progress to Property, Plant and Equipment and verified that such items were not included in the list of uncanceled items.
 - 3) Selected samples of items in the list of uncanceled items at the end of the year and performed on-site inspection of such items not ready for their intended use.
 - 4) Selected samples of items that were not capitalized within three months in the list of uncanceled items and verified that such uncanceled items were approved by supervisors and its reasons.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.



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

Those charged with governance, including the audit committee, are responsible for overseeing the Corporation's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

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

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



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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Tung-Hui Yeh and Ming-Yuan Chung.

Deloitte & Touche

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 1, 2021

Notice to Readers

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

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



VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION

PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4, 6 and 30)	\$ 7,293,431	18	\$ 6,501,310	16
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 30)	233,438	1	150,256	-
Financial assets at amortized cost - current (Notes 4, 5, 9, 10 and 30)	350,740	1	-	-
Notes and accounts receivable, net (Notes 4, 5, 12, 24 and 30)	4,690,649	11	4,769,130	11
Receivables from related parties (Notes 4, 5, 24, 30 and 31)	324,893	1	199,084	1
Other receivables (Notes 4 and 30)	113,090	-	132,020	-
Other receivables from related parties (Notes 4, 30 and 31)	327,815	1	19,860	-
Inventories (Notes 4 and 13)	2,488,144	6	3,091,826	8
Prepayments	150,018	-	152,761	-
Other current assets (Notes 18 and 30)	3,313	-	348,695	1
Total current assets	15,975,531	39	15,364,942	37
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8 and 30)	233,211	-	180,848	-
Financial assets at amortized cost - non-current (Notes 4, 5, 9, 10 and 30)	-	-	352,665	1
Investments accounted for using equity method (Notes 4 and 14)	16,394,334	40	17,162,037	41
Property, plant and equipment (Notes 4 and 15)	6,878,239	17	6,907,162	17
Right-of-use assets (Notes 4, 5, and 16)	1,122,023	3	1,284,759	3
Intangible assets (Notes 4 and 17)	51,082	-	72,744	-
Deferred income tax assets (Notes 4 and 26)	200,538	-	146,365	-
Refundable deposits (Note 30)	2,472	-	192,207	-
Other non-current assets (Notes 4, 18, 30 and 32)	304,190	1	304,087	1
Total non-current assets	25,186,089	61	26,602,874	63
TOTAL ASSETS	<u>\$ 41,161,620</u>	<u>100</u>	<u>\$ 41,967,816</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loans (Notes 19, 28 and 30)	\$ 1,430,200	3	\$ 3,210,000	8
Notes and accounts payable (Note 30)	1,042,184	3	1,011,737	2
Payables to related parties (Notes 30 and 31)	3,119	-	12,195	-
Accrued compensation of employees and remuneration of directors (Notes 25 and 30)	1,613,600	4	1,227,834	3
Payables to contractors and equipment suppliers (Note 30)	348,062	1	238,636	1
Other payables (Notes 20 and 30)	2,727,575	7	2,510,626	6
Other payables to related parties (Notes 30 and 31)	15,342	-	15,699	-
Current income tax liabilities (Notes 4 and 26)	1,236,441	3	1,081,752	3
Lease liabilities - current (Notes 4, 5, 16, 28 and 30)	200,759	-	201,490	-
Other current liabilities (Notes 21, 24 and 31)	858,913	2	744,783	2
Total current liabilities	9,476,195	23	10,254,752	25
NON-CURRENT LIABILITIES				
Deferred income tax liabilities (Notes 4 and 26)	314,361	1	206,169	-
Lease liabilities - non-current (Notes 4, 5, 16, 28 and 30)	954,620	2	1,104,724	3
Net defined benefit liabilities - non-current (Notes 4 and 22)	711,973	2	813,887	2
Other non-current liabilities (Notes 28, 30 and 31)	146,873	-	56,151	-
Total non-current liabilities	2,127,827	5	2,180,931	5
Total liabilities	11,604,022	28	12,435,683	30
EQUITY (Notes 4, 8 and 23)				
Share capital	16,389,823	40	16,389,823	39
Capital surplus	881,945	2	881,651	2
Retained earnings	5,713,252	14	5,127,697	12
Legal reserve	705,555	2	162,717	1
Special reserve	7,524,090	18	7,675,799	18
Unappropriated earnings	13,942,897	34	12,966,213	31
Total retained earnings	(1,657,067)	(4)	(705,554)	(2)
Other equity	29,557,598	72	29,532,133	70
Total equity	<u>\$ 41,161,620</u>	<u>100</u>	<u>\$ 41,967,816</u>	<u>100</u>
TOTAL LIABILITIES AND EQUITY				

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

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
NET REVENUE (Notes 4, 11, 16, 24 and 31)	\$ 30,610,342	100	\$ 28,302,399	100
COST OF REVENUE (Notes 4, 13, 25 and 31)	<u>18,048,926</u>	<u>59</u>	<u>17,952,404</u>	<u>63</u>
GROSS PROFIT	<u>12,561,416</u>	<u>41</u>	<u>10,349,995</u>	<u>37</u>
OPERATING EXPENSES (Notes 25 and 31)				
Marketing	375,545	1	331,463	1
General and administrative	1,503,765	5	1,312,748	5
Research and development	<u>1,699,004</u>	<u>6</u>	<u>1,657,115</u>	<u>6</u>
Total operating expenses	<u>3,578,314</u>	<u>12</u>	<u>3,301,326</u>	<u>12</u>
OPERATING INCOME	<u>8,983,102</u>	<u>29</u>	<u>7,048,669</u>	<u>25</u>
NON-OPERATING INCOME AND EXPENSES (Note 4)				
Interest income (Notes 25 and 31)	47,511	-	129,616	-
Dividend income (Notes 8 and 25)	31,071	-	30,330	-
Other income (Note 31)	64,146	-	162,485	1
Gain on financial assets and liabilities at fair value through profit or loss (Note 25)	132,039	1	9,594	-
Interest expense (Notes 4, 5 and 25)	(36,057)	-	(41,065)	-
Loss on disposal of property, plant and equipment	-	-	(273)	-
Net foreign exchange loss (Note 25)	(261,568)	(1)	(56,877)	-
Share of (loss) profit of subsidiaries, associates and joint ventures (Note 14)	<u>(1,128,408)</u>	<u>(4)</u>	<u>102,985</u>	<u>-</u>
Total non-operating income and expenses	<u>(1,151,266)</u>	<u>(4)</u>	<u>336,795</u>	<u>1</u>
INCOME BEFORE INCOME TAX	7,831,836	25	7,385,464	26
INCOME TAX EXPENSE (Notes 4 and 26)	<u>(1,526,316)</u>	<u>(5)</u>	<u>(1,524,967)</u>	<u>(5)</u>
NET INCOME	<u>6,305,520</u>	<u>20</u>	<u>5,860,497</u>	<u>21</u>

(Continued)

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (Notes 4 and 23)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 22)	\$ (85,186)	-	\$ (15,849)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	54,556	-	(42,029)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations	(1,004,966)	(3)	(481,924)	(2)
Share of other comprehensive loss of subsidiaries, associates and joint ventures (Note 14)	(10)	-	-	-
Total other comprehensive loss	(1,035,606)	(3)	(539,802)	(2)
TOTAL COMPREHENSIVE INCOME	\$ 5,269,914	17	\$ 5,320,695	19
EARNINGS PER SHARE (Note 27)				
Basic	\$ 3.85		\$ 3.58	
Diluted	\$ 3.81		\$ 3.54	

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)



VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 7,831,836	\$ 7,385,464
Adjustments for:		
Depreciation	2,058,678	2,125,230
Amortization	26,965	13,048
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	62	(126)
Interest expense	36,057	41,065
Interest income	(47,511)	(129,616)
Dividend income	(31,071)	(30,330)
Share of loss (profit) of subsidiaries, associates and joint ventures	1,128,408	(102,985)
Loss on disposal of property, plant and equipment	-	273
Net (gain) loss on foreign exchange	(4,847)	6,163
Changes in operating assets and liabilities:		
Financial assets mandatorily classified as at fair value through profit or loss	16,756	(48,604)
Notes and accounts receivable	78,481	542,755
Receivables from related parties	(125,809)	217,135
Other receivables	18,796	78,540
Other receivables from related parties	(36,677)	(6,236)
Inventories	603,682	323,759
Prepayments	2,743	4,924
Other current assets	345,382	(345,895)
Financial liabilities held for trading	-	(4,547)
Notes and accounts payable	207,093	(266,746)
Payables to related parties	(9,076)	(2,093)
Other payables	224,901	(46,864)
Other payables to related parties	(357)	(11,941)
Other current liabilities	114,130	216,150
Net defined benefit liabilities	(187,100)	(6,448)
Accrued compensation of employees and remuneration of directors	385,766	35,239
Cash generated from operations	12,637,288	9,987,314
Interest received	59,566	126,300
Interest paid	(44,009)	(32,069)
Income tax paid	(1,317,608)	(1,698,669)
Net cash generated from operating activities	11,335,237	8,382,876

(Continued)

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial assets at fair value through other comprehensive income	\$ 2,193	\$ 39,416
Proceeds from redemption of financial assets at amortized cost	-	100,000
Acquisitions of financial assets at fair value through profit or loss	(200,000)	(200,000)
Proceeds from disposal of financial assets at fair value through profit or loss	100,000	100,000
Acquisitions of investments accounted for using equity method	(1,656,368)	(8,984,998)
Acquisitions of property, plant and equipment	(1,721,171)	(2,482,475)
Proceeds from disposal of property, plant and equipment	236	11
Decrease in refundable deposits	13,554	15,026
Increase in other receivable - related parties	(281,900)	-
Acquisitions of intangible assets	(6,559)	(63,701)
Increase in other non-current assets	(103)	(128)
Dividends received	<u>321,838</u>	<u>410,190</u>
Net cash used in investing activities	<u>(3,428,280)</u>	<u>(11,066,659)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term loans	(1,779,800)	3,210,000
Repayment of the principal portion of lease liabilities	(181,229)	(169,692)
Increase (decrease) in other non-current liabilities	90,722	(637)
Cash dividends	(5,244,743)	(5,244,743)
Unclaimed dividends	<u>214</u>	<u>148</u>
Net cash used in financing activities	<u>(7,114,836)</u>	<u>(2,204,924)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	792,121	(4,888,707)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>6,501,310</u>	<u>11,390,017</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 7,293,431</u>	<u>\$ 6,501,310</u>

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)



VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Vanguard International Semiconductor Corporation (the “Corporation”) was incorporated in Hsinchu Science Park in December 1994 and commenced business in January 1995. The Corporation engages mainly in the manufacturing, selling, packaging, testing and computer-aided design of integrated circuits and other semiconductor devices and the manufacturing of masks.

The Corporation’s shares have been traded over the counter on the Taipei Exchange since March 25, 1998.

The parent company only financial statements are presented in the Corporation’s functional currency, New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The parent company only financial statements were approved and authorized for issue by the Corporation’s Board of Directors on February 1, 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 IFRSs endorsed and issued into effect by the FSC did not have any material impact on the accounting policies of the Corporation.

- b. The IFRSs endorsed by the FSC for application starting from 2021

New IFRSs	Effective Date Announced by the International Accounting Standards Board (IASB)
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021

As of the date the parent company only financial statements were authorized for issue, the Corporation has assessed the possible impact that the application of other standards and interpretations will have no material impact on the Corporation’s financial position and financial performance.

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

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

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

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 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.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY POLICIES

a. Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

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

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.

When preparing the parent company only financial statements, the Corporation used the equity method to account for its investments in subsidiaries, associates and joint ventures. The amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements were the same with the amounts attributable to the owners of the Corporation in its consolidated financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

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

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Corporation does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Foreign currencies

In preparing the parent company only financial statements, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the date when the fair value is determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are

recognized directly in other comprehensive income; in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

e. Inventories

Inventories consist of raw materials, supplies and spare parts, work-in-process and finished goods and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

f. Investment in subsidiaries

The Corporation uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Corporation.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the subsidiary. The Corporation also recognizes the changes in the Corporation's share of equity of subsidiaries.

Changes in the Corporation's ownership interest in a subsidiary that do not result in the Corporation losing control of the subsidiary are accounted for as equity transactions. The Corporation recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

The Corporation assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the entire financial statements of the invested company. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Corporation recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

Profit or loss resulting from downstream transactions is eliminated in full in the parent company only financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries are recognized in the parent company only financial statements only to the extent of interests in the subsidiaries that are not related to the Corporation.

g. Investment in associates

An associate is an entity over which the Corporation has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The Corporation uses the equity method to account for its investments in associates.

Under the equity method, investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the associate. The Corporation also recognizes the changes in the Corporation's share of the equity of associates.

When the Corporation subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Corporation's proportionate interest in the associate. The Corporation records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in the Corporation's share of the equity of associates. If the Corporation's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When an entity in the Corporation transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Corporation's parent company only financial statements only to the extent of interests in the associate are not related to the Corporation.

h. Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment loss.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

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

i. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

2) Internally-generated intangible assets - research and development expenditures

Expenditures on research activities are recognized as expenses in the period in which they are incurred.

An internally-generated intangible asset arising from the development phase of an internal project is recognized if, and only if, all of the following have been demonstrated:

- a) The technical feasibility of completing the intangible asset so that it will be available for use or sale;

- b) The intention to complete the intangible asset and use or sell it;
- c) The ability to use or sell the intangible asset;
- d) How the intangible asset will generate probable future economic benefits;
- e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- f) The ability to measure reliably the expenditures attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the aggregate of the expenditures incurred from the date when the intangible asset first meets the recognition criteria listed above. Subsequent to initial recognition, such intangible assets are measured on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

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

j. Impairment of property, plant and equipment, right-of-use asset, and intangible assets other than goodwill

At the end of each reporting period, the Corporation reviews the carrying amounts of its property, plant and equipment, right-of-use asset, and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

k. Financial instruments

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

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

Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

1) Measurement category

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

a) Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include derivative financial assets.

A financial asset may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 30.

b) Financial assets at amortized cost

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables, other receivables and other financial assets at amortized cost, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

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

Financial assets are credit impaired when the issuer or debtor experiences significant financial difficulties or default, and the debtor is likely to claim bankruptcy or undergoes financial reorganization, or the active market for financial assets disappears due to financial difficulties.

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

c) Investments in equity instruments at FVTOCI

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

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

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

2) Impairment of financial assets and contract assets

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

The Corporation always recognizes lifetime ECL for trade receivables. For all other financial instruments, the Corporation recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Corporation measures the loss allowance for that financial instrument at an amount equal to expected credit loss resulting from possible default events of a financial instrument within 12 months after the reporting date.

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

For internal credit risk management purposes, the Corporation considers financial assets in default when internal or external information shows that the debtor will not be able to repay, without considering the collateral held by the Corporation.

The Corporation recognizes an impairment loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

3) Derecognition of financial assets

The Corporation derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income are transferred directly to retained earnings, without recycling through profit or loss.

Equity instruments

Equity instruments issued by the Corporation are classified as equity in accordance with the substance of the contractual arrangements and the definitions of an equity instrument.

Equity instruments issued by the Corporation are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

1) Subsequent measurement

Except the following situation, all financial liabilities are measured at amortized cost using the effective interest method:

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities are either held for trading or are designated as at FVTPL.

Financial liabilities held for trading are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividends paid on the financial liability. Fair value is determined in the manner described in Note 30.

2) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Derivative financial instruments

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

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

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 (e.g., financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts, and the host contracts are not measured at FVTPL.

l. Hedge accounting

The Corporation designates certain hedging instruments, which include derivatives in respect of foreign currency risk, as both fair value hedges and cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

1) Fair value hedges

Gains or losses on derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in profit or loss in the line item relating to the hedged item.

The Corporation discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised.

2) Cash flow hedges

The effective portion of gains or losses on derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gains or losses relating to the ineffective portion is recognized immediately in profit or loss.

The associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment in the line item relating to the hedged item in the same period when the hedged items affect profit or loss. If a hedge of a forecasted transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognized in other comprehensive income are removed from equity and included in the initial cost of the non-financial asset or non-financial liability.

The Corporation discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised. The cumulative gain or loss on the hedging instrument that has been previously recognized in other comprehensive income from the period when the hedge was effective remains separately in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

m. Revenue recognition

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

For contracts where the period between the date on which the Corporation transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Corporation does not adjust the promised amount of consideration for the effects of a significant financing component.

Revenue from the sales of goods is mainly recognized when a customer obtains control of the promised assets, that is, at which time the goods are delivered to the designated location and the performance obligations are satisfied.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

The Corporation does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

n. Leasing

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

1) The Corporation as lessor

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

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

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

2) The Corporation as lessee

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

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

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

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Corporation remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets is reduced to zero,

any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

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

o. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

Net defined benefit liabilities represent the actual deficit in the Corporation's defined benefit plans.

3) Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Corporation can no longer withdraw the offer of the termination benefit and when the Corporation recognizes any related restructuring costs.

p. Taxation

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

1) Current tax

According to the Income Tax Law in the ROC, income tax payable is based on taxable profit for the year determined and an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Corporation is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and such temporary differences are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical accounting judgments

a. Lease terms

In determining a lease term, the Corporation considers all facts and circumstances that create an economic incentive to exercise or not to exercise an option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option. Main factors considered include contractual terms and conditions for the optional periods, significant leasehold improvements undertaken over the contract term, the importance of the underlying asset to the lessee's operations, etc. The lease term is reassessed if a significant change in circumstances that are within control of the Corporation occurs.

Key sources of estimation uncertainty

a. Estimated impairment of financial assets

The provision for impairment of trade receivables and investments in debt instruments is based on assumptions about risk of default and expected loss rates. The Corporation uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Corporation's historical experience, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Notes 10 and 12. Where the actual future cash inflows are less than expected, an impairment loss may arise.

b. Lessees' incremental borrowing rates

In determining a lessee's incremental borrowing rate used in discounting lease payments, a risk-free rate for the same currency and relevant duration is selected as a reference rate, and the lessee's credit spread adjustments and lease specific adjustments (such as asset type, secured position, etc.) are also taken into account.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2020	2019
Bank deposits	\$ 4,725,419	\$ 3,358,899
Cash equivalents		
Bonds acquired under repurchase agreements	<u>2,568,012</u>	<u>3,142,411</u>
	<u>\$ 7,293,431</u>	<u>\$ 6,501,310</u>

The market rate intervals of cash and cash equivalents at the end of the reporting period were as follows:

	December 31	
	2020	2019
Bank deposits	0%-1.025%	0%-1.91%
Bonds acquired under repurchase agreements	0.28%-0.43%	0.50%-0.60%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2020	2019
<u>Financial assets mandatorily classified as at FVTPL</u>		
Derivative instruments (not designated for hedging)		
Forward exchange contracts (a)	\$ 16,807	\$ 18,304
Currency-swap contracts (b)	16,567	31,826
Hybrid instruments		
Credit linked notes (c)	<u>200,064</u>	<u>100,126</u>
Financial assets at FVTPL - current	<u>\$ 233,438</u>	<u>\$ 150,256</u>

- a. At the end of the reporting period, outstanding forward exchange contracts that did not meet the criteria of hedge accounting were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
<u>December 31, 2020</u>			
Sell forward exchange contracts	US\$ to NT\$	2021.01.04-2021.02.23	US\$ 97,600
Sell forward exchange contracts	US\$ to JPY\$	2021.01.13	US\$ 3,000
Buy forward exchange contracts	EUR to US\$	2021.01.13	EUR 4,000

December 31, 2019

Sell forward exchange contracts	US\$ to NT\$	2020.01.08-2020.01.30	US\$ 42,000
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- b. At the end of the reporting period, outstanding currency-swap contracts that did not meet the criteria of hedge accounting were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
<u>December 31, 2020</u>			
Sell forward exchange contracts	US\$ to NT\$	2021.01.21-2021.03.26	US\$ 134,000
<u>December 31, 2019</u>			
Sell forward exchange contracts	US\$ to NT\$	2020.01.07-2020.02.13	US\$ 141,000

The Corporation entered into foreign exchange forward contracts and currency-swap contracts during the years ended December 31, 2020 and 2019 to manage exposures due to exchange rate fluctuations of foreign currency denominated assets and liabilities.

- c. The Corporation entered into structured investment contracts with the bank in 2020 and 2019. The structured investment contracts included embedded derivative instruments which were not closely related to the host contracts. The entire contract was assessed and mandatorily classified as at FVTPL since it contained a host that is an asset within the scope of IFRS 9.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT

	December 31	
Equity Instruments	2020	2019
Domestic investments		
Listed shares	\$ 66,000	\$ 20,100
Unlisted shares	117,216	107,695
Foreign investments		
Unlisted shares	<u>49,995</u>	<u>53,053</u>
	<u>\$ 233,211</u>	<u>\$ 180,848</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 Corporation's strategy of holding these investments for long-term purposes.

As the strategic purposes no longer existed, during the years ended December 31, 2020 and 2019, the Corporation sold the partial shares of investment. Proceeds from disposal of the shares were \$2,193 thousand and \$39,416 thousand, respectively, and other equity - unrealized gain on financial assets at fair value through other comprehensive income was \$1,093 thousand and \$18,884 thousand, respectively, which was transferred directly to retained earnings.

Dividends from equity investments held at the reporting date were \$31,071 thousand and \$30,330 thousand for the years ended December 31, 2020 and 2019, respectively.

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2020	2019
<u>Current</u>		
Domestic investments		
Financial bonds	\$ 350,740	\$ -
<u>Non-current</u>		
Domestic investments		
Financial bonds	\$ -	\$ 352,665

Please refer to Note 10 for information relating to their credit risk management and assessment of impairment.

10. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments classified as at amortized cost were as follows:

	December 31	
	2020	2019
Gross carrying amount	\$ 350,740	\$ 352,665
Less: Allowance for impairment loss	-	-
Amortized cost	\$ 350,740	\$ 352,665

The Corporation only invests in debt instruments that are rated the equivalent of investment grade or higher and have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies. The Corporation's exposure and the external credit ratings are continuously monitored. The Corporation continues to review the changes in bond yields and other publicly available information and makes an assessment whether there has been a significant increase in credit risk since the initial recognition to the reporting date.

In determining the ECLs for debt instrument investments, the Corporation considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and the future prospects of the industries.

The Corporation's current credit risk grading mechanism is as follows:

Category	Description	Basis for Recognizing ECLs
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12-month ECLs

The gross carrying amounts of debt instrument investments classified by credit category and the corresponding expected loss rates were as follows:

December 31, 2020

Category	Expected Loss Rate	Gross Carrying Amount At Amortized Cost
Performing	0%	\$ 350,740

December 31, 2019

Category	Expected Loss Rate	Gross Carrying Amount At Amortized Cost
Performing	0%	\$ 352,665

11. FINANCIAL INSTRUMENTS FOR HEDGING

The Corporation's hedging strategy is to enter into forward exchange contracts and currency-swap contracts to avoid exchange rate exposure of its foreign currency receipts and payments and to manage exchange rate exposure of its forecasted foreign currency sales. Those transactions are designated as cash flow hedges. When forecast sales actually take place, basis adjustments are made to the initial carrying amounts of hedged items.

For the hedges of highly probable forecast sales, the major terms (such as notional amount, period and the underlying) of forward exchange contracts and currency-swap contracts are negotiated to match the terms of the hedged items. The Corporation qualitatively assessed the effectiveness and considered that the value of the forward exchange contracts and currency-swap contracts have a negative correlation with the value of the corresponding hedged items in response to the movements of the underlying exchange rates.

The major cause of hedge ineffectiveness was driven by the effect of the counterparty's breach of the contract. No other factor of ineffectiveness emerged from these hedging relationships.

The following tables summarize the information relating to the hedges of foreign currency risk:

For the year ended December 31, 2019

Effect of Comprehensive Income	Hedging Gains (Losses) Recognized in OCI	Amount of Hedge Ineffectiveness Recognized in Profit or Loss	Line Item of Ineffectiveness	Amount Reclassified to Profit and Loss	
				Due to Hedged Item Affecting P/L	Due to Hedged Future Cash Flows no Longer Expected to Occur
Cash flow hedges					
Forecast sales	\$ -	\$ -	-	\$ (435) Revenue	\$ -

12. NOTES AND ACCOUNTS RECEIVABLE, NET

	December 31	
	2020	2019
<u>Notes and accounts receivable</u>		
At amortized cost		
Gross carrying amount	\$ 4,691,380	\$ 4,769,861
Less: Allowance for impairment loss	<u>(731)</u>	<u>(731)</u>
	<u>\$ 4,690,649</u>	<u>\$ 4,769,130</u>

At amortized cost

The average credit period on sales of goods was 30 to 60 days after month closing. No interest was charged on notes and accounts receivable. Because the discounted effect of accounts receivable was not significant, it was measured by the original invoice amount. In order to minimize credit risk, the management of the Corporation has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Corporation reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Corporation's credit risk was significantly reduced.

The Corporation applies the simplified approach prescribed by IFRS 9 which permits the use of lifetime ECL as the provision loss of trade receivables. The lifetime ECLs are estimated using a provision matrix approach considering debtors' past default experience, the debtors' current financial position, economic condition of the industry as well as the forecasted GDP and industry outlook. As the Corporation's historical experience shows no significant difference on individual customer, the Corporation's provision matrix does not distinguish different customer base. The expected credit loss rates are estimated based on past due days of the trade receivables.

The Corporation writes off a trade receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation, or when the trade receivables are past due, whichever occurs earlier. For trade receivables that have been written off, the Corporation continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Corporation's provision matrix.

December 31, 2020

Item	Not Past Due	Past Due Less than 60 Days	Past Due 61 to 90 Days	Past Due Over 90 Days	Total
Gross carrying amount	\$ 4,505,121	\$ 185,536	\$ 555	\$ 168	\$ 4,691,380
Loss allowance (Lifetime ECL)	<u>-</u>	<u>(8)</u>	<u>(555)</u>	<u>(168)</u>	<u>(731)</u>
Amortized cost	<u>\$ 4,505,121</u>	<u>\$ 185,528</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,690,649</u>

December 31, 2019

Item	Not Past Due	Past Due Less than 60 Days	Past Due 61 to 90 Days	Past Due Over 90 Days	Total
Gross carrying amount	\$ 4,465,881	\$ 290,859	\$ 11,380	\$ 1,741	\$ 4,769,861
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(731)</u>	<u>(731)</u>
Amortized cost	<u>\$ 4,465,881</u>	<u>\$ 290,859</u>	<u>\$ 11,380</u>	<u>\$ 1,010</u>	<u>\$ 4,769,130</u>

The movement of the loss allowance of trade receivables was as follows:

	For the Year Ended December 31	
	2020	2019
Balance at beginning of year	\$ 731	\$ 3,872
Less: Amounts written off	<u>-</u>	<u>(3,141)</u>
Balance at end of year	<u>\$ 731</u>	<u>\$ 731</u>

13. INVENTORIES

	December 31	
	2020	2019
Finished goods	\$ 84,750	\$ 221,125
Work in process	1,382,817	1,643,188
Raw materials	422,681	719,024
Supplies and spare parts	<u>597,896</u>	<u>508,489</u>
	<u>\$ 2,488,144</u>	<u>\$ 3,091,826</u>

Cost of revenue, write-downs of inventory and unallocated manufacturing overhead included in the cost of revenue were as follows:

	For the Year Ended December 31	
	2020	2019
Cost of revenue	\$ 18,048,926	\$ 17,952,404
Provision of inventory valuation and obsolescence loss	<u>\$ 13,108</u>	<u>\$ 111,181</u>
Unallocated manufacturing overhead	<u>\$ 4,830</u>	<u>\$ 16,766</u>

14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2020	2019
Investments in subsidiaries	\$ 16,190,049	\$ 16,921,462
Investments in associates	<u>204,285</u>	<u>240,575</u>
	<u>\$ 16,394,334</u>	<u>\$ 17,162,037</u>

a. Investments in subsidiaries

	December 31	
	2020	2019
Unlisted stocks		
VIS Associates Inc.	\$ 9,132,671	\$ 9,817,273
VIS Shanghai Company Limited	4,072	4,069
Vanguard International Semiconductor Singapore Pte. Ltd.	<u>7,053,306</u>	<u>7,100,120</u>
	<u>\$ 16,190,049</u>	<u>\$ 16,921,462</u>

	Proportion of Ownership and Voting Rights	
	December 31	
	2020	2019
VIS Associates Inc.	100%	100%
VIS Shanghai Company Limited	100%	100%
Vanguard International Semiconductor Singapore Pte. Ltd.	100%	100%

The investments in subsidiaries accounted for using equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2020 and 2019 were based on the subsidiaries' financial statements audited by the auditors for the same years.

The Corporation received cash dividends from subsidiary VIS Associates Inc. amounting to \$290,767 and \$379,860 thousand in 2020 and 2019, respectively, accounted as deduction of investments accounted for under equity method.

b. Investments in associates

	December 31	
	2020	2019
<u>Associates individually immaterial</u>		
CMSC, Inc.	\$ 38,957	\$ 38,129
Qromis, Inc.	<u>165,328</u>	<u>202,446</u>
	<u>\$ 204,285</u>	<u>\$ 240,575</u>

Please refer to Table 7 "Information on Investees" for the nature of activities, principal place of business and country of incorporation of the associates.

Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2020	2019
The Corporation's share of		
Loss from continuing operations	\$ (24,658)	\$ (40,087)
Other comprehensive income	<u>(10)</u>	<u>-</u>
Total comprehensive loss for the year ended December 31	<u>\$ (24,668)</u>	<u>\$ (40,087)</u>

In February 2019, the Corporation subscribed 873 thousand shares of preference shares of Qromis, Inc. in cash amounting to \$30,740 thousand. As of December 31, 2020, the Corporation subscribed 10,705 thousand preference shares and the percentage of voting rights in Qromis, Inc. was 39.31%.

The investments in associates accounted for using the equity method, the share of net profit or loss and the share of other comprehensive income (loss) from investments were calculated based on the unaudited financial statements. The Corporation's management considered that the use of unaudited financial statements of the investees did not have material impact on its parent company only financial statements.

15. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2020	2019
Assets used by the Corporation	\$ 6,662,959	\$ 6,661,128
Assets subject to operating leases	<u>215,280</u>	<u>246,034</u>
	<u>\$ 6,878,239</u>	<u>\$ 6,907,162</u>

	Assets Used by the Corporation				Asset Subject to Operating Leases	
	Buildings	Machinery and Equipment	Other Equipment	Advance Payments and Construction in Progress	Buildings	Total
<u>Cost</u>						
Balance at January 1, 2020	\$ 15,554,588	\$ 61,969,489	\$ 483,628	\$ 257,943	\$ 1,037,160	\$ 79,302,808
Additions	424,376	1,124,559	28,555	258,115	-	1,835,605
Disposal	-	(59,245)	(204)	-	-	(59,449)
Reclassified	<u>620</u>	<u>146</u>	<u>490</u>	<u>-</u>	<u>-</u>	<u>1,256</u>
Balance at December 31, 2020	<u>\$ 15,979,584</u>	<u>\$ 63,034,949</u>	<u>\$ 512,469</u>	<u>\$ 516,058</u>	<u>\$ 1,037,160</u>	<u>\$ 81,080,220</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2020	\$ 13,097,876	\$ 57,918,134	\$ 404,989	\$ -	\$ 791,126	\$ 72,212,125
Depreciation	397,541	1,414,480	22,773	-	30,754	1,865,548
Disposal	<u>-</u>	<u>(59,009)</u>	<u>(204)</u>	<u>-</u>	<u>-</u>	<u>(59,213)</u>
Balance at December 31, 2020	<u>\$ 13,495,417</u>	<u>\$ 59,273,605</u>	<u>\$ 427,558</u>	<u>\$ -</u>	<u>\$ 821,880</u>	<u>\$ 74,018,460</u>
<u>Accumulated impairment</u>						
Balance at January 1, 2020 and December 31, 2020	<u>\$ -</u>	<u>\$ 183,521</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 183,521</u>
Carrying amounts at December 31, 2020	<u>\$ 2,484,167</u>	<u>\$ 3,577,823</u>	<u>\$ 84,911</u>	<u>\$ 516,058</u>	<u>\$ 215,280</u>	<u>\$ 6,878,239</u>

(Continued)

	Assets Used by the Corporation				Asset Subject to Operating Leases	
	Buildings	Machinery and Equipment	Other Equipment	Advance Payments and Construction in Progress	Buildings	Total
<u>Cost</u>						
Balance at January 1, 2019	\$ 14,620,122	\$ 60,424,195	\$ 418,199	\$ 705,043	\$ 1,037,160	\$ 77,204,719
Additions	933,447	1,837,583	65,526	(447,100)	-	2,389,456
Disposal	(1,180)	(293,998)	(97)	-	-	(295,275)
Reclassified	<u>2,199</u>	<u>1,709</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,908</u>
Balance at December 31, 2019	<u>\$ 15,554,588</u>	<u>\$ 61,969,489</u>	<u>\$ 483,628</u>	<u>\$ 257,943</u>	<u>\$ 1,037,160</u>	<u>\$ 79,302,808</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2019	\$ 12,782,382	\$ 56,649,896	\$ 385,114	\$ -	\$ 760,371	\$ 70,577,763
Depreciation	316,674	1,561,952	19,972	-	30,755	1,929,353
Disposal	<u>(1,180)</u>	<u>(293,714)</u>	<u>(97)</u>	<u>-</u>	<u>-</u>	<u>(294,991)</u>
Balance at December 31, 2019	<u>\$ 13,097,876</u>	<u>\$ 57,918,134</u>	<u>\$ 404,989</u>	<u>\$ -</u>	<u>\$ 791,126</u>	<u>\$ 72,212,125</u>
<u>Accumulated impairment</u>						
Balance at January 1, 2019 and December 31, 2019	<u>\$ -</u>	<u>\$ 183,521</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 183,521</u>
Carrying amounts at December 31, 2019	<u>\$ 2,456,712</u>	<u>\$ 3,867,834</u>	<u>\$ 78,639</u>	<u>\$ 257,943</u>	<u>\$ 246,034</u>	<u>\$ 6,907,162</u>
						(Concluded)

(Concluded)

The Corporation leases a part of building subject to operating lease from January 2020 to March 2025. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

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

	December 31	
	2020	2019
Year 1	\$ 30,616	\$ 27,526
Year 2	30,616	26,495
Year 3	30,616	26,495
Year 4	30,616	26,495
Year 5	<u>1,030</u>	<u>26,495</u>
	<u>\$ 123,494</u>	<u>\$ 133,506</u>

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

Buildings	
Main plant	20 years
Mechanical and electrical power equipment	5 to 10 years
Clean rooms	10 years
Machinery and equipment	3 to 5 years
Other equipment	3 to 5 years

16. LEASE ARRANGEMENTS

a. Right-of-use assets

	Land	Buildings	Machinery and Equipment	Other Equipment	Total
<u>Cost</u>					
Balance at January 1, 2020	\$ 1,078,359	\$ 374,979	\$ 16,236	\$ 8,408	\$ 1,477,982
Addition	10,100	16,146	-	4,149	30,395
Lease expired	(555)	(4,739)	(1,787)	(3,508)	(10,589)
Lease revised	-	-	(1)	-	(1)
Balance at December 31, 2020	<u>\$ 1,087,904</u>	<u>\$ 386,386</u>	<u>\$ 14,448</u>	<u>\$ 9,049</u>	<u>\$ 1,497,787</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2020	\$ 103,840	\$ 78,194	\$ 7,071	\$ 4,118	\$ 193,223
Depreciation	104,902	78,846	5,706	3,676	193,130
Lease expired	(555)	(4,739)	(1,787)	(3,508)	(10,589)
Balance at December 31, 2020	<u>\$ 208,187</u>	<u>\$ 152,301</u>	<u>\$ 10,990</u>	<u>\$ 4,286</u>	<u>\$ 375,764</u>
Carrying amount at December 31, 2020	<u>\$ 879,717</u>	<u>\$ 234,085</u>	<u>\$ 3,458</u>	<u>\$ 4,763</u>	<u>\$ 1,122,023</u>
<u>Cost</u>					
Restated balance at January 1, 2019	\$ 1,078,359	\$ 381,596	\$ 16,236	\$ 8,548	\$ 1,484,739
Lease expired	-	(2,654)	-	-	(2,654)
Lease revised	-	(3,963)	-	(140)	(4,103)
Balance at December 31, 2019	<u>\$ 1,078,359</u>	<u>\$ 374,979</u>	<u>\$ 16,236</u>	<u>\$ 8,408</u>	<u>\$ 1,477,982</u>
<u>Accumulated depreciation</u>					
Restated balance at January 1, 2019	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation	103,840	80,848	7,071	4,118	195,877
Lease expired	-	(2,654)	-	-	(2,654)
Balance at December 31, 2019	<u>\$ 103,840</u>	<u>\$ 78,194</u>	<u>\$ 7,071</u>	<u>\$ 4,118</u>	<u>\$ 193,223</u>
Carrying amount at December 31, 2019	<u>\$ 974,519</u>	<u>\$ 296,785</u>	<u>\$ 9,165</u>	<u>\$ 4,290</u>	<u>\$ 1,284,759</u>

The Corporation did not have significant sublease or impairment of right-of-use assets during the years ended December 31, 2020 and 2019.

b. Lease liabilities

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Carrying amount</u>		
Current	<u>\$ 200,759</u>	<u>\$ 201,490</u>
Non-current	<u>\$ 954,620</u>	<u>\$ 1,104,724</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2020	2019
Land	1.70%	1.70%
Buildings	1.70%	1.70%
Machinery and equipment	1.70%	1.70%
Other equipment	1.70%	1.70%

c. Material lease-in activities and terms

The Corporation leases the sites of its manufacturing plant and parking lot from Hsinchu Science Park and a certain individual under renewable operating lease agreements which expire on various dates of December 2022, December 2027, December 2029 and December 2034. The rental pay to Hsinchu Science Park can be adjusted according to the lease contracts, and the leases are renewable upon expiration.

d. Subleases

The Corporation subleases its leasehold land under operating leases with lease term of 3 years.

For the year ended December 31, 2020, the right-of-use assets for subleases revenue were \$900 thousand, presented in other income.

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

	December 31, 2020
Year 1	\$ 2,160
Year 2	2,160
Year 3	<u>1,260</u>
	<u>\$ 5,580</u>

e. Other lease information

	For the Year Ended December 31	
	2020	2019
Expenses relating to short-term leases	\$ 369	\$ 1,911
Expenses relating to low-value asset leases	\$ -	\$ 97
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$ 4,630	\$ 581
Total cash outflow for leases	<u>\$ 207,197</u>	<u>\$ 194,632</u>

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



17. INTANGIBLE ASSETS

Computer Software

Cost

Balance at January 1, 2020	\$ 872,685
Additions	6,559
Reclassified	<u>(1,256)</u>
Balance at December 31, 2020	<u>\$ 877,988</u>

Accumulated amortization

Balance at January 1, 2020	\$ 799,941
Amortization	<u>26,965</u>
Balance at December 31, 2020	<u>\$ 826,906</u>
Carrying amount at December 31, 2020	<u>\$ 51,082</u>

Cost

Balance at January 1, 2019	\$ 812,892
Additions	63,701
Reclassified	<u>(3,908)</u>
Balance at December 31, 2019	<u>\$ 872,685</u>

Accumulated amortization

Balance at January 1, 2019	\$ 786,893
Amortization	<u>13,048</u>
Balance at December 31, 2019	<u>\$ 799,941</u>
Carrying amount at December 31, 2019	<u>\$ 72,744</u>

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

Computer software	3 to 5 years
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18. OTHER ASSETS

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Pledged time deposit	\$ 304,190	\$ 304,087
Repatriated offshore funds deposit	-	345,662
Others	<u>3,313</u>	<u>3,033</u>
	<u>\$ 307,503</u>	<u>\$ 652,782</u>

(Continued)

	December 31	
	2020	2019
Current	\$ 3,313	\$ 348,695
Non-current	<u>304,190</u>	<u>304,087</u>
	<u>\$ 307,503</u>	<u>\$ 652,782</u> (Concluded)

19. SHORT-TERM LOANS

	December 31	
	2020	2019
<u>Unsecured loans</u>		
Credit loans	<u>\$ 1,430,200</u>	<u>\$ 3,210,000</u>

The ranges of interest rates on bank loans were (2.50)% and 0.83%-0.88% per annum as of December 31, 2020 and 2019, respectively.

20. OTHER PAYABLES

	December 31	
	2020	2019
Bonus	\$ 988,095	\$ 828,245
Maintenance	501,112	506,818
Utilities	131,583	134,313
Others	<u>1,106,785</u>	<u>1,041,250</u>
	<u>\$ 2,727,575</u>	<u>\$ 2,510,626</u>

21. OTHER CURRENT LIABILITIES

	December 31	
	2020	2019
Refund liabilities (Provision of sales returns and allowances)	\$ 453,001	\$ 472,091
Contract liabilities - advanced receipts	<u>405,912</u>	<u>272,692</u>
	<u>\$ 858,913</u>	<u>\$ 744,783</u>

The provision of sales returns and allowances was estimated based on historical experience, management's judgments and any other known factors that may affect the returns and allowances. The provision was recognized as a reduction of revenue in the period the related products were sold.

22. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

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

b. Defined benefit plans

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

The amounts included in the parent company only balance sheets in respect of the Corporation's defined benefit plans were as follows:

	December 31	
	2020	2019
Present value of defined benefit obligation	\$ 1,195,978	\$ 1,150,126
Fair value of plan assets	<u>(484,005)</u>	<u>(336,239)</u>
Net defined benefit liability	<u>\$ 711,973</u>	<u>\$ 813,887</u>

Movements in net defined benefit liability were as follows:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2019	<u>\$ 1,131,640</u>	<u>\$ (327,154)</u>	<u>\$ 804,486</u>
Service cost			
Current service cost	6,942	-	6,942
Interest expense (income)	<u>13,779</u>	<u>(3,821)</u>	<u>9,958</u>
Recognized in profit or loss	<u>20,721</u>	<u>(3,821)</u>	<u>16,900</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(11,250)	(11,250)
Actuarial loss - changes in financial assumptions	39,325	-	39,325
Actuarial gain - experience adjustments	<u>(12,226)</u>	<u>-</u>	<u>(12,226)</u>
Recognized in other comprehensive income	<u>27,099</u>	<u>(11,250)</u>	<u>15,849</u>
Contributions from the employer	-	<u>(15,374)</u>	<u>(15,374)</u>
Benefits paid	<u>(29,334)</u>	<u>21,360</u>	<u>(7,974)</u>
Balance at December 31, 2019	<u>1,150,126</u>	<u>(336,239)</u>	<u>813,887</u>

(Continued)

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liability (Asset)
Service cost			
Current service cost	\$ 6,330	\$ -	\$ 6,330
Interest expense (income)	8,110	(2,065)	6,045
Recognized in profit or loss	<u>14,440</u>	<u>(2,065)</u>	<u>12,375</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(11,936)	(11,936)
Actuarial loss - changes in financial assumptions	21,114	-	21,114
Actuarial loss - experience adjustments	<u>76,008</u>	<u>-</u>	<u>76,008</u>
Recognized in other comprehensive income	<u>97,122</u>	<u>(11,936)</u>	<u>85,186</u>
Contributions from the employer	<u>-</u>	<u>(187,336)</u>	<u>(187,336)</u>
Benefits paid	<u>(65,710)</u>	<u>53,571</u>	<u>(12,139)</u>
Balance at December 31, 2020	<u>\$ 1,195,978</u>	<u>\$ (484,005)</u>	<u>\$ 711,973</u> (Concluded)

Through the defined benefit plans under the Labor Standards Act, the Corporation is exposed to the following risks:

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

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

	December 31	
	2020	2019
Discount rates	0.50%	0.75%
Expected rates of salary increase	3.25%	3.25%

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

	December 31	
	2020	2019
Discount rates		
0.50% increase	\$ (41,575)	\$ (39,325)
0.50% decrease	\$ 44,295	\$ 41,954
Expected rates of salary increase		
0.50% increase	\$ 42,904	\$ 40,741
0.50% decrease	\$ (40,725)	\$ (38,615)

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

	December 31	
	2020	2019
Expected contributions to the plans for the next year	\$ 15,938	\$ 15,874
Average duration of the defined benefit obligation	7.1 years	7 years

Maturity analyses of pension benefit were as follows:

	December 31	
	2020	2019
Maturity analyses of undiscounted pension benefit		
No later than 1 year	\$ 130,187	\$ 137,621
Later than 1 year and not later than 5 years	404,598	393,006
Later than 5 years	<u>766,260</u>	<u>717,242</u>
	\$ 1,301,045	\$ 1,247,869

23. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2020	2019
Shares authorized (in thousands of shares)	<u>3,300,000</u>	<u>3,300,000</u>
Capital authorized	\$ 33,000,000	\$ 33,000,000
Shares issued and fully paid (in thousands of shares)	<u>1,638,982</u>	<u>1,638,982</u>
Capital issued	\$ 16,389,823	\$ 16,389,823

The authorized shares include 300,000 thousand shares reserved for the exercise of employee share options.

b. Capital Surplus

	December 31	
	2020	2019
May be used to offset a deficit, distributed by cash or transferred to capital		
Issuance of ordinary shares	\$ 544,884	\$ 544,884
<u>May be used to offset a deficit only</u>		
Employee share options (transferred and inactive)	285,845	285,845
Share of changes in equities of subsidiaries, associates and joint ventures	50,577	50,497
Unclaimed dividends	<u>639</u>	<u>425</u>
	<u>\$ 881,945</u>	<u>\$ 881,651</u>

The capital surplus from shares issued in excess of par may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed in cash or transferred to capital, which is limited to a certain percentage of the Corporation's paid-in capital.

c. Retained earnings and dividend policy

Earnings distribution and dividend policy

Under the dividends policy as set forth in the Corporation's Articles, where the Corporation made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's Board of Directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. The policies of the distribution of compensation of employees and remuneration of directors set forth in the Articles, please refer to compensation of employees and remuneration of directors in Note 25-c.

The Corporation's Articles also stipulate that all profits may be distributed after taking into consideration the financial, business and operational factors. Dividends are in cash and/or in the form of shares. Since the Corporation's operation is at the steady growth stage, the cash dividend paid (in any given year) should be at least 60% of the dividends of the current year's appropriation. If there is no profit for distribution, or the profit is far less than the profit actually distributed by the Corporation in the previous year or other reasons so require, all or part of the capital surplus may be distributed in accordance with relevant laws or regulations of the authorities in charge.

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

The Corporation appropriates or reverses a special reserve in accordance with Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs". Distributions can be made out of any subsequent reversal of the debit to other equity items.

The appropriations of earnings for 2019 and 2018 which have been approved in the shareholders' meetings on June 12, 2020 and June 14, 2019, respectively, were as follows:

	2019	2018
Legal reserve	\$ 585,555	\$ 616,627
Special reserve	\$ 542,838	\$ (214,313)
Cash dividends	\$ 5,244,743	\$ 5,244,743
Cash dividends per share (NT\$)	\$ 3.20	\$ 3.20

The appropriation of earnings for 2020 had been proposed by the Corporation's Board of Directors on February 1, 2021. The appropriation and dividends per share were as follows:

	2020
Legal reserve	\$ 622,143
Special reserve	\$ 951,513
Cash dividends	\$ 5,736,438
Cash dividends per share (NT\$)	\$ 3.50

The appropriation of earnings for 2020 is subject to the resolution of the shareholders in the shareholders' meeting to be held on June 18, 2021.

d. Other equity

1) Exchange differences on translation of foreign operations

	For the Year Ended December 31	
	2020	2019
Balance at beginning of year	\$ (537,511)	\$ (55,587)
Recognized during the year		
Exchange differences arising on translation of foreign operations	(1,004,966)	(481,924)
Share of exchange differences of subsidiaries and associates accounted for using equity method	(10)	-
Recognized in other comprehensive loss	(1,004,976)	(481,924)
Balance at end of year	\$ (1,542,487)	\$ (537,511)

2) Unrealized gain (loss) on financial assets at FVTOCI

	For the Year Ended December 31	
	2020	2019
Balance at beginning of year	\$ (168,043)	\$ (107,130)
Recognized during the year		
Unrealized gain (loss) - equity instruments	54,556	(42,029)
Recognized in other comprehensive income	54,556	(42,029)
Disposal of investments in equity instruments at fair value through other comprehensive income	(1,093)	(18,884)
Balance at end of year	\$ (114,580)	\$ (168,043)

24. REVENUE

	For the Year Ended December 31	
	2020	2019
Revenue from contracts with customers		
Revenue from the sale of goods	\$ 29,767,226	\$ 27,683,838
Others	<u>619,830</u>	<u>509,220</u>
	<u>30,387,056</u>	<u>28,193,058</u>
Other operating revenue		
Rental income	39,577	38,995
Others	<u>183,709</u>	<u>70,346</u>
	<u>223,286</u>	<u>109,341</u>
	<u>\$ 30,610,342</u>	<u>\$ 28,302,399</u>

Please refer to Note 11 for the effective hedge amounts from the foreign sales cash flow hedges which were recognized as decrease in revenue.

a. Disaggregation of revenue

1) Disaggregation of revenue by region

	For the Year Ended December 31	
	2020	2019
<u>Region</u>		
Asia	\$ 27,945,238	\$ 25,795,415
America	1,477,759	667,878
Europe	1,187,345	1,839,018
Oceania	<u>-</u>	<u>88</u>
	<u>\$ 30,610,342</u>	<u>\$ 28,302,399</u>

2) Disaggregation of revenue by platform

	For the Year Ended December 31	
	2020	2019
<u>Platforms</u>		
Power Management	\$ 17,302,417	\$ 16,322,151
Large panel driver IC	8,748,274	7,988,279
Small panel driver IC	1,990,209	2,005,853
Other platforms	<u>1,726,326</u>	<u>1,367,555</u>
Revenue from sales of goods	29,767,226	27,683,838
Other revenue	<u>843,116</u>	<u>618,561</u>
	<u>\$ 30,610,342</u>	<u>\$ 28,302,399</u>

3) Disaggregation of revenue by process

	For the Year Ended December 31	
	2020	2019
<u>Processes</u>		
0.18 micron (and) below	\$ 12,936,458	\$ 10,758,370
0.25 micron	4,554,419	3,402,689
0.35 micron	5,414,637	6,333,575
0.5 micron (and) above	<u>6,861,712</u>	<u>7,189,204</u>
Revenue from sales of goods	29,767,226	27,683,838
Other revenue	<u>843,116</u>	<u>618,561</u>
	<u>\$ 30,610,342</u>	<u>\$ 28,302,399</u>

b. Contract balances

	December 31	
	2020	2019
Notes and accounts receivable, net (Note 12)	\$ 4,690,649	\$ 4,769,130
Receivables from related parties (Note 31)	<u>324,893</u>	<u>199,084</u>
Trade receivables	<u>\$ 5,015,542</u>	<u>\$ 4,968,214</u>
Contract liabilities		
Contract liabilities - advance receipts (Other current liabilities) (Note 21)	<u>\$ 405,912</u>	<u>\$ 272,692</u>

The change of the contract liabilities primarily results from the timing difference between the satisfaction of performance obligation and the customer's payment.

Revenues from the beginning balance of the contract liability and satisfaction during the years ended December 31, 2020 and 2019 were as follows:

	For the Year Ended December 31	
	2020	2019
Revenues from the beginning balance of contract liabilities		
Sales of goods	<u>\$ 191,898</u>	<u>\$ 91,721</u>

25. OTHER ITEMS IN THE STATEMENTS OF COMPREHENSIVE INCOME

a. Depreciation and amortization

	For the Year Ended December 31	
	2020	2019
Classification of depreciation - by function		
Cost of revenue	\$ 1,946,888	\$ 2,023,112
Operating expenses	<u>111,790</u>	<u>102,118</u>
	<u>\$ 2,058,678</u>	<u>\$ 2,125,230</u>

(Continued)

		For the Year Ended December 31	
		2020	2019
Classification of amortization - by function			
Cost of revenue		\$ 7,459	\$ 4,678
Operating expenses		<u>19,506</u>	<u>8,370</u>
		<u>\$ 26,965</u>	<u>\$ 13,048</u>
			(Concluded)
b. Employee benefits expense			
		For the Year Ended December 31	
		2020	2019
Post-employment benefits (Note 22)			
Defined contribution plans		\$ 225,027	\$ 215,131
Defined benefit plans		<u>12,375</u>	<u>16,900</u>
		237,402	232,031
Other employee benefits		<u>7,918,013</u>	<u>7,303,709</u>
Total employee benefits expense		<u>\$ 8,155,415</u>	<u>\$ 7,535,740</u>
Employee benefits expense summarized by function			
Cost of revenue		\$ 6,014,722	\$ 5,672,856
Operating expenses		<u>2,140,693</u>	<u>1,862,884</u>
		<u>\$ 8,155,415</u>	<u>\$ 7,535,740</u>
c. Compensation of employees and remuneration of directors			

The Corporation should distribute no less than 10% of the current year's profit as compensation of employees in the form of shares or in cash as resolved by the Board of Directors. The employees include those of subsidiaries meeting some conditions agreed by the Board of Directors. The Corporation should also distribute no higher than 1% of the current year's profit as remuneration of directors. However, the Corporation's accumulated losses shall have been covered. For the years ended December 31, 2020 and 2019, the compensation of employees was \$1,576,380 thousand and \$1,205,834 thousand, respectively. For the years ended December 31, 2020 and 2019, the remuneration of directors was \$37,220 thousand and \$21,800 thousand, respectively. The above calculation was at a certain percentage of the base income.

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

The appropriations of compensation of employees and remuneration of directors for 2020 and 2019 which were resolved by the Board of Directors on February 1, 2021 and February 20, 2020, respectively, were as below:

		For the Year Ended December 31			
		2020		2019	
		Cash	Shares	Cash	Shares
Compensation of employees	\$ 1,576,380	\$ -	\$ 1,205,834	\$ -	
Remuneration of directors	37,220	-	21,800	-	

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

Information of the compensation of employees and remuneration of directors resolved by the Corporation's Board of Directors in 2021 and 2020 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

d. Net gain and loss of financial instruments

	For the Year Ended December 31	
	2020	2019
Interest income		
Cash and cash equivalents	\$ 43,400	\$ 86,995
Financial assets at amortized cost	3,966	4,306
Other financial assets	<u>145</u>	<u>38,315</u>
	<u>\$ 47,511</u>	<u>\$ 129,616</u>
Dividends income		
Investments in equity instruments at FVTOCI	<u>\$ 31,071</u>	<u>\$ 30,330</u>
Net foreign exchange loss		
Other monetary assets and liabilities	<u>\$ 261,568</u>	<u>\$ 56,877</u>
Gain on financial assets and liabilities at FVTPL		
Financial assets and liabilities mandatorily classified as at FVTPL		
Forward exchange and currency-swap contracts	\$ 130,860	\$ 9,134
Credit linked notes	<u>1,179</u>	<u>460</u>
	<u>\$ 132,039</u>	<u>\$ 9,594</u>

e. Interest expense

	For the Year Ended December 31	
	2020	2019
Bank loans	\$ 15,261	\$ 17,499
Lease liabilities	<u>20,796</u>	<u>23,566</u>
	<u>\$ 36,057</u>	<u>\$ 41,065</u>

26. INCOME TAXES

a. Major components of tax expenses recognized in profit or loss:

	For the Year Ended December 31	
	2020	2019
Current tax		
In respect of the current year	\$ 1,648,863	\$ 1,514,486
Adjustments for prior years' tax	(199,871)	(17,000)
Withheld tax in accordance with Repatriated Offshore Funds Act	<u>23,305</u>	<u>30,374</u>
	<u>1,472,297</u>	<u>1,527,860</u>
Deferred income tax		
In respect of the current year	<u>54,019</u>	<u>(2,893)</u>
Income tax expense recognized in profit or loss	<u>\$ 1,526,316</u>	<u>\$ 1,524,967</u>

A reconciliation of accounting profit and income tax expense was as follows:

	For the Year Ended December 31	
	2020	2019
Income before income tax	\$ 7,831,836	\$ 7,385,464
Income tax expense calculated at the statutory rate	\$ 1,566,367	\$ 1,477,092
Additional items in determining taxable income	10,699	10,885
Income tax on unappropriated earnings	-	30,936
The origination and reversal of temporary differences	125,816	(7,320)
Adjustments for prior years' tax	(199,871)	(17,000)
Withheld tax in accordance with Repatriated Offshore Funds Act	<u>23,305</u>	<u>30,374</u>
Income tax expense recognized in profit or loss	\$ 1,526,316	\$ 1,524,967

In July 2019, the president of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are invested in construction or purchase of certain assets or technologies can be deducted from unappropriated earnings when computing the income tax.

b. Current tax liabilities

	December 31	
	2020	2019
Current tax liabilities		
Income tax payable	\$ 1,236,441	\$ 1,081,752

c. Deferred income tax assets and liabilities

The movements of deferred income tax assets and liabilities were as follows:

2020

Deferred Income Tax Assets	Beginning of Year	Movements	End of Year
Temporary differences	\$ 146,365	\$ 54,173	\$ 200,538

Deferred Income Tax Liabilities	Beginning of Year	Movements	End of Year
Temporary differences	\$ 206,169	\$ 108,192	\$ 314,361

2019

Deferred Income Tax Assets	Beginning of Year	Movements	End of Year
Temporary differences	\$ 100,605	\$ 45,760	\$ 146,365

Deferred Income Tax Liabilities	Beginning of Year	Movements	End of Year
Temporary differences	\$ 163,302	\$ 42,867	\$ 206,169

- d. Items for which no deferred income tax assets have been recognized

	December 31	
	2020	2019
Deductible temporary differences	\$ 411,989	\$ 227,909

- e. Unrecognized deferred income tax liabilities associated with investments

As of December 31, 2020 and 2019, there were no taxable temporary differences associated with investment in subsidiaries for which no deferred income tax liabilities have been recognized.

- f. Income tax assessments

Income tax returns through 2018 had been examined and cleared by the tax authorities.

27. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Year Ended December 31	
	2020	2019
Basic earnings per share	\$ 3.85	\$ 3.58
Diluted earnings per share	\$ 3.81	\$ 3.54

The earnings and weighted average number of ordinary shares used in the computation of earnings per share were as follows:

Earnings

	For the Year Ended December 31	
	2020	2019
Earnings used in computation of basic earnings per share	\$ 6,305,520	\$ 5,860,497
Effect of dilutive potential ordinary shares:		
Compensation of employees	—	—
Earnings used in the computation of diluted earnings per share	\$ 6,305,520	\$ 5,860,497

Shares

Unit: Shares in Thousands

	For the Year Ended December 31	
	2020	2019
Weighted average number of ordinary shares used in the computation of basic earnings per share	1,638,982	1,638,982
Effect of dilutive potential ordinary shares:		
Compensation of employees	15,702	16,598
Weighted average number of ordinary shares used in the computation of diluted earnings per share	1,654,684	1,655,580

Since the Corporation is allowed to settle compensation paid to employees by cash or shares, the Corporation assumes that the entire amount of the compensation 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.

28. CASH FLOWS INFORMATION FOR FINANCING ACTIVITIES

For the year ended December 31, 2020

	January 1	Cash Flows	Non-cash Changes	December 31
Other non-current liabilities	\$ 56,151	\$ 90,722	\$ -	\$ 146,873
Lease liabilities	1,306,214	(181,229)	30,394	1,155,379
Short-term loans	3,210,000	(1,779,800)	-	1,430,200
Dividends payable	-	(5,244,743)	5,244,743	-
Unclaimed dividends	<u>425</u>	<u>214</u>	<u>-</u>	<u>639</u>
	<u>\$ 4,572,790</u>	<u>\$ (7,114,836)</u>	<u>\$ 5,275,137</u>	<u>\$ 2,733,091</u>

For the year ended December 31, 2019

	January 1	Cash Flows	Non-cash Changes	December 31
Other non-current liabilities	\$ 56,788	\$ (637)	\$ -	\$ 56,151
Lease liabilities	1,484,739	(169,692)	(8,833)	1,306,214
Short-term loans	-	3,210,000	-	3,210,000
Dividends payable	-	(5,244,743)	5,244,743	-
Unclaimed dividends	<u>277</u>	<u>148</u>	<u>-</u>	<u>425</u>
	<u>\$ 1,541,804</u>	<u>\$ (2,204,924)</u>	<u>\$ 5,235,910</u>	<u>\$ 4,572,790</u>

29. CAPITAL MANAGEMENT

The Corporation manages its capital in a manner to ensure its ability to continue as a going concern while maximizing the return to shareholders. The Corporation's overall strategy has no significant variations.

The capital structure of the Corporation consists of net debt (loans offset by cash and cash equivalents) and equity (i.e., share capital, capital surplus, retained earnings and other equity)

The Corporation is not subject to any externally imposed capital requirements.



30. FINANCIAL INSTRUMENTS

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

December 31, 2020

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Financial assets at amortized cost					
Domestic financial bonds	\$ 350,740	\$ 351,600	\$ -	\$ -	\$ 351,600

December 31, 2019

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Financial assets at amortized cost					
Domestic financial bonds	\$ 352,665	\$ 354,559	\$ -	\$ -	\$ 354,559

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

1) Fair value hierarchy

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative instruments	\$ -	\$ 33,374	\$ -	\$ 33,374
Hybrid financial assets	-	200,064	-	200,064
	<u>\$ -</u>	<u>\$ 233,438</u>	<u>\$ -</u>	<u>\$ 233,438</u>
Financial assets at FVTOCI				
Equity instruments				
Domestic listed shares	\$ -	\$ 66,000	\$ -	\$ 66,000
Domestic unlisted shares	-	117,216	-	117,216
Foreign unlisted shares	-	49,995	-	49,995
	<u>\$ -</u>	<u>\$ 233,211</u>	<u>\$ -</u>	<u>\$ 233,211</u>

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative instruments	\$ -	\$ 50,130	\$ -	\$ 50,130
Hybrid financial assets	<u>-</u>	<u>100,126</u>	<u>-</u>	<u>100,126</u>
	<u>\$ -</u>	<u>\$ 150,256</u>	<u>\$ -</u>	<u>\$ 150,256</u>
Financial assets at FVTOCI				
Equity instruments				
Domestic listed shares	\$ -	\$ 20,100	\$ -	\$ 20,100
Domestic unlisted shares	-	107,695	-	107,695
Foreign unlisted shares	<u>-</u>	<u>53,053</u>	<u>-</u>	<u>53,053</u>
	<u>\$ -</u>	<u>\$ 180,848</u>	<u>\$ -</u>	<u>\$ 180,848</u>

There were no transfers between Level 1 and Level 2 of the fair value hierarchy for the years ended December 31, 2020 and 2019, respectively.

There were no acquisition or disposal of financial assets measured by Level 3 of the fair value hierarchy for the years ended December 31, 2020 and 2019, respectively.

2) Valuation techniques and assumptions applied to Level 2 of fair value hierarchy

The fair value of financial assets and financial liabilities is determined as follows:

- a) For those derivative instruments with no quoted market prices, their fair value is determined by using valuation techniques incorporating estimates and assumptions consistent with those generally used by other market participants in their estimates of fair value.

The fair value of forward exchange contracts and currency-swap contracts is determined by using valuation techniques based on forward rates for each contract. The Reuter's quotation system is mainly used as reference for the forward rates.

- b) For the private placement shares issued by listed companies with no quoted market prices, the fair value is determined by using valuation techniques incorporating estimates and assumptions consistent with those generally used by other market participants in their estimates of fair value.

The Corporation uses "Black-Scholes model" to determine the fair value.

- c) The fair value of the unlisted shares is estimated by reference to comparable targets and compares investees' assets, liabilities, profit and loss with the observable share prices and gives them implicit value multiplier. The "Black-Scholes model" is adopted according to the individual terms of each equity instrument, and it takes the observable share price, share price volatility, risk-free interest rate and exit probability as the parameters, and comprehensively considers the discount of non-controlling rights and liquidity risks.

c. Categories of financial instruments

	December 31	
	2020	2019
<u>Financial assets</u>		
Fair value through profit or loss (FVTPL)		
Mandatorily at FVTPL	\$ 233,438	\$ 150,256
Financial assets at amortized cost (Note 1)	13,407,280	12,816,025
Financial assets at FVTOCI		
Equity instruments	233,211	180,848

Financial liabilities

Financial liabilities at amortized cost (Note 2)	7,326,955	8,282,878
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Note 1: The balances of financial assets measured at amortized cost comprise cash and cash equivalents, notes and accounts receivable, other receivables, other financial assets, refundable deposits, and debts securities.

Note 2: The balances of financial liabilities measured at amortized cost comprise short-term loans, accounts payable, other payables and guarantee deposits.

d. Objectives and policies of financial risk management

The Corporation's major financial instruments include equity and bond investments, accounts receivable, borrowings, accounts payable, and lease liabilities. The Corporation's corporate finance function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Corporation through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Corporation seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Corporation's policies approved by the Corporation's Board of Directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of derivatives and non-derivative financial instruments, and the investment of excess liquidity. The compliance with policies and the control of exposure limits are reviewed by the internal auditors on a continuous basis. The Corporation does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The corporate finance function reports quarterly to the Corporation's Board of Directors and Audit Committee for their overall supervision and control to risks and policy implementation.

1) Market risk

The Corporation's activities are exposed to the financial risks primarily arising from the changes in foreign currency exchange rates (see (a) below), interest rates (see (b) below) and other prices (see (c) below). The Corporation enters into a variety of derivative financial instruments including forward exchange and currency-swap contracts to manage its exposure to foreign currency risk.

There has been no change to the Corporation's exposure to market risks or the manner in which these risks are managed and measured.

a) Foreign currency risk

The Corporation's operating activities are partially denominated in foreign currencies and apply natural hedge. The purpose of the Corporation's management of the foreign currency risk is to hedge the risk instead of making a profit.

The strategy of foreign currency risk management is to review the net position exposed to foreign currency risk and manage the risk of the net position. The Corporation selects the instruments to hedge currency exposure by considering the hedge cost and hedge period. The Corporation currently utilizes derivative financial instruments, primarily buys/sells forward exchange contracts, to hedge its currency exposure.

The Corporation uses forward exchange contracts to eliminate currency exposure. It is the Corporation's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item for maximizing the hedge effectiveness.

Investing in foreign operations is for strategic purposes; it is not hedged by the Corporation.

Sensitivity analysis

The Corporation is mainly exposed to the exchange rate fluctuation of USD, JPY and EUR.

The following table details the Corporation's sensitivity to a 5% increase and decrease in the New Taiwan dollar (i.e., the functional currency) against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign currency denominated monetary items (including cash and cash equivalents, financial assets, accounts receivable, other receivables, refundable deposits, accounts payable, and other payables) designated as cash flow hedges, and adjusts their translation at the end of the year for a 5% change in foreign currency rates. The following table indicates the influences when the New Taiwan dollars strengthen 5% against the relevant currency.

	Impact on USD Items	
	For the Year Ended December 31	
	2020	2019
Gain (loss)	\$ 1,277	\$ (5,971)
	Impact on JPY Items	
	For the Year Ended December 31	
	2020	2019
Loss	\$ 7,034	\$ 1,870
	Impact on EUR Items	
	For the Year Ended December 31	
	2020	2019
Loss	\$ 13,423	\$ 910



b) Interest rate risk

The Corporation's financial assets are exposed to interest rate risk both at fixed and floating interest rates.

The carrying amounts of the Corporation's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2020	2019
Fair value interest rate risk		
Financial assets	\$ 4,438,490	\$ 5,051,123
Financial liabilities	2,585,579	4,516,214
Cash flow interest rate risk		
Financial assets	3,709,935	2,552,727

Sensitivity analysis

The sensitivity analyses below are determined based on the Corporation's exposure to interest rates for the derivative and non-derivative instruments at the end of the reporting period. For the floating rate assets, the analysis is prepared assuming the amount of the asset at the end of the reporting date is outstanding during the reporting year.

If the market interest rate increases/decreases by 0.1% and all other variables remain constant, the pre-tax profit of the Corporation for the years ended on December 31, 2020 and 2019 will increase/decrease by \$3,710 thousand and \$2,553 thousand, respectively, resulting from the exposure of the net assets with floating rates.

c) Other price risk

The Corporation is exposed to price risk arising from its investments in shares. Equity investments are held for strategic rather than trading purposes. The Corporation does not actively trade these investments.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to security price risks at the end of the reporting period.

If financial assets at FVTOCI shares prices had been 5% higher/lower, the other comprehensive income for the years ended December 31, 2020 and 2019 would have an increased/decreased by \$11,661 thousand \$9,042 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations and result in financial loss to the Corporation. At the end of the reporting period, the Corporation may have a financial loss due to the default on obligation from a counterparty, and the maximum exposure to credit risk is the carrying amount of the respective recognized financial assets as stated in the parent company only balance sheets.

In order to mitigate credit risk, the Corporation has made the policy of credit management to ensure that appropriate action is taken to recover overdue receivables. In addition, the Corporation reviews the recoverable amount of each receivable debt at the end of the reporting period to ensure that

adequate allowance for impairment losses are made for irrecoverable amounts. In this regard, the Corporation considers the credit risk is significantly reduced.

The credit risk on operating funds and derivatives is limited as the counterparties are creditworthy banks.

The Corporation's accounts receivable outstanding arose from trading with its customers spreading across diverse industries and geographical areas. The balances are monitored on an ongoing basis by evaluating the customer's financial condition.

The Corporation's credit concentration risk was related to the 5 largest customers. Besides the 5 largest customers, credit concentration risks related to other customers do not exceed 10% of total gross accounts receivable at any time during the period. The 5 largest customers are creditworthy counterparties; therefore, the Corporation believes the concentration of credit risk is insignificant for the remaining accounts receivable.

3) Liquidity risk

The Corporation manages liquidity risk by monitoring and maintaining adequate reserves of cash and cash equivalents to fund the Corporation's operations and mitigate the effects of fluctuations in cash flows.

a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following tables detail the Corporation's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Corporation can be required to pay. The tables include both interest and principal cash flows.

December 31, 2020

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	More than 15 Years	Total
Non-derivative financial liabilities						
Non-interest bearing liabilities	\$ 5,749,882	\$ -	\$ -	\$ -	\$ -	\$ 5,749,882
Lease liabilities	218,222	542,259	418,614	62,118	-	1,241,213
Short-term loans	1,430,200	-	-	-	-	1,430,200
	<u>\$ 7,398,304</u>	<u>\$ 542,259</u>	<u>\$ 418,614</u>	<u>\$ 62,118</u>	<u>\$ -</u>	<u>\$ 8,421,295</u>

December 31, 2019

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	More than 15 Years	Total
Non-derivative financial liabilities						
Non-interest bearing liabilities	\$ 5,016,727	\$ -	\$ -	\$ -	\$ -	\$ 5,016,727
Lease liabilities	216,263	586,544	509,991	93,248	-	1,406,046
Short-term loans	3,210,000	-	-	-	-	3,210,000
	<u>\$ 8,442,990</u>	<u>\$ 586,544</u>	<u>\$ 509,991</u>	<u>\$ 93,248</u>	<u>\$ -</u>	<u>\$ 9,632,773</u>

b) Liquidity and interest rate risk tables for derivative financial liabilities

The following tables detail the Corporation's liquidity analysis for its derivative financial instruments. The tables were based on the undiscounted net inflows and outflows from those derivatives with gross settlement.



December 31, 2020

	Less than 1 Year	More than 1 Year
<u>Gross settled</u>		
Forward exchange and currency-swap contracts		
Inflows	\$ 6,762,302	\$ -
Outflows	<u>(6,728,928)</u>	<u>-</u>
	<u>\$ 33,374</u>	<u>\$ -</u>

December 31, 2019

	Less than 1 Year	More than 1 Year
<u>Gross settled</u>		
Forward exchange and currency-swap contracts		
Inflows	\$ 5,537,934	\$ -
Outflows	<u>(5,487,804)</u>	<u>-</u>
	<u>\$ 50,130</u>	<u>\$ -</u>

c) Financial facilities

	December 31	
	2020	2019
Unsecured bank credit facilities (Reviewed annually)	\$ 1,431,000	\$ 3,212,000
Amount used	<u>11,749,000</u>	<u>9,906,000</u>
Amount unused	<u>\$ 13,180,000</u>	<u>\$ 13,118,000</u>

31. TRANSACTIONS WITH RELATED PARTIES

a. Name and relationship of related parties

Name	Relationship with the Corporation
Taiwan Semiconductor Manufacturing Company Ltd.	Investors with significant influence over the Corporation
Image Match Design Inc.	Key management personnel (Not-related party since June 12, 2020)
Shenzhen Winsemi Microelectronics Co., Ltd.	Key management personnel
Global Unichip Corp.	Substantial related party
Systems on Silicon Manufacturing Co. Pte. Ltd.	Substantial related party
CMSC, Inc.	Associate
Qromis, Inc.	Associate
VIS Micro, Inc.	Subsidiary
VIS Shanghai Company Limited	Subsidiary
Vanguard International Semiconductor Singapore Pte. Ltd.	Subsidiary

b. Operating transactions

		Revenue from Sales of Goods	
		For the Year Ended December 31	
		2020	2019
Investors with significant influence over the Corporation			
Taiwan Semiconductor Manufacturing Company Ltd.		\$ 3,471,499	\$ 3,062,881
Key management personnel		67,393	74,628
Substantial related parties		68,135	46,203
Associates		58,741	31,519
Subsidiaries		<u>146,813</u>	<u>19,560</u>
		<u>\$ 3,812,581</u>	<u>\$ 3,234,791</u>
		Purchases (Returns)	
		For the Year Ended December 31	
		2020	2019
Investors with significant influence over the Corporation		\$ 720	\$ 161
Substantial related parties		(12,422)	(1,722)
Subsidiaries		<u>7,748</u>	<u>-</u>
		<u>\$ (3,954)</u>	<u>\$ (1,561)</u>
		Manufacturing Expenses	
		For the Year Ended December 31	
		2020	2019
Investors with significant influence over the Corporation		<u>\$ 46,902</u>	<u>\$ 25,423</u>
		Marketing Expenses	
		For the Year Ended December 31	
		2020	2019
Subsidiaries			
VIS Micro, Inc.		\$ 86,876	\$ 102,901
Others		<u>846</u>	<u>911</u>
		<u>\$ 87,722</u>	<u>\$ 103,812</u>
		Research and Development Expenses	
		For the Year Ended December 31	
		2020	2019
Investors with significant influence over the Corporation		<u>\$ 310</u>	<u>\$ -</u>
		Non-operating Income and Gains	
		For the Year Ended December 31	
		2020	2019
Investors with significant influence over the Corporation		<u>\$ 4,528</u>	<u>\$ 10,754</u>



The following balances were outstanding at the end of the reporting period:

		Receivables from Related Parties	
		December 31	
		2020	2019
Investors with significant influence over the Corporation			
Taiwan Semiconductor Manufacturing Company Ltd.		\$ 309,320	\$ 153,977
Key management personnel		3,258	26,773
Associates		8,920	8,447
Substantial related parties		<u>3,395</u>	<u>9,887</u>
		<u>\$ 324,893</u>	<u>\$ 199,084</u>
		Other Receivables from Related Parties	
		December 31	
		2020	2019
Subsidiaries			
Vanguard International Semiconductor Singapore Pte. Ltd.		\$ 43,759	\$ 19,860
Investors with significant influence over the Corporation		2,085	-
Associates		<u>1,001</u>	<u>-</u>
		<u>\$ 46,845</u>	<u>\$ 19,860</u>
		Payables to Related Parties	
		December 31	
		2020	2019
Subsidiaries			
Vanguard International Semiconductor Singapore Pte. Ltd.		\$ 3,119	\$ -
Substantial related parties			
Systems on Silicon Manufacturing Co. Pte. Ltd.		<u>-</u>	<u>12,195</u>
		<u>\$ 3,119</u>	<u>\$ 12,195</u>
		Other Payables to Related Parties	
		December 31	
		2020	2019
Investors with significant influence over the Corporation			
Taiwan Semiconductor Manufacturing Company Ltd.		\$ 4,311	\$ 3,920
Subsidiaries			
VIS Micro, Inc.		11,031	11,552
Others		<u>-</u>	<u>227</u>
		<u>\$ 15,342</u>	<u>\$ 15,699</u>

	Contract Liabilities - Advanced Receipts (Other Current Liabilities)	
	December 31	
	2020	2019
Key management personnel	\$ 1,046	\$ 7,400
Associates	-	835
Substantial related parties	<u>-</u>	<u>283</u>
	<u>\$ 1,046</u>	<u>\$ 8,518</u>

	Guarantee Deposits (Other Non-current Liabilities)	
	December 31	
	2020	2019
Key management personnel		
Shenzhen Winsemi Microelectronics Co., Ltd.	\$ 11,239	\$ 11,995

	Endorsements/Guarantees Provided			
	Amount		Amount Actually Drawn	
	December 31		December 31	
	2020	2019	2020	2019
Subsidiaries				
Vanguard International Semiconductor Singapore Pte. Ltd.	\$ -	\$ 707,717	\$ -	\$ 707,717

	Loans to Related Parties (Other Receivable)	
	December 31	
	2020	2019
Subsidiaries		
Vanguard International Semiconductor Singapore Pte. Ltd.	\$ 280,970	\$ -

	Interest Income	
	Years Ended December 31	
	2020	2019
Subsidiaries		
Vanguard International Semiconductor Singapore Pte. Ltd.	\$ 145	\$ 38,315

The terms of sales and purchases transactions with related parties were not significantly different from those transactions of third parties. However, for other related-party transactions, outsourcing, non-operating income and gains and guarantee deposits, there were no similar transactions in the market; thus, transaction terms were determined in accordance with related contracts.

The Corporation provided Vanguard International Semiconductor Singapore Pte. Ltd. with unsecured short-term loans at rates comparable to market interest rates. These loans are expected to be recovered within one year; therefore, no expected credit loss was recognized.

c. Compensation of key management personnel

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	\$ 272,027	\$ 223,035
Post-employment benefits	<u>2,451</u>	<u>2,922</u>
	<u>\$ 274,478</u>	<u>\$ 225,957</u>

The remuneration of directors and other key management personnel was determined by the Compensation Committee in accordance with the individual performance and the market trends.

32. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets had been pledged as guarantee for customs duty and lease of the manufacturing plant from the Hsinchu Science Park Bureau:

	December 31	
	2020	2019
Pledged time deposits (presented under other non-current assets)	<u>\$ 304,190</u>	<u>\$ 304,087</u>

33. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The significant commitments of the Corporation as of December 31, 2020 were as follows:

The Corporation entered into a “Manufacturing, License, and Technology Transfer Agreement” with Taiwan Semiconductor Manufacturing Company Ltd. beginning January 1, 2004; under the agreement, the Corporation pays fees according to the net sales of certain products and reserved portion of its production capacity.

34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Corporation and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

	December 31			
	2020		2019	
	Foreign Currency	Exchange Rate	Foreign Currency	Exchange Rate
<u>Financial assets</u>				
Monetary items				
USD	\$ 280,110	28.097	\$ 217,172	29.988
EUR	4,603	34.531	1,194	33.617
JPY	393,628	0.2724	275,927	0.2761
SGD	391	21.252	34	22.266
RMB	331	4.319	65	4.295
				(Continued)

(Continued)

	December 31			
	2020		2019	
	Foreign Currencies	Exchange Rate	Foreign Currencies	Exchange Rate
Non-monetary items				
USD	\$ 330,925	28.097	\$ 334,124	29.988
RMB	12,518	4.319	13,300	4.295
SGD	331,889	21.252	318,877	22.266
Derivative instruments				
EUR	4,000	34.531	-	-
JPY	310,410	0.2724	-	-
<u>Financial liabilities</u>				
Monetary items				
USD	41,530	28.097	30,189	29.988
EUR	829	34.531	652	33.617
JPY	187,565	0.2724	140,437	0.2761
RMB	-	-	53	4.295
Derivative instruments				
USD	239,489	28.097	183,000	29.988
				(Concluded)

Please refer to the parent company only statements of comprehensive income for the total of realized and unrealized foreign exchange gain and loss for the years ended December 31, 2020 and 2019. Since there were varieties of foreign currency transactions, the Corporation was unable to disclose foreign exchange gain (loss) by each foreign currency with significant impact.

35. SEPARATELY DISCLOSED ITEMS

Information on significant transactions and information on investees:

- Financing provided to others: Table 1 (attached)
- Endorsements/guarantees provided: Table 2 (attached)
- Marketable securities held (excluding investment in subsidiaries, associates and jointly ventures): Table 3 (attached)
- Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: Table 4 (attached)
- Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None.
- Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5 (attached)
- Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 6 (attached)

- i. Trading in derivative instruments: Notes 7 and 11.
- j. Information on investees: Table 7 (attached)
- k. Information on investment 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, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 8 (attached)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: Note 31.
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period
 - c) The amount of property transactions and the amount of the resultant gains or losses
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receiving of services
- l. Information of major shareholders:

List all shareholders with ownership of 5% or greater showing the name, the number of shares owned, and percentage of ownership hold by each shareholder: Table 9 (attached)

TABLE 1

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Financing Company	Counterparty	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrowing Company (Note 3)	Total Available Amount for Leading (Note 3)	Note
													Item	Value			
0	The Corporation	Vanguard International Semiconductor Singapore Pte. Ltd.	Other receivables from related parties	Note 2	\$ 1,513,150 (USD 50,000)	\$ 1,404,850 (USD 50,000)	\$ 280,970 (USD 10,000)	0.72	For short-term financing	\$ -	Capital expenditures and operating funding needed	\$ -	-	\$ -	\$ 2,955,759	\$ 5,911,519	-

Note 1: The description of the number column is as follows:

(1) Issuer fills in 0.

(2) The invested company is numbered sequentially according to the company from arabic number 1.

Note 2: Directly held subsidiary.

Note 3: The amount of loan to each borrowing company and the total available amount for all borrowings shall not exceed 10% and 20% of the Corporation's net equity, respectively.

TABLE 2

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Endorsement/Guarantee Provider	Guarantee Party		Limit Amount for Endorsement/ Guarantee to Each Guarantee Party (Note 3)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements (%)	Allowable amount for Endorsement/ Guarantee (Note 3)	Endorsement/ Guarantee Provided by Subsidiaries	Endorsement/ Guarantee Provided to Subsidiaries in Mainland China	Note
		Company Name	Nature of Relationship										
0	The Corporation	Vanguard International Semiconductor Singapore Pte. Ltd.	Note 2	\$ 8,867,279	\$ 707,717 (USD 23,600)	\$ -	\$ -	\$ -	-	\$ 8,867,279	No	No	-

Note 1: The description of the number column is as follows:

(1) Issuer fills in 0.

(2) The invested company is numbered sequentially according to the company from arabic number 1.

Note 2: Directly held subsidiary.

Note 3: The individual amount to each company and the total amount of endorsement/guarantee shall not exceed 30% of the Corporation's net equity.

TABLE 3

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Marketable Security Type and Name (Note 1)	Relationship with the Securities Issuer	Financial Statement Account	December 31, 2020			Note
				Shares/Units (Thousands)	Carrying Value	% of Ownership	Market Value or Net Asset Value
The Corporation	<u>Structured Instruments</u>	-	Financial assets at fair value through profit or loss - current	-	\$ 200,064	-	\$ 200,064
	Yang Ming Marine Transport Corporation 5 th credit linked structured investment notes	-	Financial assets at fair value through profit or loss - current	-	\$ 200,064	-	\$ 200,064
	<u>Shares</u>	-	Financial assets at fair value through profit or loss - current	-	\$ 200,064	-	\$ 200,064
	Advanced Microelectronic Products Inc.	Investee	Financial assets at fair value through other comprehensive income - non-current	30,000	66,000	7%	66,000
	United Industrial Gases Co., Ltd.	Investee	Financial assets at fair value through other comprehensive income - non-current	4,246	115,761	2%	115,761
	AnDAPT Holding Ltd.	Investee	Financial assets at fair value through other comprehensive income - non-current	1,000	-	6%	-
	Image Match Design Inc.	Investee	Financial assets at fair value through other comprehensive income - non-current	590	1,455	2%	1,455
	Voltafield Technology Corporation (Cayman)	Investee	Financial assets at fair value through other comprehensive income - non-current	600	-	2%	-
	Shenzhen Winsemi Microelectronics Co., Ltd.	Investee	Financial assets at fair value through other comprehensive income - non-current	-	49,995	9%	49,995
	<u>Financial Debentures</u>	-	Financial assets at fair value through other comprehensive income - non-current	-	49,995	9%	49,995
VIS Associates Inc.	MEGA Bank 2014 1 st Subordinated Financial Debentures	-	Financial assets at amortized cost - current	-	100,136	-	100,293
	MEGA Bank 2014 2 nd Subordinated Financial Debentures	-	Financial assets at amortized cost - current	-	150,376	-	150,832
	Taiwan Cooperative Bank 2014 1 st Subordinated Financial Debentures	-	Financial assets at amortized cost - current	-	100,228	-	100,475
	<u>Government bonds</u>	-	Financial assets at amortized cost - current	-	45,001	-	45,646
	The Kingdom of Saudi Arabia	-	Financial assets at amortized cost - current	-	45,001	-	45,646
	<u>Bonds</u>	-	Financial assets at amortized cost - current	-	56,251	-	56,333
	ABN AMRO Bank N.V. (XS1377968307)	-	Financial assets at amortized cost - current	-	112,278	-	114,637
	ABN AMRO Bank N.V. (XS1871116171)	-	Financial assets at amortized cost - current	-	68,030	-	68,821
	Aozora Bank Ltd.	-	Financial assets at amortized cost - current	-	121,563	-	122,013
	AVIC International Finance & Investment Ltd.	-	Financial assets at amortized cost - current	-	56,113	-	56,784
	Azure Nova Finance (XS1511025907)	-	Financial assets at amortized cost - current	-	196,308	-	197,132
	Bank of China Ltd., Hong Kong Branch (XS1371532208)	-	Financial assets at amortized cost - current	-	169,682	-	169,747
	Bank of China Ltd., Luxembourg Branch	-	Financial assets at amortized cost - current	-	47,690	-	48,070
	BOC Aviation Ltd. (US09681MAC29)	-	Financial assets at amortized cost - current	-	56,279	-	56,170
	BOC Aviation Ltd. (US09681MAG33)	-	Financial assets at amortized cost - current	-	195,633	-	198,661
	Credit agricole S.A., London Branch	-	Financial assets at amortized cost - current	-	81,719	-	82,108
	DIB Sukuk Ltd. (XS1387925958)	-	Financial assets at amortized cost - current	-	225,711	-	226,733
	Foxconn (Far East) Ltd.	-	Financial assets at amortized cost - current	-	252,873	-	254,294
	HSBC Holdings PLC (US404280A V16)	-	Financial assets at amortized cost - current	-	252,781	-	252,781
	Kookmin Bank	-	Financial assets at amortized cost - current	-	56,258	-	56,379
	Lloyds Banking Group PLC	-	Financial assets at amortized cost - current	-	56,258	-	56,379

(Continued)



Holding Company Name	Marketable Security Type and Name (Note 1)	Relationship with the Securities Issuer	Financial Statement Account	December 31, 2020			Note
				Shares/Units (Thousands)	Carrying Value	% of Ownership	Market Value or Net Asset Value
VIS Associates Inc.	Mitsubishi UFJ Financial Group Inc. (US606822AF11)	-	Financial assets at amortized cost - current	-	\$ 55,948	-	\$ 56,576
	Mizuho Financial Group Inc.	-	Financial assets at amortized cost - current	-	159,720	-	161,152
	QNB Finance Ltd. (XS1824431313)	-	Financial assets at amortized cost - current	-	280,970	-	281,005
	Santander UK PLC (US802831A108)	-	Financial assets at amortized cost - current	-	224,525	-	227,533
	Union National Bank P.J.S.C	-	Financial assets at amortized cost - current	-	140,854	-	142,944
	Xingsheng (BVI) Company Ltd.	-	Financial assets at amortized cost - current	-	130,676	-	131,716
	ABO Finance Ltd.	-	Financial assets at amortized cost - non-current	-	195,822	-	198,934
	Azure Nova Finance (XS157232318)	-	Financial assets at amortized cost - non-current	-	169,951	-	172,774
	Bank of China Ltd., Hong Kong Branch (XS1561673986)	-	Financial assets at amortized cost - non-current	-	143,834	-	143,660
	Bank of China Ltd., Hong Kong Branch (XS1641476657)	-	Financial assets at amortized cost - non-current	-	141,078	-	140,801
	BMW finance N.V.	-	Financial assets at amortized cost - non-current	-	197,375	-	198,300
	BPCE S.A.	-	Financial assets at amortized cost - non-current	-	139,249	-	147,068
	China Construction Bank Co., Hong Kong	-	Financial assets at amortized cost - non-current	-	267,058	-	269,967
	CK Hutchison International (17) Ltd.	-	Financial assets at amortized cost - non-current	-	114,201	-	115,401
	DIB Sukuk Ltd. (XS1565166789)	-	Financial assets at amortized cost - non-current	-	85,303	-	86,929
	Emirates NBD Bank P.J.S.C	-	Financial assets at amortized cost - non-current	-	140,103	-	146,719
	First Abu Dhabi Bank P.J.S.C	-	Financial assets at amortized cost - non-current	-	56,401	-	56,509
	HSBC Holdings PLC (US404280BF56)	-	Financial assets at amortized cost - non-current	-	84,332	-	85,958
	ICBC, Hong Kong Branch	-	Financial assets at amortized cost - non-current	-	287,644	-	287,046
	ICBC, Luxembourg Branch	-	Financial assets at amortized cost - non-current	-	253,048	-	252,514
	ICBC, Singapore Branch (XS1602480177)	-	Financial assets at amortized cost - non-current	-	141,117	-	140,869
	ICBC, Singapore Branch (XS2225790588)	-	Financial assets at amortized cost - non-current	-	75,902	-	75,742
	ING Group N.V. (US456837AJ28)	-	Financial assets at amortized cost - non-current	-	113,158	-	113,594
	Inventive Global Investments Ltd.	-	Financial assets at amortized cost - non-current	-	281,665	-	281,856
	Loite Property & Development Co., Ltd.	-	Financial assets at amortized cost - non-current	-	84,525	-	84,501
	Mitsubishi UFJ Financial Group Inc. (US606822BG84)	-	Financial assets at amortized cost - non-current	-	88,183	-	90,020
	QNB Finance Ltd. (XS1985100509)	-	Financial assets at amortized cost - non-current	-	253,391	-	253,505
	Santander UK PLC (US802831AY92)	-	Financial assets at amortized cost - non-current	-	137,519	-	145,252
	Shinhan Bank	-	Financial assets at amortized cost - non-current	-	124,615	-	127,104
	State Elite Global Ltd.	-	Financial assets at amortized cost - non-current	-	288,578	-	288,452
	Sumitomo Mitsui Financial Group, Inc.	-	Financial assets at amortized cost - non-current	-	114,178	-	118,585
	Want Want China Finance Ltd.	-	Financial assets at amortized cost - non-current	-	227,920	-	229,079

Note 1: Marketable securities mentioned in the table include shares, bonds, beneficiary certificate and the derivative securities from aforementioned items.

Note 2: As of December 31, 2020, all the securities were not pledged or restricted.

Note 3: With respect to the information of subsidiaries, associates and joint ventures, please see Tables 7 and 8.

(Concluded)

TABLE 4

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition (Note 1)		Disposal		Gain (Loss) on Disposal		Ending Balance (Note 2)	
					Shares/Units (Thousands)	Amount	Shares/Units (Thousands)	Amount	Shares/Units (Thousands)	Amount			Shares/Units (Thousands)	Amount
The Corporation	Unlisted shares investment Vanguard International Semiconductor Singapore Pte. Ltd.	Investment accounted for using equity method	-	Subsidiary	325,610	\$ 7,100,120	74,390	\$ 1,656,368	-	\$ -	-	\$ -	400,000	\$ 7,053,306

Note 1: Subscription of cash injection shares.

Note 2: The ending balance included the profit and loss recognized by using equity method and the exchange differences on translation of the financial statements of foreign operations.



TABLE 5

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Detail			Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchases/Sales	Amount	% to Total	Payment Term	Unit Price	Payment Term	Ending Balance	
The Corporation	Taiwan Semiconductor Manufacturing Company Ltd.	Major shareholder	Sales	\$ 3,471,499	10	30 days after closing	\$ -	-	\$ 309,320	5
										-

TABLE 6

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2020**

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
The Corporation	Taiwan Semiconductor Manufacturing Company Ltd.	Major shareholder	\$ 309,320	14.99	\$ -	-	\$ -	\$ -



TABLE 7

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEE OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING THE INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2020		Net Gain (Loss) of the Investee (Foreign Currencies in Thousands)	Investment Gain (Loss) Recognized (Foreign Currencies in Thousands)	Note
				December 31, 2020 (Foreign Currencies in Thousands)	December 31, 2019 (Foreign Currencies in Thousands)	Shares (In Thousands)	Percentage of Ownership			
The Corporation	VIS Associates Inc.	British Virgin Islands Singapore	Investments Semiconductor manufacturing, selling and packaging	\$ 9,774,919	\$ 9,774,919	317	100	\$ 215,113	\$ 215,113	Subsidiary
	Vanguard International Semiconductor Singapore Pte. Ltd.			9,105,342	7,448,974	400,000	100	(1,318,840)	(1,318,840)	
	CMSIC, Inc.			112,650	112,650	9,902	25	3,360	838	
VIS Associates Inc.	Qromis, Inc.	Hsinchu City, Taiwan Delaware, USA	Integrated circuit design services and related businesses Semiconductor research and development related businesses	347,490	347,490	10,705	39	(64,860)	(25,496)	Investment accounted for using equity method Investment accounted for using equity method Subsidiary
				175,606	187,425	63	100	79,375	707	
				(US\$ 6,250)	(US\$ 6,250)			(US\$ 2,825)	(US\$ 24)	
VIS Investment Holding, Inc.	VIS Investment Holding, Inc.	Delaware, USA	Investments	5,619	5,998	200	100	3,087	3,087	Subsidiary
				(US\$ 200)	(US\$ 200)			(US\$ 104)	(US\$ 104)	
			Marketing services							

TABLE 8

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020
(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, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020	Note
					Outflow	Inflow							
VIS Shanghai Company Limited	Marketing services	\$ 4,556 (RMB 1,000 thousand)	Note 1	\$ 4,556 (RMB 1,000 thousand)	\$ -	\$ -	\$ 4,556 (RMB 1,000 thousand)	\$ (23) (RMB (5) thousand)	100	\$ (23) (RMB (5) thousand)	\$ 4,072 (RMB 943 thousand)	\$ -	-
Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020				Investment Amount Authorized by Investment Commission, MOEA (Note 3)		Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA							
\$4,556 (RMB1,000 thousand)				\$4,556 (RMB1,000 thousand)		\$17,734,558							

Note 1: Directly invested.

Note 2: The amount was recognized based on the subsidiary's financial statements which were audited by the certified public account of parent company.

Note 3: The investment amount in Mainland China authorized by Investment Commission, MOEA totaled \$109,105 thousand (RMB 23,340 thousand), of which \$104,549 thousand (RMB 22,340 thousand) is accounted for financial assets at fair value through other comprehensive income. Please refer to Table 3.



TABLE 9

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION

INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2020

Name of Major Shareholders	Shares	
	Shares of Ownership (Shares)	% of Ownership
Taiwan Semiconductor Manufacturing Company Ltd. National Development Fund, Executive Yuan JPMorgan Chase Bank, N.A., Taipei Branch in custody of capital income founder fund	464,223,493	28.32
	274,029,592	16.71
	98,037,249	5.98

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation base on the last business day for the current quarter and calculated by the shareholders' ordinary shares including treasury stock which is registered for securities issued in dematerialized form over 5% of 1,638,982 thousand shares issued by the Corporation.

Note 2: If the shareholders deliver their shares to the trust, the above information will be disclosed by the individual trustee who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.

Vanguard International Semiconductor Corporation



Leuh Fang , Chairman



Vanguard International
Semiconductor Corporation



**Vanguard International
Semiconductor Corporation**



For the sustainability of the Earth, we are printing the Company's annual report on recycled paper, which will cut our consumption of paper by amount 300 kilograms- equivalent to saving 6 Formosa Acacias. We extend our sincerest gratitude to each of you, our shareholders, for your continued support and for helping us make this contribution the Earth together.