Stock Code:2408

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2020 and 2019

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Representation Letter

The entities that are required to be included in the combined financial statements of Nanya Technology Corporation as of and for the year ended December 31, 2020 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Nanya Technology Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Nanya Technology Corporation
Chairman: JIA-ZHAO, WU
Date: February 26, 2021

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Independent Auditors' Report

To the Board of Directors of Nanya Technology Corporation:

Opinion

We have audited the consolidated financial statements of Nanya Technology Corporation ("the Company") and its subsidiaries ("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.

In our opinion, based on our audits and the report of another auditor (please refer to Other Matter paragraph), 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 with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("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 Certification of Financial Statements by Certified Public Accountants and the 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 Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the report of another auditor, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Other Matter

We did not audit the financial statements of Formosa Advanced Technologies Co., Ltd., an investment in other accounted for using the equity method of the Group. The financial statements were audited by another auditor, whose audit report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Formosa Advanced Technologies Co., Ltd., is based solely on the audit report of another auditor. The aforementioned investment accounted for using the equity method constituted 3.04% of the consolidated total assets as of December 31, 2019 and the share of profit of associates accounted for using the equity method constituted 1.64% of the consolidated total profit before tax for the period from January 1 to December 31, 2019.

The company has prepared its parent-company-only financial statements as of and for the years ended December 31, 2020 and 2019, on which we have issued an unmodified opinion and an unmodified opinion with another matter paragraph, respectively..

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 of the current period. 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.

Valuation of inventories

Please refer to Notes 4(h), 5, as well as 6(c) for details on accounting policy, judgments and major sources of estimation uncertainty, as well as disclosure on information about inventory valuation, respectively.

The Group recognizes a loss from the devaluation of inventories on a quarterly basis based on the lower of cost or net realizable value method. The international market price of DRAM has significantly affected the net realizable value of inventories. Therefore, the evaluation of inventory has been identified as a key audit matter in the consolidated financial statements.

The principal audit procedures performed to address the aforementioned key audit matter included understanding the basis adopted by the management in the estimate of net realizable value, and sampling to test the reasonableness of the net realizable value.

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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, IFRIC, 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 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. Furthermore, 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 of the current period 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 Hui-Chih Ko and Hsin-Yi Kuo.

KPMG

Taipei, Taiwan (Republic of China)
February 26, 2021

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and cash flows in accordance with the 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 accepted and applied in the Republic of China.

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

Nanya Technology Corporation and Subsidiaries

Consolidated Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2020 Amount	%	December 31, 2019 Amount	%
	Current assets:				
1100	Cash and cash equivalents (Note 6(a))	$ 51,725,906	31	44,148,979	27
1160	Notes receivable due from related parties, net (Notes 6(b)(n) and 7)	-	-	41,545	-
1170	Accounts receivable, net (Note 6(b)(n))	7,867,928	4	7,291,735	4
1180	Accounts receivable due from related parties, net (Note 6(b)(n) and 7)	8,237	-	-	-
1200	Other receivables (Note 6(g))	1,496,119	1	1,620,743	1
1310	Inventories (Note 6(c))	14,126,982	9	18,122,496	11
1410	Prepayments	1,519,429	1	1,637,129	1
	Total current assets	76,744,601	46	72,862,627	44
	Non-current assets:				
1550	Investments accounted for using equity method (Note 6(d))	5,160,505	3	5,019,236	3
1600	Property, plant and equipment (Note 6(e)(t) and 7)	79,728,620	49	85,530,112	52
1755	Right-of-use assets (Note 6(f) and 7)	1,790,192	1	99,222	-
1780	Intangible assets (Notes 6(t))	1,258,380	1	296,710	-
1840	Deferred tax assets (Notes 6(j))	353,567	-	555,885	-
194D	Long-term financial lease payments receivable (Note 6(g))	483,436	-	689,886	1
1990	Other non-current assets (Note 8)	112,679	-	46,974	-
	Total non-current assets	88,887,379	54	92,238,025	56
	Total assets	**$ 165,631,980**	**100**	**165,100,652**	**100**

	Liabilities and Equity	December 31, 2020 Amount	%	December 31, 2019 Amount	%
	Current liabilities:				
2170	Accounts payable	$ 2,027,096	1	2,573,759	2
2180	Accounts payable to related parties (Note (7))	84,678	-	133,199	-
2200	Other payables (Note 6(t))	4,211,470	2	6,650,153	4
2220	Other payables to related parties (Note 7)	1,069,910	1	1,205,857	1
2230	Current tax liabilities	1,131,327	1	1,515,896	1
2280	Current lease liabilities (Notes 6(h) and 7)	178,432	-	99,924	-
2399	Other current liabilities	75,759	-	92,754	-
	Total current liabilities	8,778,672	5	12,271,542	8
	Non-Current liabilities:				
2570	Deferred tax liabilities (Note 6(j))	4,042	-	1,197	-
2580	Non-current lease liabilities (Notes 6(h) and 7)	1,617,652	1	-	-
2640	Net defined benefit liability, non-current (Note 6(i))	566,283	-	575,896	-
2670	Other non-current liabilities	853,304	1	240,464	-
	Total non-current liabilities	3,041,281	2	817,557	-
	Total liabilities	11,819,953	7	13,089,099	8
	Equity (Note 6(k)):				
3110	Ordinary shares	30,935,939	19	30,733,649	19
3140	Advance receipts for share capital	36,264	-	3,475	-
3200	Capital surplus	32,451,689	20	32,005,339	20
3310	Legal reserve	14,110,871	8	13,128,412	8
3320	Special reserve	1,041,100	1	273,834	-
3350	Unappropriated retained earnings	79,394,603	48	78,054,876	47
3400	Other equity interest	(3,011,507)	(2)	(1,041,100)	(1)
3500	Treasury shares	(1,146,932)	(1)	(1,146,932)	(1)
	Total equity	153,812,027	93	152,011,553	92
	Total liabilities and equity	**$ 165,631,980**	**100**	**165,100,652**	**100**

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

Nanya Technology Corporation and Subsidiaries

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars, Except Earnings Per Share)

		2020		2019	
		Amount	%	Amount	%
4000	**Operating revenue (Note 6(n) and 7)**	$ 61,005,514	100	51,727,458	100
5000	**Operating costs (Notes 6(c)(e)(f)(i)(l)(o) and 7)**	(45,313,936)	(74)	(35,233,371)	(68)
	Gross profit from operations	15,691,578	26	16,494,087	32
	Operating expenses (Notes 6(e)(f)(i)(l)(o) and 7):				
6100	Selling expenses	(791,263)	(2)	(737,082)	(1)
6200	Administrative expenses	(1,327,969)	(2)	(1,313,757)	(3)
6300	Research and development expenses	(5,137,872)	(8)	(4,926,428)	(10)
	Total operating expenses	(7,257,104)	(12)	(6,977,267)	(14)
	Net operating income	8,434,474	14	9,516,820	18
	Non-operating income and expenses (Notes 6(d)(e)(g)(h)(p) and 7):				
7100	Interest income	681,235	1	1,303,594	3
7020	Other gains and losses, net	(578,270)	(1)	214,749	1
7050	Finance costs	(13,117)	-	(3,264)	-
7055	Expected credit impairment gain	-	-	9,508	-
7060	Share of profit of associates accounted for using equity method, net	466,895	1	183,875	-
	Total non-operating income and expenses	556,743	1	1,708,462	4
7900	**Profit from continuing operations before tax**	8,991,217	15	11,225,282	22
7950	**Income tax expenses (Note 6(j))**	(1,305,176)	(2)	(1,400,683)	(3)
	Profit	7,686,041	13	9,824,599	19
8300	**Other comprehensive income (loss) (Note 6(i)(j)(k)):**				
8310	**Components of other comprehensive income (loss) income that will not be reclassified to profit or loss**				
8311	Remeasurements of the net defined benefit	3,767	-	(42,096)	-
8320	Share of other comprehensive income (loss) of associates accounted for using equity method, components of other comprehensive income (loss) that will not be reclassified to profit or loss	(14,316)	-	(10,688)	-
8349	Income tax related to components of other comprehensive income (loss) that will not be reclassified to profit or loss	754	-	(8,419)	-
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss	(11,303)	-	(44,365)	-
8360	**Components of other comprehensive (loss) income that will be reclassified to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	(1,955,693)	(4)	(758,303)	(2)
8399	Income tax related to components of other comprehensive income (loss) that will be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive (loss) income that will be reclassified to profit or loss	(1,955,693)	(4)	(758,303)	(2)
8300	**Other comprehensive (loss) income, net**	(1,966,996)	(4)	(802,668)	(2)
8500	**Comprehensive income**	$ 5,719,045	9	9,021,931	17
	Earnings per share (Note 6(m))				
9750	**Basic earnings per share**	$	2.51		3.23
9850	**Diluted earnings per share**	$	2.49		3.19

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

Nanya Technology Corporation and Subsidiaries

Consolidated Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	Ordinary shares	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Other equity interest: Exchange differences on translation of foreign financial statements	Other equity interest: Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Other equity interest: Total other equity interest	Treasury shares	Total equity
Balance at January 1, 2019	$ 31,032,389	6,488	33,557,005	9,192,249	39,163	94,136,513	(179,736)	(94,098)	(273,834)	(2,782,675)	164,907,298
Net profit for the year ended December 31,2019	-	-	-	-	-	9,824,599	-	-	-	-	9,824,599
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	-	(35,402)	(758,303)	(8,963)	(767,266)	-	(802,668)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	9,789,197	(758,303)	(8,963)	(767,266)	-	9,021,931
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	-	3,936,163	-	(3,936,163)	-	-	-	-	-
Special reserve appropriated	-	-	-	-	234,671	(234,671)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(21,700,000)	-	-	-	-	(21,700,000)
Other changes in capital surplus:											
Changes in equity of associates and joint ventures accounted for using equity method	-	-	19	-	-	-	-	-	-	-	19
Recognized compensation costs on employee stock options	-	-	150,116	-	-	-	-	-	-	-	150,116
Repurchase of treasury share	-	-	-	-	-	-	-	-	-	(1,029,878)	(1,029,878)
Retirement of treasury share	(501,360)	-	(2,164,261)	-	-	-	-	-	-	2,665,621	-
Exercise of employee share options	202,620	(3,013)	462,460	-	-	-	-	-	-	-	662,067
Balance at December 31, 2019	30,733,649	3,475	32,005,339	13,128,412	273,834	78,054,876	(938,039)	(103,061)	(1,041,100)	(1,146,932)	152,011,553
Net profit for the year ended December 31,2020	-	-	-	-	-	7,686,041	-	-	-	-	7,686,041
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	-	3,411	(1,955,693)	(14,714)	(1,970,407)	-	(1,966,996)
Total comprehensive income (loss) for the year ended December 31,2020	-	-	-	-	-	7,689,452	(1,955,693)	(14,714)	(1,970,407)	-	5,719,045
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	-	982,459	-	(982,459)	-	-	-	-	-
Special reserve appropriated	-	-	-	-	767,266	(767,266)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(4,600,000)	-	-	-	-	(4,600,000)
Other changes in capital surplus:											
Changes in equity of associates and joint ventures accounted for using equity method	-	-	14	-	-	-	-	-	-	-	14
Recognized compensation costs on employee stock options	-	-	58,420	-	-	-	-	-	-	-	58,420
Past due unclaimed dividends	-	-	79	-	-	-	-	-	-	-	79
Exercise of employee share options	202,290	32,789	387,837	-	-	-	-	-	-	-	622,916
Balance at December 31, 2020	**$ 30,935,939**	**36,264**	**32,451,689**	**14,110,871**	**1,041,100**	**79,394,603**	**(2,893,732)**	**(117,775)**	**(3,011,507)**	**(1,146,932)**	**153,812,027**

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

Nanya Technology Corporation and Subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	2020	2019
Cash flows from operating activities:		
Profit before tax	$ 8,991,217	11,225,282
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	14,214,238	14,326,287
Amortization expense	236,477	91,126
Expected credit impairment gain	-	(9,508)
Interest expense	13,117	3,264
Interest income	(681,235)	(1,303,594)
Share-based payments	58,420	150,116
Share of profit of associates accounted for using equity method	(466,895)	(183,875)
Gain or loss on disposal of property, plant and equipment	6,642	(4,424)
Reversal of impairment loss on non-financial assets	-	(213,282)
Unrealized foreign exchange loss	70,894	94,027
Others	(30,748)	-
Total adjustments to reconcile profit	13,420,910	12,950,137
Changes in operating assets and liabilities:		
Notes and accounts receivable (including related parties)	(579,243)	2,372,242
Other receivables	121,995	(397,933)
Inventories	3,995,514	(5,954,759)
prepayments	117,700	121,244
Accounts payable (including related parties)	(291,755)	(429,964)
Other payables (including related parties)	(2,262,463)	(1,870,902)
Other current liabilities	(16,995)	91,186
Net defined benefit liability	(5,846)	(3,503)
Other non-current liabilities	(6,429)	9,720
Total net changes in operating assets and liabilities	1,072,478	(6,062,669)
Cash inflow generated from operations	23,484,605	18,112,750
Interest received	623,784	1,313,286
Interest paid	(12,770)	(422)
Income taxes paid	(1,483,582)	(2,018,607)
Net cash flows from operating activities	22,612,037	17,407,007
Cash flows used in investing activities:		
Proceeds from capital reduction of investments accounted for using equity method	-	(2,049,483)
Acquisition of property, plant and equipment	(8,476,438)	(5,496,257)
Proceeds from disposal of property, plant and equipment	71	4,729
Increase in refundable deposits	(72,994)	(1,773)
Acquisition of intangible assets	(878,657)	(164,666)
Decrease in lease and installment receivables	264,330	264,331
Increase in other non-current assets	(759)	(9,319)
Dividends received	311,324	210,056
Net cash flows used in investing activities	(8,853,123)	(7,242,382)
Cash flows used in financing activities:		
Increase (decrease) in guarantee deposits received	63,246	(297,469)
Decrease in other payables to related parties	(3,450)	(4,175)
Payment of lease liabilities	(188,459)	(184,115)
Cash dividends paid	(4,600,000)	(21,700,000)
Exercise of employee share options	622,916	662,067
Payments to acquire treasury shares	-	(1,029,878)
Net cash flows used in financing activities	(4,105,747)	(22,553,570)
Effect of exchange rate changes on cash and cash equivalents	(2,076,240)	(846,082)
Net increase (decrease) in cash and cash equivalents	7,576,927	(13,235,027)
Cash and cash equivalents at beginning of period	44,148,979	57,384,006
Cash and cash equivalents at end of period	**$ 51,725,906**	**44,148,979**

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

Nanya Technology Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Nanya Technology Corporation (the "Company") was legally established with the approval of the Ministry of Economic Affairs on March 4, 1995, with registered address at No.98 Nanlin Road Dake Vil., Taishan District, New Taipei City, Taiwan. The main operating activities of the Company and its subsidiary (the "Group") are researching, developing, manufacturing and selling semiconductor products, and the import and export of its machinery, equipment and raw materials.

(2) Approval date and procedures of the consolidated financial statements:

The consolidated financial statements were authorized for issuance by the Board of Directors on February 26, 2021.

(3) New standards, amendments and interpretations adopted:

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2020:

- Amendments to IFRS 3 "Definition of a Business"
- Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"
- Amendments to IAS 1 and IAS 8 "Definition of Material"
- Amendments to IFRS 16 "COVID-19-Related Rent Concessions"

(b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform－Phase 2"

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"
- IFRS 17 " Insurance Contracts" and amendments to IFRS 17 " Insurance Contracts"
- Amendments to IAS 16 "Property, Plant and Equipmentt－Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts－Cost of Fulfilling a Contract"
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 "Reference to the Conceptual Framework"

(4) Summary of significant accounting policies:

The significant accounting policies presented in the consolidated financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(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 (hereinafter referred to as "the Regulations") and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by the Financial Supervisory Commission, ROC. (hereinafter referred to IFRS as endorsed by the FSC).

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Basis of preparation

(i) Basis of measurement

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

(ii) Functional and presentation currency

The functional currency of the Group is determined based on the primary economic environment in which the entities operate. The consolidated financial statements are presented in New Taiwan Dollar, which is the Group's functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group ‘controls’ an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Changes in the Group’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of its subsidiary, it accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if it had directly disposed of the related assets or liabilities.

(ii) List of subsidiaries included in the consolidated financial statements:

			Shareholding	
Investor	**The name of subsidiaries**	**Business activity**	**December 31, 2020**	**December 31, 2019**
The Company	NANYA TECHNOLOGY CORP. U.S.A	Sales of semiconductor products	100.00 %	100.00 %
The Company	NANYA TECHNOLOGY CORP. Delaware	Design of semiconductor products	100.00 %	100.00 %
The Company	NANYA TECHNOLOGY CORP. H.K.	Sales of semiconductor products	100.00 %	100.00 %
The Company	NANYA TECHNOLOGY CORP. Japan	Sales of semiconductor products	100.00 %	100.00 %

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	The name of subsidiaries	Business activity	Shareholding December 31, 2020	Shareholding December 31, 2019
The Company	NANYA TECHNOLOGY INTERNATIONAL LTD.	General investment business	100.00 %	100.00 %
NANYA TECHNOLOGY CORP. H.K.	NANYA TECHNOLOGY CORP., Europe GmbH	Sales of semiconductor products	100.00 %	100.00 %
NANYA TECHNOLOGY CORP. H.K.	NANYA TECHNOLOGY CORP. Shenzhen	Sales of semiconductor products	100.00 %	100.00 %

(iii) Subsidiaries not included in the consolidated financial statements: None.

(d) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into thefunctional currency at the exchange rate at the date that the fair value was determined. Nonmonetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss.

(ii) Foreign operations

The assets and liabilities of foreign operations are translated to the Group's functional currency at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Group's functional currency at average rate. Foreign currency differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Group disposes of only part of investment in an associate of joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planed nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income.

(e) Classification of current and non-current assets and liabilities

An asset is classified as current under any one of the following conditions. All other assets are classified as non-current.

(i) The asset is expected to be realized, or intended to be sold or consumed, in the Group's normal operating cycle;

(ii) The asset is held primarily for the purpose of trading;

(iii) The asset is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under any one of the following conditions. All other liabilities are classified as non-current.

(i) The liability is expected to be settled in the normal operating cycle;

(ii) The liability is held primarily for the purpose of trading;

(iii) The liability is due to be settled within twelve months after the reporting period; or

(iv) The liability does not have any unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash on hand, checks and cash in bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are classified under cash equivalents.

(g) Financial instruments

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Financial assets

1) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and trade receivables (including related parties), other receivable, leases receivable and guarantee deposit paid).

The Group measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

· Bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for note and trade receivables due from related parties are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 60 days past due.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

· a breach of contract such as a default or being more than 60 days past due;

· the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

2) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

(ii) Financial liabilities and equity instruments

1) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

2) Financial liabilities

Financial liabilities are classified as FVTPL. Foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

3) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged cancelled or expired. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid is recognized in profit or loss.

4) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories includes expenditure incurred in acquiring the inventories, production costs and other costs incurred in bringing them to their existing location and condition. The cost of inventories is calculated using the weighted-average method. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Investment in associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The consolidated financial statements include the Group’ s share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases. The Company recognizes any changes of its proportionate share in the investee within capital surplus, when an associate’s equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual significant influence.

Gains and losses resulting from transactions between the Group and an associate are recognized only to the extent of unrelated Group’s interests in the associate.

When the Company's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

When the Group subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Group's proportionate interest in the net assets of the associate. The Group records such a difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus. The aforesaid adjustment should first be adjusted under capital surplus. If the capital surplus resulting from changes in ownership interest is not sufficient, the remaining difference is debited to retained earnings. If the Group's ownership interest is reduced due to the additional subscription to the shares of the associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate will be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, less accumulated depreciation and any accumulated impairment losses.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives.

Land is not depreciated.

The estimated useful lives of significant items of property, plant and equipment has an unlimited useful life and therefore are as follows:

1)	buildings	25 years
2)	Machinery and equipment	5~16 years
3)	Other equipment	3~15 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(k) Leases

(i) Identifying a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

3) the customer has the right to direct the use of the asset throughout the period of use only if either:

- the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
- the relevant decisions about how and for what purpose the asset is used are predetermined and:
  - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
  - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

(ii) As a leasee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

— fixed payments, including in-substance fixed payments;

— variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

— there is a change in future lease payments arising from the change in an index or rate; or

— there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or

— there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or

— there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of dormitory, plants, parking lots and offices that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Group recognizes a finance lease receivable at an amount equal to its net investment in the lease. Initial direct costs, such as lessors to negotiate and arrange a lease, are included in the measurement of the net investment. The lessor recognizes the interest income over the lease term based on a pattern reflecting a constant periodic rate of return on the lessor' s net investment in the lease. The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

(Continued)

(l) Intangible assets

(i) Recognition and measurement

Intangible assets, patents that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use.

The estimated useful lives of patent for current and comparative periods are both 5~10 years.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(m) Impairment of non-derivative financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from an acquisition about an investment accounted for using the equity method is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU value in use fair value less costs to sell.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(n) Revenue recognition

Revenue form contracts with customers is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer.

The Group manufactures and sells semiconductor products on the market. The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer’s acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

(o) Employee benefits

(i) Defined contribution plan

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plan

The Group’s net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income , and accumulated in retained earnings. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

(Continued)

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(p) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The grant date of a share-based payment is the date which the board of directors authorized the price and number of a share-based payments.

(q) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

(i) Temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(ii) Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;and,

(Continued)

(iii) Taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) The same taxable entity; or

2) Different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improve.

(r) Earnings per share

The Group discloses the Company’s basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee stock options and employee compensation.

(s) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group’s chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

(Continued)

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the consolidated financial statements in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Regulations and the IFRSs endorsed by the FSC, requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor its accounting estimates and assumptions. It recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

The accounting policies involved significant judgments and the information that have significant effect on the amounts recognized in the consolidated financial statements are as follows:

Judgment of whether the Group has substantive control over its investees

The Group holds 32% of the voting shares of Formosa Advanced Technologies Co., Ltd (FATC), whose shareholders hold 68% of its remaining shares, where 31% of the voting rights are concentrated in a specific shareholder, Formosa Taffeta Co. Ltd., resulting in the Group for failing to obtain more than half of the total number of FATC's directors and voting rights at a shareholders' meeting. Therefore, it is determined that the Group has only significant influence over FATC.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Please refer to Note 6(c) for details of the valuation of inventories.

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(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Petty cash	$ 108	147
Checking accounts and demand deposit	14,820,415	4,119,539
Cash equivalents:		
Time deposits	34,398,887	39,215,453
Commercial paper	2,014,416	454,300
Repurchase agreements collateralized by corporate bonds	492,080	359,540
	$ 51,725,906	**44,148,979**

Refer to Note 6(q) for the interest rate risk and sensitivity analysis of the financial assets and liabilities of the Group.

(b) Notes and accounts receivable

	December 31, 2020	December 31, 2019
Notes receivable-related parties from non-operating activities	$ -	41,545
Accounts receivable (including related parties)-measured at amortized cost	7,876,165	7,291,735
	$ 7,876,165	**7,333,280**

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for notes and accounts receivables (including related parties). To measure the expected credit losses, notes and accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information.

The loss allowance provision for notes and account receivable (including related parties) was determined as follows:

	December 31, 2020		
Due days	**Notes and accounts receivables (including related parties)**	**Weighted average loss rate**	**Loss allowance provision**
Current	$ 7,825,234	-	-
1 to 30 days past due	50,931	-	-
	$ 7,876,165		**-**

	December 31, 2019		
Due days	**Notes and accounts receivables (including related parties)**	**Weighted average loss rate**	**Loss allowance provision**
Current	$ 7,283,834	-	-
1 to 30 days past due	49,446	-	-
	$ 7,333,280		-

The movement in the allowance for notes and accounts receivable was as follows:

	For the year ended December 31,	
	2020	**2019**
Balance on January 1,	$ -	9,298
Reversal of impairment losses	-	(9,508)
Foreign exchange gains	-	210
Balance on December 31,	$ -	-

Please refer to Note 6(q) for other information of credit risk.

(c) Inventories

	December 31, 2020	December 31, 2019
Raw materials	$ 350,906	381,848
Work in progress	6,578,665	7,329,074
Finished goods	7,197,411	10,411,574
	$ 14,126,982	18,122,496

The Group recognized cost of goods sold amounting to $44,906,712 and $34,716,236 for the years ended December 31, 2020 and 2019, respectively.

The Group did not recognize any loss or gain from devaluation of inventories as there was no indication of impairment or net realizable value of inventories has increased because the circumstance that caused the inventory devaluation in prior period has improved on inventories for the years ended December 31, 2020 and 2019.

(d) Investments accounted for using equity method

A summary of the Group's financial information for investments accounted for using the equity method at the reporting date is as follows:

	December 31, 2020	December 31, 2019
Associates	$ 5,160,505	5,019,236

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The related information of the major associate to the Group was as follows:

Name of Associates	Nature of Relationship to the Group	Registration Country	Percentage of ownership December 31, 2020	Percentage of ownership December 31, 2019
Formosa Advanced Technologies Co., Ltd. (FATC)	It mainly engages in assembling and testing of module products, as well as in the research and development of integrated circuits.	Taiwan	32.00 %	32.00 %

The fair value of major associates listed on the Stock Exchange was as follows:

	December 31, 2020	December 31, 2019
Formosa Advanced Technologies Co., Ltd.	$ 16,716,000	16,494,889

The aggregated financial information of the major associate was as follows:

The financial information of FATC was as follows:

	December 31, 2020	December 31, 2019
Current assets	$ 7,816,528	6,631,748
Non-current assets	5,792,482	6,643,175
Current liabilities	(1,238,254)	(1,250,356)
Non-current liabilities	(555,589)	(594,494)
Net asset	$ 11,815,167	11,430,073
Net asset contributed to FATC	$ 11,815,167	11,430,073

	For the year ended December 31, 2020	For the year ended December 31, 2019
Operating revenue	$ 9,706,776	9,457,849
Profit	$ 1,402,677	1,262,496
Other comprehensive loss	(44,738)	(83,445)
Total comprehensive income	$ 1,357,939	1,179,051
Total comprehensive income contributed to FATC	$ 1,357,939	1,179,051

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	For the year ended December 31, 2020	For the year ended December 31, 2019
Share of net assets of the major associate at January 1	$ 3,657,624	2,157,732
Acquisition of share of net assets of the major associate allocated to the Group	-	1,474,005
Total comprehensive income contributed to the Group	434,540	235,924
Uncollected dividends beyond the collection period which are reclassified to capital surplus	14	19
Cash dividends contributed to the Group	(311,324)	(210,056)
Share of net assets of major associate at December 31	3,780,854	3,657,624
Add: good will	1,463,162	1,463,162
Less: unrealized profits on upstream sales net assets of the associates	(83,511)	(101,550)
Total carrying amount of the major associate	**$ 5,160,505**	**5,019,236**

(e) Property, plant and equipment

	Land	Building	Machinery and equipment	Other equipment	Under construction	Total
Cost:						
Balance as of January 1, 2020	$ 1,013,924	8,157,551	195,903,720	919,015	2,249,124	208,243,334
Additions	-	-	872,893	62,119	7,429,580	8,364,592
Disposals	-	(12,660)	(846,932)	(154,494)	-	(1,014,086)
Reclassification	-	-	3,127,446	10,808	(3,306,847)	(168,593)
Effect of exchange rate change	-	(28)	(1,777)	(706)	-	(2,511)
Balance as of December 31, 2020	**$ 1,013,924**	**8,144,863**	**199,055,350**	**836,742**	**6,371,857**	**215,422,736**
Balance as of January 1, 2019	$ 1,013,924	7,740,635	180,746,435	1,132,778	13,886,443	204,520,215
Additions	-	-	2,052,813	44,373	1,988,981	4,086,167
Disposals	-	-	(102,453)	(258,379)	-	(360,832)
Reclassification	-	416,922	13,209,013	365	(13,626,300)	-
Effect of exchange rate change	-	(6)	(2,088)	(122)	-	(2,216)
Balance as of December 31, 2019	**$ 1,013,924**	**8,157,551**	**195,903,720**	**919,015**	**2,249,124**	**208,243,334**
Accumulated depreciation / impairment:						
Balance as of January 1, 2020	$ -	2,295,380	119,651,185	766,657	-	122,713,222
Depreciation for the period	-	319,859	13,653,945	47,127	-	14,020,931
Disposals	-	(5,965)	(846,914)	(154,494)	-	(1,007,373)
Reclassification	-	-	(30,696)	(802)	-	(31,498)
Effect of exchange rate change	-	(23)	(1,023)	(120)	-	(1,166)
Balance as of December 31, 2020	**$ -**	**2,609,251**	**132,426,497**	**658,368**	**-**	**135,694,116**
Balance as of January 1, 2019	$ -	1,978,349	106,196,034	986,840	-	109,161,223
Depreciation for the period	-	317,039	13,772,529	38,112	-	14,127,680
Reversal of impairment loss	-	-	(213,282)	-	-	(213,282)
Disposals	-	-	(102,148)	(258,379)	-	(360,527)
Reclassification	-	-	(180)	180	-	-
Effect of exchange rate change	-	(8)	(1,768)	(96)	-	(1,872)
Balance as of December 31, 2019	**$ -**	**2,295,380**	**119,651,185**	**766,657**	**-**	**122,713,222**

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	Land	Building	Machinery and equipment	Other equipment	Under construction	Total
Carrying amounts:						
Balance as of December 31, 2020	**$ 1,013,924**	**5,535,612**	**66,628,853**	**178,374**	**6,371,857**	**79,728,620**
Balance as of December 31, 2019	**$ 1,013,924**	**5,862,171**	**76,252,535**	**152,358**	**2,249,124**	**85,530,112**

(i) Reversal of impairment loss

The estimated future recoverable amount of equipment, which had been identified to be no longer useful for its operation, is higher than the book value. In 2019, the Group reassessed its estimates, wherein the amount of $213,282 of the initially recognized impairment has been reversed.

(f) Right-of-use assets

	Land
Cost：	
Balance at January 1, 2020	$ 297,829
Additions	1,884,277
Decrease	(297,829)
Balance at December 31, 2020	**$ 1,884,277**
Balance at January 1, 2019	$ 300,605
Decrease	(2,776)
Balance at December 31, 2019	**$ 297,829**
Accumulated depreciation:	
Balance at January 1, 2020	$ 198,607
Depreciation for the period	193,307
Decrease	(297,829)
Balance at December 31, 2020	**$ 94,085**
Balance at January 1, 2019	$ -
Depreciation for the period	198,607
Balance at December 31, 2019	**$ 198,607**
Carrying Amount:	
Balance at December 31, 2020	**$ 1,790,192**
Balance at December 31, 2019	**$ 99,222**

(g) Lease receivables

(i) On June 18, 2009, the Group signed an amended long-term lease agreement with Inotera Memories, Inc. (its name was changed to Micron Technology Taiwan in March, 2017, referred to as "MTTW") on the lease of building, facilities and land located on 348, 348-1 and 348-3, Hwa Ya Section, Kueishan District, Taoyuan City. This amended lease agreement, which took effect retroactively from January 1, 2009, includes the renewal term. Initial lease term is from January 1, 2009 to December 31, 2018. However, MTTW is entitled to renew this amended lease agreement for an unlimited number of consecutive additional terms of five years each, by providing a written notice with the intention to renew the lease term commencing from January 1, 2019. MTTW has completed the renewal of its lease agreement, with a written notice on December 13, 2018. In addition, MTTW has an exclusive option to purchase the leased assets for a total purchase price of USD50,000 thousand on and after January 1, 2024. Also, the rental receivable for the entire year of 2009 has been waived. Initial yearly rentals for the leased building (including facilities and land) were USD13,010 thousand and USD1,990 thousand, respectively from January 1, 2010 to December 31, 2018; the first yearly renewal rentals for the leased building (including facilities and land) will be USD8,010 thousand and USD1,990 thousand, respectively, from January 1, 2019 to December 31, 2023; the subsequent yearly renewal rentals for the leased building (including facilities and land) will be USD10 thousand and USD1,990 thousand commencing from January 1, 2024. The amended lease agreement for the building (including facilities) is treated as a capital lease because (a) the present value of the periodic rental payments made since the inception date is at least 90% of the market value of the leased assets and (b) the lease term is equal to 75% or more of the total estimated economic life of the leased assets. The land is treated as an operating lease.

(ii) The total lease receivable from the capital lease of the building (including facilities) was $5,185,620; the implicit interest rate was 10.56%. The cost of the leased assets at the beginning of the lease period was $2,656,223. The difference was recognized as unrealized interest revenue of $2,529,397. For the years ended December 31, 2020 and 2019, the Group recognized the interest revenue of $78,316 and $96,730, respectively, from the amortization of unrealized interest revenue.

A maturity analysis of lease receivables, showing the undiscounted lease receivables to be received after the reporting date is as follows:

	December 31, 2020	December 31, 2019
Less than one year	$ 264,330	264,330
One to two years	264,330	264,330
Two to three years	264,330	264,330
Three to four years	-	264,330
Total lease payments receivable	792,990	1,057,320
Unearned finance income	(103,104)	(181,420)
Present value of lease payments receivable	**$ 689,886**	**875,900**

For credit risk information, please refers to Note 6(q).

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(h) Lease liabilities

	December 31, 2020	December 31, 2019
Current	$ 178,432	99,924
Non-current	$ 1,617,652	-

For the maturity analysis, please refer to Note 6(q).

The amounts recognized in profit or loss were as follows:

	For the years ended December 31	
	2020	2019
Interest on lease liabilities	$ 12,833	2,933
Expenses relating to short-term leases and low-value lease assets	$ 91,718	81,096

The amount recognized in the statement of cash flows of the Group was as follows:

	For the years ended December 31,	
	2020	2019
Total cash outflow for leases	$ 292,122	255,304

(i) Land lease

The Group leases its land with a period of 3 to 10 years. The lease included an option to terminate the contract, which is exercisable only by the Group and not by the lessors. The lease payment changes annually based on a local price index.

(ii) Other leases

The Group leases staff dorm, factory, parking lots and office spaces with contract terms ranging from one to five years. These leases are short-term or with low-value items. The Group applied the recognition exemptions and elected not to recognize its right-of-use assets and lease liabilities for these leases.

(i) Employee benefits

(i) Defined benefit plan

The movements in the present value of the defined benefit obligations and fair value of plan assets were as follows:

	December 31, 2020	December 31, 2019
Present value of defined benefit obligations	$ 1,108,808	1,098,174
Fair value of plan assets	(542,525)	(522,278)
Net defined benefit liabilities	$ 566,283	575,896

(Continued)

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The Group has established an employee defined benefit retirement plan covering full-time employees. Under this plan, contributions are made to an independent fund that is deposited with Bank of Taiwan. Employees are eligible for retirement and payments of retirement benefits are based on years of service and the average salary for the last six months before the employee's retirement according to the R.O.C. Labor Standards Law.

1) Composition of plan assets

The Labor Pension Fund Supervisory Committee manages the Group's pension fund which is being funded according to the Labor Standards Law. Under the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, this fund is required to distribute minimum income, but such minimum income shall not be less than the interest income derived from two-year time deposit with the local banks.

As of December 31, 2020, the Group's pension fund with Bank of Taiwan amounted to $542,525. Please refer to the related information published on the website of the Labor Pension Supervisory Committee concerning the utilization of the labor pension fund, related yield rate and its allocation.

2) Movements in present value of the defined benefit obligations

	For the years ended December 31,	
	2020	**2019**
Defined benefit obligation as of January 1,	$ 1,098,174	1,025,794
Current service and interest costs	15,266	18,052
Remeasurement of net defined benefit liabilities		
－actuarial losses arising from change in financial assumptions	14,987	64,451
Reclassification of liabilities from transfer of employees	(869)	-
Benefits paid	(18,750)	(10,123)
Defined benefit obligation as of December 31,	**$ 1,108,808**	**1,098,174**

3) Movements in fair value of defined benefit plan assets

	For the years ended December 31,	
	2020	**2019**
Fair value of plan assets as of January 1,	$ 522,278	488,491
Interest income	5,298	6,192
Remeasurement of net defined liabilities		
－return on plan assets (excluding interest income)	18,754	22,355
Contributions from employer	14,711	14,357
Benefits already paid by the plan	(18,516)	(9,117)
Fair value of plan assets as of December 31,	**$ 542,525**	**522,278**

(Continued)

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4) Expenses recognized in profit or loss

	For the years ended December 31, 2020	2019
Current service costs	$ 4,284	5,230
Net interest income of net defined benefit liabilities	10,982	12,822
Expected rate of return for the plan asset	(5,298)	(6,192)
	$ 9,968	**11,860**
Operating costs	$ 6,145	7,662
Operating expenses	3,823	4,198
	$ 9,968	**11,860**

5) Remeasurement of net defined benefit liabilities recognized in other comprehensive income

	For the years ended December 31, 2020	2019
Balance of January 1,	$ 57,312	23,635
Recognized during the period	(3,013)	33,677
Balance of December 31,	**$ 54,299**	**57,312**

6) Actuarial assumptions

	December 31, 2020	December 31, 2019
Discount rate	1.00 %	1.00 %
Future salary increases	2.85 %	2.85 %

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date for 2020 is $14,216.

The weighted average duration of the defined benefit plan is 16.2 years.

7) Sensitivity analysis

	Effect of defined benefit obligations	
	Increase Amount	Decrease Amount
December 31, 2020		
Discount rate (change 0.25%)	$ 37,838	(36,211)
Future salaries (change1%)	159,749	(136,769)
December 31, 2019		
Discount rate (change 0.25%)	41,656	(39,743)
Future salaries (change1%)	176,405	(149,197)

(Continued)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

The same methods and assumptions are adopted in the preparation of sensitivity analysis as in previous year.

(ii) Defined contribution plan

The Taiwanese companies of the Group contributes an amount equal to 6% of the employee's monthly wages to the Labor Pension personal account of the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act, under which, the Group is not required to bear the regulated or putative obligation subsequent to the payment of fixed rate contribution.

The overseas companies of the Group contribute an appropriate pension amount to the designated account of the local government in accordance with the statutory laws, under which, the Group is not required to bear the regulated or putative obligation subsequent to the payment of fixed rate contribution.

The Group's pension costs under the contribution pension plan amounted to \$174,957 and \$158,696 for the years ended 2020 and 2019, respectively.

(j) Income tax

(i) The Group's income tax expenses in the years 2020 and 2019 were as follows:

	For the year ended December 31, 2020	For the year ended December 31, 2019
Current tax expense		
Current period	$ 1,413,672	892,390
Adjustment for prior periods	(588,184)	(485,929)
Surtax on undistributed earnings	171,974	673,894
Taxes on remitted earnings from subsidiary	103,526	-
Deferred tax expense	204,188	320,328
Tax expense	$ 1,305,176	1,400,683

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The amount of income tax recognized in other comprehensive income for 2020 and 2019 was as follows:

	For the year ended December 31, 2020	For the year ended December 31, 2019
Items that could not be reclassified subsequently to profit or loss:		
Remeasurement of net defined benefit plan	$ (754)	8,419

Reconciliation of income tax and profit before tax for 2020 and 2019 is as follows:

	For the years ended December 31, 2020	For the years ended December 31, 2019
Income tax calculated based on local tax rate	$ 1,913,649	2,445,925
Effect of foreign tax rate change	(103,779)	(183,605)
Tax effect of permanent differences	(192,462)	(168,234)
Change in unrecognized temporary difference	(1,609)	(50,986)
Tax effect of unrecognized current year loss carryforward	3,159	(829,740)
Adjustment for prior periods	(588,184)	(486,048)
Surtax on undistributed earnings	171,974	673,894
Taxes on remitted earnings from subsidiary	103,526	-
Other	(1,098)	(523)
Total	$ 1,305,176	1,400,683

(ii) Deferred tax assets and liabilities

Deferred tax assets：

	Impairment loss of assets	Improvements cost of environmental safety and factory facilities	Others	Total
Balance as of January 1, 2020	$ 155,102	165,032	235,751	555,885
Recognized in profit or loss	(30,878)	(30,785)	(139,507)	(201,170)
Recognized in other comprehensive loss	-	-	(754)	(754)
Exchange differences on translation of foreign financial statements	-	-	(394)	(394)
Balance as of December 31, 2020	$ **124,224**	**134,247**	**95,096**	**353,567**

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		Impairment loss of assets	Improvements cost of environmental safety and factory facilities	Others	Total
Balance as of January 1, 2019	$	234,579	168,625	464,107	867,311
Recognized in loss		(79,477)	(3,593)	(236,657)	(319,727)
Recognized in other comprehensive income		-	-	8,419	8,419
Exchange differences on translation of foreign financial statements		-	-	(118)	(118)
Balance as of December 31, 2019	$	**155,102**	**165,032**	**235,751**	**555,885**

Deferred tax liabilities：

		Others
Balance as of January 1, 2020	$	1,197
Recognized in profit or loss		3,018
Exchange differences on translation of foreign financial statements		(173)
Balance as of December 31, 2020	$	**4,042**
Balance as of January 1, 2019	$	625
Recognized in profit or loss		601
Exchange differences on translation of foreign financial statements		(29)
Balance as of December 31, 2019	$	**1,197**

(iii) The Company's tax returns have been examined by the ROC tax authority through 2017.

(k) Capital and other equity

As of December 31, 2020 and 2019, the Company's total authorized capital both amounted to $300,000,000 with $10 dollars par value per share, the number of ordinary shares both were 30,000,000 thousand shares and total paid-up ordinary share amounted to $30,935,939 and $30,733,649, respectively. All issued shares were paid up upon issuance.

The movements of shares outstanding for the years ended December 31, 2020 and 2019 were as follows:

(in thousand shares)

	Ordinary Shares	
	2020	**2019**
Balance as of January 1,	3,073,365	3,103,239
Exercise of employees share options	20,229	20,262
Retirement of treasury shares	-	(50,136)
Balance as of December 31,	**3,093,594**	**3,073,365**

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(i) Ordinary Share

On February 26, May 6, August 6 and November 4, 2020, the Group' s Board of Directors approved to issue the Group's ordinary shares deriving from the exercise of employee share options. The Group had issued 632 thousand, 664 thousand, 17,951 thousand and 982 thousand ordinary shares at par value, with the issuing prices of $29.2, $29.2, $28.5 to $29.2 and $28.5 to $29.6 dollars per share, which totaled $202,290. All issued shares were paid up upon issuance and the related process for registration had been completed.

For the fourth quarter of 2020, the Group's ordinary shares were derived from the exercise of employee share options. Accordingly, the Company had issued 1,271 thousand ordinary shares, at issuing prices of $28.5 to $29.6 dollars per share, which totaled $36,264, which was recognized as advance receipts for share capital as of December 31, 2020.

On February 27, May 10, August 12 and November 8, 2019, the Group' s Board of Directors approved to issue the Group's ordinary shares deriving from the exercise of employee share options. The Group had issued 313 thousand, 89 thousand, 19,056 thousand and 804 thousand ordinary shares at par value, with the issuing prices of $33.1, $33.1, $29.2 to $33.1 and $29.2 to $30.3 dollars per share, which totaled $202,620. All issued shares were paid up upon issuance and the related process for registration had been completed.

For the fourth quarter of 2019, the Group's ordinary shares were derived from the exercise of employee share options. Accordingly, the Company had issued 119 thousand ordinary shares,at issuing prices of $29.2 dollars per share, which totaled $3,475, which was recognized as advance receipts for share capital as of December 31, 2019.

(ii) Capital surplus

	December 31, 2020	December 31, 2019
Premium from the issuance of stock	$ 29,398,346	29,010,509
Employee stock option plans	2,790,727	2,732,307
Expired employee stock option plans	262,499	262,499
Past due unclaimed dividends	79	-
Change in equity of associates accounted for using equity method	38	24
	$ 32,451,689	**32,005,339**

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(Continued)

(iii) Retain earning

According to the Company's Articles of Incorporation, the Company's annual net profit, after providing for income tax and covering the losses of previous years, is first set aside for legal reserve at the rate of 10% thereof until the accumulated balance of legal reserve equals the total issued capital and any special reserves pursuant to relevant laws and regulations. The remainder, plus the undistributed earnings of the previous years, are distributed or left undistributed for business purposes according to the resolution of the stockholders' dividend distribution plan, which are initially proposed by the Board of Directors and adopted by the shareholders in the annual stockholders' meeting.

As it belongs to a highly capital-intensive industry with strong growth potential, the Company adopts a dividend distribution policy which is in line with its plans for product line expansion and the demand of fund. This policy requires that the distribution of cash dividends shall be equal to at least 50% of the Company's total dividend distribution every year.

1) Legal reserve

When the Group incurs no loss, it may, in pursuant to a resolution to be adopted by a shareholders' meeting, distribute its legal reserve by issuing new shares or by cash. Only the portion of legal reserve which exceeds 25 percent of the paid-in capital may be distributed.

2) Special Reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earrings distribution

Earnings distribution for 2019 and 2018 were approved by the general meetings of shareholders were held on May 28, 2020 and May 30, 2019, respectively. The relevant dividend distributions to shareholders were as follows:

	For the year ended December 31, 2019	
	Dividends per share	**Amount**
Dividends attributable to ordinary shareholders:		
Cash dividends	$ 1.50	**4,600,000**

(Continued)

	For the year ended December 31, 2018	
	Dividends per share	Amount
Dividends attributable to ordinary shareholders:		
Cash dividends	$ 7.11	21,700,000

(iv) Treasury shares

The Company repurchased shares from the securities exchange market based on section 28(2) of the Securities and Exchange Act and the movement in treasury shares were as follows:

	Reasons for repurchase of shares					
	Transferring to employees		Protecting the Company's integrity and shareholders' equity		Total	
	thousand shares	Amount	thousand shares	Amount	thousand shares	Amount
Balance as of January 1, 2020 (Balance as of December 31,2020)	**20,000**	**$ 1,146,932**	**-**	**-**	**20,000**	**1,146,932**

	Reasons for repurchase of shares					
	Transferring to employees		Protecting the Company's integrity and shareholders' equity		Total	
	thousand shares	Amount	thousand shares	Amount	thousand shares	Amount
Balance as of January 1, 2019	20,000	$ 1,146,932	30,445	1,635,743	50,445	2,782,675
Repurchase for the period	-	-	19,691	1,029,878	19,691	1,029,878
Retirement for the period	-	-	(50,136)	(2,665,621)	(50,136)	(2,665,621)
Balance as of December 31, 2019	**20,000**	**$ 1,146,932**	**-**	**-**	**20,000**	**1,146,932**

On February 27, 2019, the Company's Board of Directors approved to retire 50,136 thousand treasury shares, resulting in a decrease in ordinary shares amounting to $501,360. The Company recognized the decrease in capital surplus of $2,164,261, with the same record date as the capital reduction, due to the book value being higher than the par value of the treasury shares. The related process for registration had been completed.

In accordance with Securities and Exchange Act requirements, the number of shares repurchased should not exceed 10 percent of all shares outstanding. Also, the value of the repurchased shares should not exceed the sum of the Company's retained earnings, share premium, and realized capital reserves. As of September 30, 2018, the Company could repurchase no more than 310,142 thousand shares, with a total value of no more than $127,955,392. As of the same date, the Company had not yet repurchased any shares.

In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and do not hold any shareholder rights before their transfer.

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(v) Other equity (net of tax)

		Exchange differences on translation of foreign financial statements	Unrealized loss from financial assets measured at fair value through other comprehensive income	Total
Balance as of January 1, 2020	$	(938,039)	(103,061)	(1,041,100)
Exchange differences on translation of foreign financial statements		(1,955,693)	-	(1,955,693)
Unrealized loss from financial of assets measured at fair value through other comprehensive loss, associates accounted for using equity method		-	(14,714)	(14,714)
Balance as of December 31, 2020	**$**	**(2,893,732)**	**(117,775)**	**(3,011,507)**
Balance as of January 1, 2019	$	(179,736)	(94,098)	(273,834)
Exchange differences on translation of foreign financial statements		(758,303)	-	(758,303)
Unrealized gain from financial of assets measured at fair value through other comprehensive income, associates accounted for using equity method		-	(8,963)	(8,963)
Balance as of December 31, 2019	**$**	**(938,039)**	**(103,061)**	**(1,041,100)**

(l) Share-based payment

As of December 31, 2020, the Group had 3 share-based payment arrangements as follows:

	The 8th batch of Employee Stock Option Plan	The 9th batch of Employee Stock Option Plan
Grant date	2016.5.10	2016.8.11
Grant unit	97,500	2,500
Exercise price (Notes 1-5)	38.0	36.6
Deal period	8years	8years
Vested Conditions	Duration of two years duration and at certain proportion	Duration of two years duration and at certain proportion

Note 1: The Company approved to distribute its cash dividends in 2016. As a result, the exercise price of the 8th batch of the employee stock option plan was adjusted to $35.3 dollars in accordance with the offering and exercising terms and conditions of ESOP.

Note 2: The Company approved to distribute its cash dividends in 2017. As a result, the exercise price of the 8th and 9th batch of the employee stock option plan were adjusted to $ 34.3 dollars and $ 35.5 dollars, respectively, in accordance with the offering and exercising terms and conditions of ESOP.

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Note 3: The Company approved to distribute its cash dividends in 2018. As a result, the exercise price of the 8th and 9th batch of the employee stock option plan were adjusted to $33.1 dollars and $34.3 dollars, respectively, in accordance with the offering and exercising terms and conditions of ESOP.

Note 4: The Company approved to distribute its cash dividends in 2019. As a result, the exercise price of the 8th and 9th batch of the employee stock option plan were adjusted to $29.2 dollars and $30.3 dollars, respectively, in accordance with the offering and exercising terms and conditions of ESOP.

Note 5: The Company approved to distribute its cash dividends in 2020. As a result, the exercise price of the 8th and 9 the batch of the employee stock option plan were adjusted to $28.5 dollars and $29.6 dollars, respectively, in accordance with the offering and exercising terms and conditions of ESOP.

(i) Determining the fair value of equity instruments granted

Options granted were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

		The 8th batch of Employee Stock Option Plan	The 9th batch of Employee Stock Option Plan
Dividend yield		- %	- %
Expected volatility		55.47 %	45.80 %
Risk-free rate		0.5728 %	0.529 %
Fair value of unit stock option (dollar)	$	18.77	15.30

Expected volatility is based on weighted average of historical volatility, and it is adjusted accordingly when there is additional market information about the volatility. The expected term of stock option is based on each of the Group's issued stock option plans. Expected dividend and risk-free rate is determined based on government bonds.

(ii) Relevant information of employee stock option plans

The Company:

	For the years ended December 31,				
	2020			2019	
	Weighted-average exercise (price TWD)		Number of options (Thousand Units)	Weighted-average exercise (price TWD)	Number of options (Thousand Units)
Outstanding at January 1,	$	29.22	28,202	34.49	109,382
Options granted		28.52	(21,381)	29.22	(20,185)
Options expired		-	-	35.60	(60,367)
Options forfeited		28.55	(2,359)	29.25	(628)
Outstanding at December 31,		28.51	**4,462**	29.22	**28,202**
Options exercisable at December 31,		28.51	**4,462**	29.23	**5,617**

Further details of the stock options of the Group were as follows:

	December 31, 2020	December 31, 2019
Range of exercise price (dollar)	28.5~29.6	29.2~33.1
Weighted average of remaining option plan period (year)	3.35~3.61	4.36~4.61

(Continued)

(iii) Compensation cost

	For the years ended December 31,	
	2020	**2019**
Compensation cost arising from share options granted to employees	$ 58,420	150,116

(m) Earnings per share

	For the years ended December 31,	
	2020	**2019**
Basic earnings per share:		
Net profit attributable to the Company	$ 7,686,041	9,824,599
Weighted-average number of ordinary shares outstanding	3,065,482	3,045,219
Basic earnings per share (dollar)	$ 2.51	3.23
Diluted earnings per share:		
Net profit attributable to the Company (basic and diluted)	$ 7,686,041	9,824,599
Effect of dilutive potential ordinary shares		
Weighted-average number of ordinary shares (basic)	3,065,482	3,045,219
Effect of employee share option	8,474	22,392
Effect of employee remuneration	8,408	14,052
Weighted-average number of ordinary shares (diluted)	3,082,364	3,081,663
Diluted earnings per share (dollar)	$ 2.49	3.19

(n) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the years ended December 31, 2020		
	Manufacturing department	**Overseas sales department**	**Total**
Primary geographic markets:			
Taiwan	$ 18,120,076	1,746,814	19,866,890
Japan	-	1,512,613	1,512,613
Malaysia	322,911	1,190,737	1,513,648
Korea	78,949	410,401	489,350
China	25,283,420	6,919,169	32,202,589
USA	51,618	496,534	548,152
Thailand	486,818	1,155,251	1,642,069
Germany	-	552,366	552,366
Vietnam	61,422	528,538	589,960
Singapore	243,569	283,916	527,485
Other countries	227,270	1,333,122	1,560,392
	$ 44,876,053	16,129,461	61,005,514

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	For the years ended December 31, 2020		
	Manufacturing department	Overseas sales department	Total
Major products line:			
Dynamic Random Access Memory (DRAM)	$ 44,737,923	16,128,397	60,866,320
Others	138,130	1,064	139,194
	$ 44,876,053	16,129,461	61,005,514

	For the years ended December 31, 2019		
	Manufacturing department	Overseas sales department	Total
Primary geographic markets:			
Taiwan	$ 19,426,583	588,110	20,014,693
Japan	-	1,762,307	1,762,307
Malaysia	106,853	827,297	934,150
Korea	165,693	552,319	718,012
China	18,376,066	6,151,341	24,527,407
USA	254,778	164,345	419,123
Thailand	419,045	658,794	1,077,839
Germany	-	378,191	378,191
Vietnam	23,150	13,682	36,832
Singapore	159,393	159,751	319,144
Other countries	258,745	1,281,015	1,539,760
	$ 39,190,306	12,537,152	51,727,458
Major products line:			
Dynamic Random Access Memory (DRAM)	$ 38,981,075	12,536,039	51,517,114
Others	209,231	1,113	210,344
	$ 39,190,306	12,537,152	51,727,458

(ii) Contract balances

	December 31, 2020	December 31, 2019	January 1, 2019
Notes receivable-related parties from nonoperating activities	$ -	41,545	481
Notes receivable(including related parties)	7,876,165	7,291,735	9,772,558
Less: allowance for impairment	-	-	(9,298)
Total	$ 7,876,165	7,333,280	9,763,741

For details on notes and accounts receivable (including related parties), and loss allowance for impairment, please refer to note 6(b).

(Continued)

(o) Remuneration to employees

According to the Group's articles of incorporation, if the Group makes a profit, it should appropriate for employee compensation which is calculated based on 1% to 12% of the Group's net income before tax before deduction of employee compensation, and after offsetting accumulated deficits, if any, should be distributed as employee compensations. Employees who are entitled to receive the above-mentioned employee compensation, in shares or cash, include the employees of the subsidiaries of the Group who meet certain specific requirements.

The estimated employee remuneration which was charged to profit or loss under operating costs or expense amounted to $600,000 and $800,000 for the years ended December 31, 2020 and 2019, respectively. This employee remuneration was estimated based on the Company's net income before tax before deducting any employee compensation, according to the earnings allocation method as stated under the Company's articles of association. If there is any difference between the actual amounts and the estimated amounts of employee remuneration to employees after the financial reports are issued, the management of the Company is expecting that the differences will be treated as a change in accounting estimates and recognized through profit or loss in the following year.

There is no difference between the estimated amounts of employee remuneration for the years ended December 31, 2020 and 2019, and he financial statements for the years ended December 31, 2020 and 2019, which were approved by the Company's Board of Directors.

(p) Non-operating income and expenses

(i) Interest income

	For the years ended December 31,		
		2020	**2019**
Interest income from bank deposits and short-term notes	$	602,919	1,206,864
Interest income from financial lease receivables		78,316	96,730
	$	**681,235**	**1,303,594**

(i) Other gains and losses

	For the years ended December 31,		
		2020	**2019**
Gain or loss on disposal of property, plant and equipment	$	(6,642)	4,424
Foreign exchange gains (losses)		(754,936)	(186,184)
Reversal of impairment loss (impairment loss) on non-financial assets		-	213,282
Others		183,308	183,227
	$	**(578,270)**	**214,749**

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(ii) Finance costs

	For the years ended December 31, 2020	2019
Financing from other related parties	$ 94	140
Amortization interest of lease liabilities	12,833	2,933
Others	190	191
	$ 13,117	**3,264**

(q) Financial instruments

(i) Credit risk

1) Exposure to credit risk

The carrying amount of financial assets represents the maximum exposure to credit risk.

2) Concentration of credit risk

The majority of the Group's customers are mostly those in the high-tech industry. In order to reduce accounts receivable credit risk, the Group continuously assesses the financial condition of its customers. If it is necessary, the Group will ask for guarantees or warranties. The Group still regularly assesses the likelihood of collectability of accounts receivable and sets aside allowance for bad debts, based on the result of management's evaluation of the overall amounts of bad debts.

As of December 31, 2020 and 2019, the Group's major customers consisted of five customers which accounted for 45.83% and 42.66%, respectively, of accounts receivable so that management believes the concentration of credit risk.

3) Credit risk of receivables

For credit risk exposure of notes and accounts receivables, please refer to note 6(b).

Other financial assets at amortized cost includes other receivables, time deposits and refundable deposits.

Considering that the Group deals only with other external parties with good credit standing and with the above investment grade financial institutions, all of the above financial assets are considered to have low credit risk.

As of December 31, 2020 and 2019, no allowance for impairment was provided because there was no indication of credit-impaired for the 12-month ECL or lifetime ECL allowance for other financial assets measured at amortized cost.

(ii) Liquidity risk

The following are the remaining contractual maturities at the end of the reporting period of financial liabilities, including estimated interest payments but excluding the impact of netting agreements:

	Carrying amount	Contractual cash flow	Within 6 months	6-12months	1-2years	2-5years	Over 5 years
December 31, 2020							
Non-derivative financial liabilities							
Accounts payable (including related parties)	$ 2,111,774	2,111,774	2,111,774	-	-	-	-
Other payables (including related parties)	5,281,380	5,281,380	5,281,380	-	-	-	-
Lease liabilities (including current portion)	1,796,084	1,914,405	100,758	100,758	201,516	604,549	906,824
	$ 9,189,238	**9,307,559**	**7,493,912**	**100,758**	**201,516**	**604,549**	**906,824**
December 31, 2019							
Non-derivative financial liabilities							
Financing from other related parties	$ 3,450	3,635	3,635	-	-	-	-
Accounts payable (including related parties)	2,705,781	2,705,781	2,705,781	-	-	-	-
Other payables (including related parties)	7,852,560	7,852,560	7,852,560	-	-	-	-
Lease liabilities-(current)	99,924	100,336	100,336	-	-	-	-
	$ 10,661,715	**10,662,312**	**10,662,312**	**-**	**-**	**-**	**-**

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(iii) Currency risk

1) Exposure to currency risk

The Group's significant exposure to foreign currency risk was as follows:

	December 31, 2020			**December 31, 2019**		
	Foreign currency (in thousands)	**Exchange rate (dollars)**	**New Taiwan Dollars**	**Foreign currency (in thousands)**	**Exchange rate (dollars)**	**New Taiwan Dollars**
Financial assets:						
Monetary items						
USD	$ 299,515	28.508	8,538,574	242,435	30.106	7,298,748
JPY	770,896	0.2724	209,992	888,926	0.2763	245,610
EUR	42	34.5600	1,452	144	33.6895	4,851
HKD	1,379	3.6257	5,000	227,936	3.8634	880,608
Financial liabilities:						
Monetary items						
USD	$ 115,140	28.508	3,282,411	112,965	30.106	3,400,924
JPY	1,272,668	0.2724	346,675	2,014,894	0.2763	556,715
EUR	150	34.5600	5,184	4,616	33.6895	155,511

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange fluctuations on cash and cash equivalents, accounts receivable, accounts payable (including related parties) and other payable (including related parties) which are denominated in different foreign currencies. A 1% depreciation of the TWD against the USD, JPY, EUR and HKD as of December 31, 2020 and 2019 would have increased the net income before tax by $51,207 and $43,167 for the years ended December 31, 2020 and 2019, respectively. This analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis as prior year.

Since the Group has many kinds of functional currency, the information on foreign exchange loss on monetary items is disclosed by total amount. For the years ended December 31, 2020 and 2019, foreign exchange gain (including realized and unrealized portions) amounted to $754,936 and $186,184, respectively.

(iv) interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Group's financial liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases by 1% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate had increased by 1 basis points, the Group’s net income would have increased or decreased by $35 for the year ended December 31, 2019 with all other variable factors remaining constant. This is mainly due to the Group’s borrowing at variable rates and investment in variable-rate bills.

(v) Fair value of financial instruments

1) Types and fair value of financial instruments

The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described on the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities disclosure of fair value information is not required:

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	December 31, 2020				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 51,725,906	-	-	-	-
Accounts receivable (including related parties)	7,876,165	-	-	-	-
Other receivables	1,289,669	-	-	-	-
Lease payments receivable (including current portion)	689,886	-	-	-	-
Total	$ 61,581,626	-	-	-	-
Financial liabilities measured at amortized cost					
Accounts payable (including related parties)	$ 2,111,774	-	-	-	-
Other payables (including related parties)	5,281,380	-	-	-	-
Lease liabilities (including current portion)	1,796,084	-	-	-	-
Total	$ 9,189,238	-	-	-	-

	December 31, 2019				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 44,148,979	-	-	-	-
Notes and accounts receivable	7,333,280	-	-	-	-
Other receivables	1,434,729	-	-	-	-
Lease payments receivable (including current portion)	875,900	-	-	-	-
Total	$ 53,792,888	-	-	-	-
Financial liabilities measured at amortized cost					
Accounts payable (including related parties)	$ 2,706,958	-	-	-	-
Other payables (including related parties)	7,856,010	-	-	-	-
Lease liabilities-current	99,924	-	-	-	-
Total	$ 10,662,892	-	-	-	-

2) There were no transfers from financial assets at fair value for the years ended December 31, 2020 and 2019.

(r) Financial risk management

(i) Nature and extent

The Group has the following exposure risks for holding certain financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

The following further discloses detailed information about exposure risk arising from the aforementioned risks and the Group's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these exposure risks, please refer to the respective notes in the accompanying consolidated financial statements.

(ii) Framework of risk management

The Group's board of directors has overall responsibility for the establishment and oversight of the risk management framework.

The Group's risk management policies are established to identify and analyze the risks being faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through their training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's board of directors oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group's board of directors is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the board of directors.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, bank deposits and investments.

1) Accounts receivable

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk.

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases, bank references. Purchase limits are established for each customer, which represent the maximum open amount without requiring approval from the Group; these limits are reviewed quarterly. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

(Continued)

The Group established an impairment allowance that represents its estimate of incurred losses in respect of accounts receivable and other investments. Major components of this impairment allowance are specific loss component that is related to individually significant exposure and collective loss component where the loss is incurred but not identified. The collective component is based on historical payment experience of similar financial assets.

2) Investment

The credit risk exposure in the bank deposits and other financial instruments are measured and monitored by the Group's finance department. Considering that the Company deals only with banks and other external parties with good credit standing and with above investment grade financial institutions, corporate organization and government agencies, management is not expecting non-compliance issues and significant credit risk.

3) Guarantees

The Group’s policy is to provide financial guarantees only to wholly owned subsidiaries. At December 31, 2020 and 2019, no other guarantees were outstanding.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Also, the Group's approach to managing liquidity is to ensure, as much as possible, that it will always have sufficient current funds, such as cash and cash equivalents, securities with high liquidity and sufficient credit line from banks, to meet its liabilities when due, without incurring unacceptable losses or risking damage to the consolidated Group's reputation.

The Group has unused bank facilities for $20,072,000 and $17,479,000 as of December 31, 2020 and 2019.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group buys and sells derivatives in order to reduce market risks. All these transactions are made in accordance with the risk management policy.

1) Currency risk

The Group's exposure to currency risk is on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group, primarily the New Taiwan Dollars (NTD). The currencies used in these transactions are denominated in NTD, USD, JPY, EUR and HKD.

(Continued)

2) Interest rate risk

The Group adopts a policy of entering into financial instrument transaction that fixes interest rate, such as interest rate swaps, by predicting the trend of future interest rate. All of the Group's long-term loans bear floating interest rates. However, as the range of fluctuation of the interest rates during the term of agreements is acceptable, the Group believes that their interest rate risk need not be hedged.

(s) Capital management

The Group's policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of the Group's equity.

The Group may adjust the payment of dividend to shareholders, return cash to shareholders through capital reduction, issue new shares or sell held for sale assets in order to pay off its liabilities. Likewise, the Group monitors its debt-to-capital ratio which serves as the basis to control capital, the same practice as the other companies in the industry. The Group's debt-to-capital ratio on reporting date was as follows:

	December 31, 2020	December 31, 2019
Total Liabilities	$ 11,819,953	13,089,099
Deduct: cash and cash equivalents	(51,725,906)	(44,148,979)
Net liabilities	**$ (39,905,953)**	**(31,059,880)**
Total equity	**$ 153,812,027**	**152,011,553**
Debt-to-capital ratio	**(25.94)%**	**(20.43)%**

The Group has not changed its capital management strategy as of December 31, 2020.

(t) The investing and financing activities on non-cash transactions

The Group's investing and financing activities on non-cash transactions for the years ended December 31, 2020 and 2019 were as follows:

(i) Acquisition of right-of-use assets by lease, please refer to Note6(f).

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(ii)

	For the years ended December 31,	
	For the years ended December 31,	
	2020	**2019**
Acquisition of property, plant and equipment	$ 8,364,592	4,086,167
Add: Payables on equipment at beginning of period others	973,002	2,383,093
Less: Payables on equipment at end of period	(693,313)	(973,002)
Others	(167,843)	(1)
Cash Paid	**$ 8,476,438**	**5,496,257**

	For the years ended December 31,	
	2020	**2019**
Acquisition of intangible assets	$ 1,650,880	377,975
Add: Payables on patent authorization at beginning of period	204,017	-
Less: Payables on patent authorization at end of period	(917,376)	(204,017)
Others	(58,864)	(9,292)
Cash paid	**$ 878,657**	**164,666**

	For the years ended December 31,
	2019
(iii) Retirement of treasury shares	**2,665,621**

(iv) Reconciliation of liabilities arising from financing activities was as follow:

	January 1, 2020	Cash flow	Non-Cash changes: Additions	Non-Cash changes: Increased by other payables	Non-Cash changes: Interest expense	December 31, 2020
Lease liabilities	$ 99,924	(188,459)	1,884,277	(70)	412	1,796,084

	January 1, 2019	Cash flow	Non-Cash changes: Change in an index of lease payment	Non-Cash changes: Increased by other payables	Non-Cash changes: Interest expense	December 31, 2019
Lease liabilities	$ 300,605	(184,115)	(2,776)	(16,723)	2,933	99,924

(7) Related-party transactions:

(a) Names and relationship with related parties

The following are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

Name of related party	Relationship with the Group
Formosa Petrochemical Corporation	The Group's other related parties
Fromosa Carpet Co.,Ltd	The Group's other related parties
Nan Ya Photonics Incorporation	The Group's other related parties
Formosa Technologies (Nanjing) Corporation	The Group's other related parties
Formosa Sumco Technology Corporation	The Group's other related parties
Formosa Advanced Technologies Co., Ltd. (referred to as "FATC")	The Group's associates
Formosa Technologies Corporation	The Group's other related parties
Formosa Biomedical Technology Corp.	The Group's other related parties
Formosa Plastics Corporation	The Group's other related parties
Formosa Waters Technology Co., Ltd.	The Group's other related parties
Nan Ya Plastics Corporation	The entity with significant influence over the Group
Formosa Taffeta Co., Ltd.	The Group's other related parties

(b) Significant transactions with related parties

(i) Sales to related parties

	Sales		Accounts receivable to related parties	
	For the year ended December 31,			
Relationship	2020	2019	December 31, 2020	December 31, 2019
Associates	$ 9,271	-	8,237	-

The terms and pricing of sales with associates were not significantly different from normal selling price, which is collected every15th of the following month. Amounts receivable from related parties were uncollateralized, and no expected credit loss were required after the assessment by the management.

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(ii) Purchase from related parties

Relationship	Purchases For the year ended December 31, 2020	2019	Accounts payable to related parties December 31, 2020	December 31, 2019
Entities with significant influence over the Group	$ 89,770	98,740	9,686	6,183
Associates	801	1,157	-	-
Other related parties:				
Formosa Sumco Technology Corporation	573,342	1,199,180	71,257	119,204
Other related parties	233,946	305,673	3,735	7,812
	$ 897,859	1,604,750	84,678	133,199

The terms and pricing of purchase transactions with related parties were not significantly different from those offered by other vendors. The payment terms ranged from one to two months, which were no different from the payment terms given by other vendors.

(iii) Consigned out for processing

Relationship	Amount For the year ended December 31, 2020	2019	Other payables to related parties December 31, 2020	December 31, 2019
Associates	$ 7,136,528	7,088,474	1,049,080	1,202,342

The term of transactions with the related parties above is 60 days after the end of each month when processed consigned goods are received.

(iv) Financing from related parties

Relationship	Financial costs For the year ended December 31 2020	2019
Other related parties:		
Formosa Technologies (Nanjing) Corporation	$ 94	140

Relationship	Other payables to related parties: Balance of borrowings December 31, 2020	December 31, 2019	Interest payable December 31, 2020	December 31, 2019
Other related parties:				
Formosa Technologies (Nanjing) Corporation	$ -	3,450	-	65

(v) Property transactions

1) Acquisition of equipment

		Acquisition price For the years ended December 31,		Other payables to related parties	
Relationship		**2020**	**2019**	**December 31, 2020**	**December 31, 2019**
Entities with significant influence over the Group	$	40,550	-	20,830	-
Other related parties		-	340	-	-
	$	**40,550**	**340**	**20,830**	**-**

2) Acquisition of Financial Assets

		For the year ended December 31, 2019		
Relationship	**Financial Statement Account**	**Number of Shares (in thousands)**	**Item of transaction**	**Acquisition price**
Other related parties-Formosa Taffeta Co., Ltd.	Investments accounted for using equity method	57,489	Shares of stock of Formosa Advanced Technologies Co., Ltd.	$ **2,049,483**

(vi) Leases

		Acquisition price For the years ended December 31,	
Relationship		**2020**	**2019**
Entities with significant influence over the Group	$	**62,391**	**49,426**

The rentals charged to the entities with significant influence over the Company are determined based on the local market prices, and rents are paid monthly.

The Group entered into 9 to 10 years lease agreements between July and August 2020, as well as a 3-year lease agreement in July 2017, with Nan Ya Plastics Corporation, at the total values of $2,015,018 and $617,862, respectively. Also, for the years ended December 31, 2020 and 2019, the Group recognized the amount of $12,833 and $2,933, as interest expense, respectively. Furthermore, as of December 31, 2020 and 2019, the balance of lease liabilities amounted to $1,796,084 and $99,924, respectively. In additions, for the year ended December 31, 2020, the Group recognized the additional amount of $1,884,277 of right-of-use assets. Please refer to Note 6(f) for the details on right-of-use assets.

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(vii) Others

Relationship	Other income For the years ended December 31 2020	Other income For the years ended December 31 2019	Notes receivable from related parties December 31, 2020	Notes receivable from related parties December 31, 2019
Associates	$ 3,635	41,545	-	41,545

(c) Key management personnel compensation

Key management personnel compensation comprised:

	For the years ended December 31, 2020	For the years ended December 31, 2019
Short-term employee benefits	$ 77,621	103,456
Share-based payment	702	3,942
	$ 78,323	107,398

Please refer to Note 6(l) for the details of share-based payment.

(8) Pledged assets:

The Group's assets pledged to secure loans are as follows:

Pledged assets	Object	December 31, 2020	December 31, 2019
Other non-current assets	Office leasing	$ 5,573	5,122

(9) Commitments and contingencies:

(a) Significant commitments

	December 31, 2020	December 31, 2019
Guarantees for importation goods provided by bank	$ 935,000	1,045,000
Unused letters of credit	660,779	39,023
Total	$ 1,595,779	1,084,023

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(b) Contingent liabilities

(i) In 2000, the Company was charged by Brazil's Ministry of Justice as being involved in the International Monopolies, which influences Brazil's DRAM market. Consequently, the Company, other large international companies and individuals are investigated at the same time. The lawsuit was in a court hearing. The Company has engaged counsels to properly handle it to ensure the Company's rights.

(ii) In October 2016, Lone Star Silicon Innovations LLC (Lone Star) filed a lawsuit against Nanya Technology Corp. (Nanya) and two of its subsidiaries, Nanya Technology Corp., USA (NTC USA) and Nanya Technology Corp., Delaware (NTC Delaware), to the US District Court of East Texas for patent infringement. The lawsuit was handed over to the US District Court of Northern California in July 2017, wherein it was denied in January 2018. Therefore, Lone Star appealed to the US Court of Appeals for the Federal Circuit on the said matter. The case is still in progress. The Group has engaged lawyers to handle the case to ensure its rights.

(iii) In November 2019, Monterey Research LLC (Monterey) filed a lawsuit against Nanya Technology Corp. (Nanya) and two of its subsidiaries, Nanya Technology Corp., USA (NTC USA) and Nanya Technology Corp., Delaware (NTC Delaware), to the US District Court of Delaware for patent infringement. The Company has engaged counsels to properly handle it to ensure the Company's rights.

(iv) The original Joint Venture agreement signed by the Company, Micron Technology, Inc. and its related parties was terminated after Micron Semiconductor Co. completed its share-swap with Micron Technology Taiwan. Both parties had mutually agreed to sign a cooperation agreement, the details of the agreement were as follows:

1) The estimated cost for improving specific environmental safety and factory facilities in mutually operating period of joint venture agreement amounted to US$54,030 thousand; the Company agreed to share the 50% portion of the total costs and accrued it as expense of $850,000 (USD27,015 thousand) to other payable. The Company will share the cost based on the actual amounts at the appointed time. As of December 31, 2020 and 2019, the payment amounting to $200,950 and $47,200 had been recognized by the Company, respectively.

2) The Company agreed to share the 50% portion of the total losses for penalty, improving costs and suspending operation before the date of share-swap in the following two to five years due to an existing event of environmental safety and factory facilities which violated the laws.

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(10) Losses Due to Major Disasters: None

(11) Subsequent Events:

On January 15 and February 2, 2021, the Company approved to transfer 3,936 thousand and 4,064 thousand treasury shares, respectively, to its employees; of which, only 3,922 thousand and 3,980 thousand treasury shares, respectively, were transferred, at the average repurchase price of $57.4 dollars, with the subscription record dates respectively set on the same dates as above.

(12) Other:

(a) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

	For the year ended December 31, 2020			For the year ended December 31, 2019		
	Cost of goods sold	Operating expenses	Total	Cost of goods sold	Operating expenses	Total
Employee benefits						
Salaries	2,955,084	2,253,131	5,208,215	3,041,992	2,108,949	5,150,941
Labor and health insurance	194,298	166,321	360,619	192,226	142,896	335,122
Pension expenses	99,661	85,264	184,925	99,008	71,548	170,556
Remuneration for directors	-	6,500	6,500	-	6,660	6,660
Other personnel expenses	73,204	30,092	103,296	71,809	23,934	95,743
Depreciation expenses	13,773,731	440,507	14,214,238	14,045,030	281,257	14,326,287
Amortization expenses	236,477	-	236,477	91,126	-	91,126

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(13) Other disclosures:

(a) Information on significant transactions:

The followings were the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the year ended December 31, 2020:

(i) Loans to other parties: None

(ii) Guarantees and endorsements for other parties: None

(iii) Securities held at the reporting date (excluding investment in subsidiaries, associates and joint ventures):None

(iv) Information regarding purchase or sale of securities for the period exceeding $300 million or 20% of the capital stock: None

(v) Acquisition of individual real estate with amount exceeding $300 million or 20% of the Company's paid-in capital: None

(vi) Disposal of individual real estate with amount exceeding $300 million or 20% of the Company's paid-in capital: None

(vii) Related-party transaction for purchases and sales for which amounts exceeding $100 million or 20% of the Company's paid-in capital:

(In Thousands of New Taiwan Dollars)

			Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		
Name of company	Related party	Nature of relationship	Purchase /Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	Note
The Company	Nanya Technology Corp., U.S.A.	Subsidiary	(Sale)	(9,211,321)	(15.18)%	O/A 60~90Days	-		1,436,308	17.44%	(Note)
The Company	Nanya Technology Corp., Japan	Subsidiary	(Sale)	(3,777,092)	(6.22)%	O/A 180Days	-		740,886	9.00%	(Note)
The Company	Nanya Technology Corp., Europe GmbH	Subsidiary	(Sale)	(2,662,397)	(4.39)%	O/A 60~90Days	-		465,705	5.65%	(Note)
The Company	Nanya Technology Corp., HK	subsidiary	(Sale)	(173,527)	(0.29)%	O/A 60~90 Days	-		36,866	0.45%	(Note)
Nanya Technology Corp., Delaware	Nanya Technology Corp	The parent company	(Sale)	(454,105)	100.00%	O/A 60~90 Days	-		46,251	100.00%	(Note)
Nanya Technology Corp., U.S.A	Nanya Technology Corp	The parent company	Purchase	9,211,321	100.00%	O/A 60~90Days	-		(1,436,308)	(100.00)%	(Note)
Nanya Technology Corp., Japan	Nanya Technology Corp	The parent company	Purchase	3,777,092	100.00%	O/A 180Days	-		(740,886)	(100.00)%	(Note)
Nanya Technology Corp., Europe GmbH	Nanya Technology Corp	The parent company	Purchase	2,662,397	100.00%	O/A 60~90Days	-		(465,705)	(100.00)%	(Note)
Nanya Technology Corp., HK	Nanya Technology Corp	The parent company	Purchase	173,527	100.00%	O/A 60~90Days	-		(36,866)	(100.00)%	(Note)
The Company	Formosa Sumco Technology Corporation	Other related parties	Purchase	573,342	4.79%	O/A 60Days	-		(71,257)	(3.37)%	-
The Company	Formosa Biomedical Technology Corporation	Other related parties	Purchase	156,534	1.31%	Payment after arrival and inspection of good	-		(3,602)	(0.17)%	-

Note: The transactions were written off in the consolidated financial statements.

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(viii) Receivables from related parties with amounts exceeding $100 million or 20% of the Company's paid-in capital:

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance of accounts receivable from related parties	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
The Company	Nanya Technology Corp., U.S.A.	Subsidiary	1,436,308	6.26	-	-	644,093	-
The Company	Nanya Technology Corp., Japan	Subsidiary	740,886	6.30	-	-	419,180	-
The Company	Nanya Technology Europe GmbH	Subsidiary	465,705	6.26	-	-	282,397	-

Note: the transactions were written off in the consolidated financial statements.

(ix) Trading in derivative instruments: None

(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	Nanya Technology Corp.	Nanya Technology Corp., U.S.A	1	Sales	9,211,321	On the basis of general conditions	15.10%
0	Nanya Technology Corp.	Nanya Technology Corp., Japan	1	Sales	3,777,092	On the basis of general conditions	6.19%
0	Nanya Technology Corp.	Nanya Technology Europe GmbH	1	Sales	2,662,397	On the basis of general conditions	4.36%
0	Nanya Technology Corp	Nanya Technology Corp. HK	1	Sales	173,527	On the basis of general conditions	0.28%
1	Nanya Technology Corp.Delaware	Nanya Technology Corp.	2	Sales	454,105	On the basis of general conditions	0.74%
0	Nanya Technology Corp.	Nanya Technology Corp., U.S.A	1	Accounts receivable	1,436,308	On the basis of general conditions	0.87%
0	Nanya Technology Corp.	Nanya Technology Corp., Japan	1	Accounts receivable	740,886	On the basis of general conditions	0.45%
0	Nanya Technology Corp.	Nanya Technology Europe GmbH	1	Accounts receivable	465,705	On the basis of general conditions	0.28%
0	Nanya Technology Corp.	Nanya Technology Corp. HK	1	Accounts receivable	36,866	On the basis of general conditions	0.02%
1	Nanya Technology Corp.Delaware	Nanya Technology Corp.	2	Accounts receivable	46,251	On the basis of general conditions	0.03%

Note 1: Assigned numbers represent the following:

1. 0 represents the parent company.
2. The subsidiaries are represented numerically starting from 1.

Note 2: The terms of transactions are defined as follows:

1. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Subsidiary to Subsidiary.

Note 3: The business relationship and significant transactions between the parent company and the subsidiary only disclose the importations of sales and account receivable, did not repeat about the purchase and account payable.

(b) Information on investees (excluding information on investees in Mainland China):

The following is the information on investees for the year ended December 31, 2020:

(In Thousands of New Taiwan Dollars / Shares)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Highest Percentage of ownership	Net income of investee	Share of profits of investee	Note
				December 31, 2020	December 31, 2019	Shares	Percentage of ownership	Carrying value				
The Company	Nanya Technology Corp., U.S.A.	U.S.A	Sales of semiconductor products	20,392	20,392	2	100.00 %	158,076	100.00	18,263	18,263	(Note1)
The Company	Nanya Technology Corp., Delaware	U.S.A	Design of semiconductor products	36,005	36,005	-	100.00 %	171,992	100.00	17,632	17,632	(Note1)
The Company	Nanya Technology Corp., HK	Hong Kong	Sales of semiconductor products	66,271	66,271	20	100.00 %	70,615	100.00	9,535	9,535	(Note1)
The Company	Nanya Technology Corp., Japan	Japan	Sales of semiconductor products	20,161	20,161	1	100.00 %	166,621	100.00	(15,847)	(15,847)	(Note1)
The Company	Nanya Technology International, Ltd.	British Virgin Island	General investment business	37,004,400	37,004,400	1	100.00 %	34,357,493	100.00	547,446	547,446	(Note 1)
The Company	Formosa Advanced Technologies Co., Ltd.	Yunlin	Assembling, testing and producing modules for IC	5,099,482	5,099,482	141,511	32.00 %	5,160,505	32.00	1,402,677	466,895	(Note 2)

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Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Highest Percentage of ownership	Net income of investee	Share of profits of investee	Note
				December 31, 2020	December 31, 2019	Shares	Percentage of ownership	Carrying value				
Nanya Technology Corp., HK	Nanya Technology Europe GmbH	Germany	Sales of semiconductor products	30,056	30,056	-	100.00 %	71,181	100.00	4,242	4,242	(Note1)

Note: (1) The transactions were written off in the consolidated financial statements.

(2) Investment accounted for using equity method.

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	Net income (losses) of the investee	Percentage of ownership	Highest Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow							
Nanya Technology Corp., Shenzhen	Sales of semiconductor products	28,080 (USD985 thousand)	(2)	28,080 (USD985 thousand)	-	-	28,080 (USD985 thousand)	3,681	100.00%	100.00	3,681 (Note 2)	18,977	-

Note 1：Three types of investments were as follows:

(1) Investing directly in Mainland China

(2) Investing the companies in Mainland China through third parties.

(3) Others

Note 2：The financial statements were reviewed by a certified public accountant of the Taiwanese parent company.

Note3：The transactions were written off in thee consolidated financial statements.

(ii) Limitation on investment in Mainland China:

(In Thousands of New Taiwan Dollars)

Accumulated Investment in Mainland China as of December 31, 2020 (Note 1)	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on Investment (Note 2)
28,080 (USD985 thousand)	28,080 (USD985 thousand)	92,287,216

Note 1：The exchange rate of New Taiwan dollars to US dollars on December 31, 2020 was USD1：TWD 28.508

Note 2：60% of net equity.

(iii) Significant transactions: None

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(d) Information on major shareholders:

Shareholding Shareholder's Name	Shares	Percentage
Nan Ya Plastics Corporation	907,303,775	29.31 %
Formosa Chemicals & Fibre Corporation	334,815,409	10.81 %
Formosa Plastics Corporation	334,815,409	10.81 %
Formosa Petrochemical Corp	334,815,409	10.81 %

Note 1: The information on major shareholders, which is provided by the Taiwan Depository & Clearing Corporation, summarized the shareholders who held over 5% of total non-physical ordinary shares and preference shares (including treasury shares) on the last business date of each quarter. The actual registered non-physical shares may be different from the capital shares disclosed in the financial statement due to different calculation basis.

Note 2: If shares are entrusted, the above information regarding such shares will be revealed by each trustors of individual trust ac count. The shareholders holding more than 10% of the total shares of the company should declare insider' s equity according to Securities and Exchange Act. The numbers of the shares declared by the insider include the shares of the trust assets which the insider has discretion over use. For details of the insider's equity announcement please refer to the TWSE website.

(14) Segment information:

(a) General information:

The Group has 4 reporting segments: segment of manufacturing, segment of oversea sales , segment of oversea overseas R&D, and segment of investment. The segment of manufacturing is responsible for the manufacture and sales of semiconductor products; the segment of oversea sales is responsible for the sales of semiconductor products; the segment of overseas R&D is responsible for research and development of semiconductor products; and the segment of investment is responsible for investment securities.

The operating decision maker, on the other hand, uses the geographic area information as its management framework in managing the segments mentioned above.

(b) The income of the reporting segment, segment assets, segment liabilities and the information of the measure basis and reconciliation.

The accounting policies of each segment was similar to those described in note 4 "significant accounting policies". The performance evaluation of each department is based on the gain or loss of the Group's operating department, which is measured using the profit before tax. The Group treated intersegment sales and transfers as third-party transactions. They are measured at market price.

No tax expenses(income) were allocated to the reporting segment and the reportable amounts were same as to the report used by the chief operating decision maker.

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The Group's operating segment information and reconciliation are as follows:

	For the year ended December 31, 2020					
	Overseas sales division	Overseas R&D division	Manufacturing divisions	Investment divisions	Adjustments and eliminated	Total
Revenue:						
From external customers	$ 16,129,461	-	44,876,053	-	-	61,005,514
From sales among intersegments	53,891	454,105	15,824,337	-	(16,332,333)	-
Total revenue	$ 16,183,352	454,105	60,700,390	-	(16,332,333)	61,005,514
Interest expense	$ 94	-	13,023	-	-	13,117
Depreciation and amortization	6,192	3,519	14,441,004	-	-	14,450,715
Share of profit (loss) of associates accounted for using equity method, net	7,923	-	1,043,924	-	(584,952)	466,895
Other non-cash significant item:						
Reportable segment profit or loss	**$ 23,811**	**22,971**	**8,974,018**	**547,446**	**(577,029)**	**8,991,217**
Capital expenditure of non-current assets	14,968	17,147	82,745,077	-	-	82,777,192
Reportable segments assets	**$ 3,119,912**	**195,825**	**165,624,472**	**34,357,531**	**(37,665,760)**	**165,631,980**
Reportable segments liabilities	**$ 2,713,185**	**23,832**	**11,812,445**	**38**	**(2,729,547)**	**11,819,953**

	For the year ended December 31, 2019					
	Overseas sales division	Overseas R&D division	Manufacturing divisions	Investment divisions	Adjustments and eliminated	Total
Revenue:						
From external customers	$ 12,537,152	-	39,190,306	-	-	51,727,458
From sales among intersegments	54,183	462,733	12,285,189	-	(12,802,105)	-
Total revenue	$ 12,591,335	462,733	51,475,495	-	(12,802,105)	51,727,458
Interest expense	$ 140	-	3,124	-	-	3,264
Depreciation and amortization	6,144	2,112	14,409,157	-	-	14,417,413
Share of profit (loss) of associates accounted for using equity method, net	6,845	-	1,188,213	-	(1,011,183)	183,875
Other non-cash significant item:						
Reversal of impairment loss on non-financial assets	9,508	-	-	-	-	9,508
Reversal of impairment loss on non-financial assets	-	-	213,282	-	-	213,282
Reportable segment profit or loss	**$ 46,573**	**23,698**	**11,208,374**	**950,976**	**(1,004,339)**	**11,225,282**
Capital expenditure of non-current assets	$ 11,169	5,063	85,909,812	-	-	85,926,044
Reportable segments assets	**$ 2,842,369**	**178,026**	**165,093,440**	**37,056,800**	**(40,069,983)**	**165,100,652**
Reportable segments liabilities	**$ 2,439,109**	**14,345**	**13,081,887**	**18**	**(2,446,260)**	**13,089,099**

(c) Types of products and service:

The Group's revenue from external customer were as follows:

	For the year ended ,	
Products and service	**December 31, 2020**	**December 31, 2019**
DRAM	$ 60,866,320	51,517,114
Others	139,194	210,344
Total	$ 61,005,514	51,727,458

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(d) Geographic area information

The Group's revenue from operations from external customers by location of operations and information concerning the location of its non-current assets were as follows:

District	For the year ended , December 31, 2020	December 31, 2019
From external clients:		
Taiwan	$ 19,866,890	20,014,693
USA	548,152	419,123
Japan	1,512,613	1,762,307
Mainland China	32,202,589	24,527,407
Other countries	6,875,270	5,003,928
Total	$ **61,005,514**	**51,727,458**

District	December 31, 2020	December 31, 2019
Non-current assets:		
Taiwan	$ 82,745,077	85,909,812
Other countries	32,115	16,232
Total	$ **82,777,192**	**85,926,044**

Non-current assets included property, plant and equipment, right-of-use assets and intangible asset, excluding financial instruments and deferred tax assets.

(e) Major clients

	December 31, 2020	December 31, 2019
KINGSTONE TECHNOLOGY CO, LTD	$ 7,339,958	8,263,500
Huawei Tech.Investment Co.,Limited	6,268,808	2,007,256
WPI	5,470,587	4,559,531
Total	$ **19,079,353**	**14,830,287**