Stock Code:2408

(English Translation of Financial Statements and Report Originally Issued in Chinese)

NANYA TECHNOLOGY CORPORATION

Financial Statements

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

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Independent Auditors' Report

To the Board of Directors of Nanya Technology Corporation:

Opinion

We have audited the financial statements of Nanya Technology Corporation ("the Company"), which comprise the balance sheets as of December 31, 2020 and 2019, and the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, and notes to the 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 financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years ended December 31, 2020 and 2019, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and 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 Financial Statements section of our report. We are independent of the Company 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 Company. 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., are based solely on the audit report of another auditor. The aforementioned investment accounted for using the equity method constituted 3.04% of the 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 total profit before tax for the period from January 1 to December 31, 2019.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the 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(g), 5(a), 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 Company 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 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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company’ 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 Company 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 Company's financial reporting process.

Auditors’ Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company'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 Company'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 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 of the investments in other entities accounted for using the equity method. We are responsible for the direction, supervision and performance of our 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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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 financial statements are intended only to present the 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 financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying 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 financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements and Report Originally Issued in Chinese)

Nanya Technology Corporation

Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2020		December 31, 2019	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (Note 6(a))	$ 16,573,114	10	6,497,820	4
1160	Notes receivable due from related parties, net (Notes 6(b)(n) and 7)	-	-	41,545	-
1170	Notes and accounts receivable, net (Notes 6(b)(n))	5,547,350	3	5,074,912	3
1180	Accounts receivable due from related parties, net (Notes 6(b)(n) and 7)	2,688,002	2	2,391,150	1
1200	Other receivables (Notes 6(g))	1,456,089	1	1,565,121	1
1310	Inventories (Note 6(c))	14,084,255	8	18,072,308	11
1410	Prepayments	1,511,313	1	1,633,984	1
	Total current assets	41,860,123	25	35,276,840	21
	Non-current assets:				
1550	Investments accounted for using equity method (Note 6(d))	40,084,942	25	42,627,209	26
1600	Property, plant and equipment (Notes 6(e)(t))	79,696,505	48	85,513,880	52
1755	Right-of-use assets (Notes 6(f) and 7)	1,790,192	1	99,222	-
1780	Intangible assets (Note 6(t))	1,258,380	1	296,710	-
1840	Deferred tax assets (Notes 6(j))	345,830	-	550,033	-
194D	Long-term financial lease payments receivable (Note 6(g))	483,436	-	689,886	1
1990	Other non-current assets	105,064	-	39,660	-
	Total non-current assets	123,764,349	75	129,816,600	79
	Total assets	$ 165,624,472	100	165,093,440	100

		December 31, 2020		December 31, 2019	
	Liabilities and Equity	**Amount**	**%**	**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))	4,161,575	2	6,605,917	4
2220	Other payables to related parties (Note 7)	1,119,693	1	1,258,964	1
2230	Current tax liabilities	1,129,651	1	1,514,804	1
2280	Current lease liabilities (Notes 6(h) and 7)	178,432	-	99,924	-
2399	Other current liabilities	75,759	-	80,957	-
	Total current liabilities	8,776,884	5	12,267,524	8
	Non-Current liabilities:				
2580	Non-current lease liabilities (Note 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(Note 6(t))	851,626	1	238,467	-
	Total non-current liabilities	3,035,561	2	814,363	-
	Total liabilities	11,812,445	7	13,081,887	8
	Equity (Note 6(k)):				
3110	Ordinary share	30,935,939	19	30,733,649	19
3140	Advance receipts for share capital	36,264	-	3,475	-
3200	Capital surplus	32,451,689	19	32,005,339	19
3310	Legal reserve	14,110,871	9	13,128,412	8
3320	Special reserve	1,041,100	1	273,834	-
3350	Unappropriated retained earnings	79,394,603	48	78,054,876	48
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	$ 165,624,472	100	165,093,440	100

See accompanying notes to financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)

NANYA TECHNOLOGY CORPORATION

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 (Notes 6(n) and 7)	$ 60,700,390	100	51,475,494	100
5000	Operating costs (Notes 6(c)(e)(f)(i)(l)(o) and 7)	(45,288,242)	(75)	(35,251,755)	(68)
	Gross profit from operations	15,412,148	25	16,223,739	32
5910	Add: Unrealized profit (loss) from sales	(11,775)	-	(15,749)	-
5920	Realized profit (loss) on from sales	15,749	-	25,381	-
	Gross profit from operations	15,416,122	25	16,233,371	32
	Operating expenses (Notes 6(e)(f)(i)(l)(o) and 7):				
6100	Selling expenses	(600,862)	(1)	(536,767)	(1)
6200	Administrative expenses	(1,312,475)	(2)	(1,320,266)	(3)
6300	Research and development expenses	(5,159,496)	(8)	(4,926,428)	(9)
	Total operating expenses	(7,072,833)	(11)	(6,783,461)	(13)
	Net operating income	8,343,289	14	9,449,910	19
	Non-operating income and expenses (Notes 6(d)(e)(g)(h)(p) and 7):				
7100	Total interest income	127,709	-	343,548	1
7020	Other gains and losses, net	(527,881)	(1)	229,827	-
7050	Finance costs	(13,023)	-	(3,124)	-
7060	Share of profit of associates accounted for using equity method	1,043,924	2	1,188,213	2
	Total non-operating income and expenses	630,729	1	1,758,464	3
7900	**Profit before tax**	8,974,018	15	11,208,374	22
7950	Less: Tax expenses (Notes 6(j))	(1,287,977)	(2)	(1,383,775)	(3)
	Profit	7,686,041	13	9,824,599	19
8300	**Other comprehensive income (loss) (Notes 6(i)(j)(k)):**				
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**				
8311	Remeasurements of the net defined benefit	3,767	-	(42,096)	-
8330	Share of other comprehensive income (loss) of subsidiaries, and associates for using equity method, components of other comprehensive income 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)	(3)	(758,303)	(1)
8399	Income tax related to components of other comprehensive income (loss) that will be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss	(1,955,693)	(3)	(758,303)	(1)
8300	**Other comprehensive (loss) income, net**	(1,966,996)	(3)	(802,668)	(1)
8500	**Comprehensive income**	**$ 5,719,045**	**10**	**9,021,931**	**18**
	Earnings per share (dollar) (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 financial statements.

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Nanya Technology Corporation

Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

							Other equity interest				
	Ordinary shares	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total 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 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 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 financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)

Nanya Technology Corporation

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 (used in) operating activities:		
Profit before tax	$ 8,974,018	11,208,374
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	14,204,527	14,318,031
Amortization expense	236,477	91,126
Interest expense	13,023	3,124
Interest income	(127,709)	(343,548)
Share-based payments	58,420	150,116
Share of profit of subsidiaries and associates accounted for using equity method	(1,043,924)	(1,188,213)
Gain on disposal of property, plant and equipment	6,633	(4,723)
Reversal of impairment loss on non-financial assets	-	(213,282)
Unrealized gains on sales	11,775	15,749
Realized profit from sales	(15,749)	(25,381)
Foreign exchange gain or loss	70,894	124,536
Others	(30,748)	-
Total adjustments to reconcile profit (loss)	13,383,619	12,927,535
Changes in operating assets and liabilities:		
Notes and accounts receivable (including related parties)	(764,103)	2,642,414
Other receivables	125,831	(391,993)
Inventories	3,988,053	(5,923,956)
Prepayments	122,671	123,620
Accounts payable (including related parties)	(291,754)	(429,964)
Other payable (including related parties)	(2,274,962)	(1,859,005)
Other current liabilities	(5,198)	79,389
Net defined benefit liability	(5,846)	(3,503)
Other non-current liabilities	(6,109)	9,606
Total changes in operating assets and liabilities	888,583	(5,753,392)
Cash inflow generated from operations	23,246,220	18,382,517
Interest received	53,030	396,063
Interest paid	(12,611)	(191)
Income taxes paid	(1,469,681)	(2,005,134)
Net cash flows from operating activities	21,816,958	16,773,255
Cash flows used in investing activities:		
Proceds from capital reduction of investments accounted for using equity method	-	(28,787,503)
Acquisition of property, plant and equipment	(8,449,490)	(5,490,289)
Proceeds from disposal of property, plant and equipment	71	4,723
Increase in refundable deposits	(73,144)	(3,504)
Acquisition of intangible assets	(878,657)	(164,666)
Decrease in lease and installment receivables	264,330	264,331
Increase in other non-current assets	(308)	(9,295)
Dividends received	1,620,170	210,056
Net cash flows (used in) from investing activities	(7,517,028)	(33,976,147)
Cash flows used in financing activities:		
Increase (decrease) in guarantee deposits received	63,246	(297,469)
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	(4,102,297)	(22,549,395)
Effect of exchange rate changes on cash and cash equivalents	(122,339)	(88,467)
Net increase (decrease) in cash and cash equivalents	10,075,294	(39,840,754)
Cash and cash equivalents at beginning of period	6,497,820	46,338,574
Cash and cash equivalents at end of period	**$ 16,573,114**	**6,497,820**

See accompanying notes to financial statements.

(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 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 financial statements:

The 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 Company has initially adopted the following new amendments, which do not have a significant impact on its 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 Company 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 Company, 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 Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its financial position and financial performance. The results thereof will be disclosed when the Company completes its evaluation.

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

(a) Statement of compliance

The accompanying 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").

(b) Basis of preparation

(i) Basis of measurement

The financial statements have been prepared on a historical cost basis except the net 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 Company is determined based on the primary economic environment in which the entities operate. The financial statements are presented in New Taiwan Dollar, which is the Company's functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(c) 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 the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary 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 Company'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 Company'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 Company 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 Company disposes of only part of investment in an associate or 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.

(d) 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 Company'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.

(e) 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.

(f) Financial instruments

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company 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.

(Continued)

NANYA TECHNOLOGY CORPORATION
Notes to the Financial Statements

(i) Financial assets

1) Impairment of financial assets

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

The Company 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 Company 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 Company 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 Company's historical experience and informed credit assessment as well as forward-looking information.

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

The Company 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 Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

(Continued)

NANYA TECHNOLOGY CORPORATION
Notes to the Financial Statements

At each reporting date, the Company 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 assets 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 Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company 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 Company 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 Company’s procedures for recovery of amounts due.

2) Derecognition of financial assets

The Company 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 Company 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 Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company 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 Company 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.

(g) 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 present 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.

(h) Investment in associates

Associates are those entities in which the Company 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 financial statements include the Company'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 Company, 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 Company and an associate are recognized only to the extent of unrelated Company's interests in the associate.

(Continued)

NANYA TECHNOLOGY CORPORATION
Notes to the Financial Statements

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 Company has incurred legal or constructive obligations or made payments on behalf of the associate.

When the Company 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 Company's proportionate interest in the net assets of the associate. The Company 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 Company'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.

(i) Subsidiaries

The Company accounts for investee companies in which it has a controlling interest using the equity method. The net income, other comprehensive income, and shareholders' equity in the financial reports of the Company and the net income, other comprehensive income, and shareholder's equity that belongs to the Company in the consolidated financial reports should be the same.

The Company accounts for changes in owners' equity of subsidiaries as equity transactions between the two parties of the transaction, provided that control is still exists.

(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 Company.

(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.

(Continued)

NANYA TECHNOLOGY CORPORATION
Notes to the Financial Statements

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 to 16 years.

3) Other equipment: 3 to 15years.

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate, the change is accounted for as a change in accounting estimate.

(k) Leases

(i) Identifying a lease

At inception of a contract, the Company 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 Company 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 lessor

The Company 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.

NANYA TECHNOLOGY CORPORATION
Notes to the Financial Statements

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

NANYA TECHNOLOGY CORPORATION
Notes to the Financial Statements

(iii) As a lessor

When the Company 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 Company 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 Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Company 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 Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

(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 Company 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.

(Continued)

NANYA TECHNOLOGY CORPORATION
Notes to the Financial Statements

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 is 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 Company manufactures and sells semi-conductor products on the market. The Company 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 Company 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 Company 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 Company'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 Company, 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 Company 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.

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 Company 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 Company 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 payment.

NANYA TECHNOLOGY CORPORATION
Notes to the Financial Statements

(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 that the Company 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.

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 Company 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.

(Continued)

(r) Earnings per share

The Company 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

The Company discloses its information on operating segments in its consolidated financial statements, so it need not disclose such information in its financial statements.

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

The preparation of the financial statements, in conformity with the Regulation Governing the Preparation of Financial Reports by Securities Issuers, 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.

For information about judgments made in applying the accounting policies that have the most significant effects on the recognized amounts in the financial statements, whether the Company has substantive control over its investees, please refer to the notes in consolidated financial statements for the year ended 2020.

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:

(a) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Company 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.

(Continued)

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand－pretty cash	$ -	1
Demand deposit and checking accounts	14,066,618	3,553,628
Cash equivalents:		
Time deposits	-	2,130,351
Commercial paper	2,014,416	454,300
Repurchase agreements collateralized by corporate bonds	492,080	359,540
	$ 16,573,114	6,497,820

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

(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	8,235,352	7,466,062
	$ 8,235,352	7,507,607

The Company 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) as of December 31, 2020 and 2019. To measure the expected credit losses, notes and accounts receivables (including related parties) 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 expected credit losses for notes and accounts receivables (including related parties) as of December 31, 2020 and 2019 was determined as follows:

	December 31, 2020		
Due days	Notes and accounts receivables gross carrying amount	Weighted average loss rate	Loss allowance provision
Current	$ 8,235,352	-	-

(Continued)

NANYA TECHNOLOGY CORPORATION
Notes to the Financial Statements

	December 31, 2019		
Due days	**Notes and accounts receivables (including related parties) gross carrying amount**	**Weighted average loss rate**	**Loss allowance provision**
Current	$ 7,507,607	-	-

As of December 31, 2020 and 2019, no allowance for impairment was provided because all of the accounts comprising notes and accounts receivable (including related parties) were still within the normal credits terms and were evaluated to be collectable.

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	7,154,684	10,361,386
Total	$ 14,084,255	18,072,308

The Company recognized cost of goods sold amounting to $44,881,018 and $34,734,620 for the years ended 2020 and 2019, respectively.

The Company 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 2020 and 2019.

(d) Investments accounted for using equity method

The components of the investments accounted for using equity method at the reporting date were as follows:

	December 31, 2020	December 31, 2019
Subsidiaries	$ 34,924,437	37,607,973
Associates	5,160,505	5,019,236
	$ 40,084,942	42,627,209

(i) Subsidiaries

Please refer to the consolidated financial statements as of and for the year ended December 31, 2020 for further information.

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NANYA TECHNOLOGY CORPORATION
Notes to the Financial Statements

(ii) Associates

The related information of the major associate to the Company 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	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
Comprehensive income contributed to FATC	$ 1,357,939	1,179,051

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	December 31, 2020	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 Company	-	1,474,005
Total comprehensive income contributed to the Company	434,540	235,924
Uncollected dividends beyond the collection period which are reclassified to capital surplus	14	19
Cash dividends contributed to the Company	(311,324)	(210,056)
Share of net assets of major associate at December 31	3,780,854	3,657,624
Add: Goodwill	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	8,155,623	195,834,150	911,349	2,249,125	208,164,171
Additions	-	-	858,712	49,353	7,429,579	8,337,644
Disposals	-	(12,661)	(846,845)	(154,494)	-	(1,014,000)
Reclassification	-	-	3,127,446	10,808	(3,306,847)	(168,593)
Balance as of December 31, 2020	**$ 1,013,924**	**8,142,962**	**198,973,463**	**817,016**	**6,371,857**	**215,319,222**
Balance as of January 1, 2019	$ 1,013,924	7,738,701	180,675,614	1,126,512	13,886,444	204,441,195
Additions	-	-	2,048,367	42,851	1,988,981	4,080,199
Disposals	-	-	(98,844)	(258,379)	-	(357,223)
Reclassification	-	416,922	13,209,013	365	(13,626,300)	-
Balance as of December 31, 2019	**$ 1,013,924**	**8,155,623**	**195,834,150**	**911,349**	**2,249,125**	**208,164,171**
Accumulated depreciation / impairment:						
Balance as of January 1, 2020	$ -	2,293,861	119,593,407	763,023	-	122,650,291
Depreciation for the period	-	319,741	13,647,817	43,662	-	14,011,220
Disposals	-	(5,965)	(846,837)	(154,494)	-	(1,007,296)
Reclassification	-	-	(30,696)	(802)	-	(31,498)
Balance as of December 31, 2020	**$ -**	**2,607,637**	**132,363,691**	**651,389**	**-**	**135,622,717**
Balance as of January 1, 2019	$ -	1,976,959	106,139,332	985,081	-	109,101,372
Depreciation for the period	-	316,902	13,765,707	36,815	-	14,119,424
Impairment loss	-	-	(213,282)	-	-	(213,282)
Disposals	-	-	(98,844)	(258,379)	-	(357,223)
Reclassification	-	-	(180)	180	-	-
Balance as of December 31, 2019	**$ -**	**2,293,861**	**119,592,733**	**763,697**	**-**	**122,650,291**
Carrying amounts:						
Balance as of December 31, 2020	**$ 1,013,924**	**5,535,325**	**66,609,772**	**165,627**	**6,371,857**	**79,696,505**
Balance as of December 31, 2019	**$ 1,013,924**	**5,861,762**	**76,241,417**	**147,652**	**2,249,125**	**85,513,880**

(Continued)

(i) Reversal of impairment loss and 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 Company 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 Company 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

(Continued)

NANYA TECHNOLOGY CORPORATION
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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 2020, the Company recognized the interest revenue of $78,316 and $96,730, respectively, from the amortization of unrealized interest revenue.

The details of lease receivables were 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

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

(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).

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The amount 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	**$ 65,879**	**49,426**

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	**$ 266,283**	**231,901**

(i) Land lease

The Company 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 Company and not by the lessors. The lease payment changes annually based on a local price index.

(ii) Other leases

The Company 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 Company 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**

The Company 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.

(Continued)

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Notes to the Financial Statements

1) Composition of plan assets

The Labor Pension Fund Supervisory Committee manages the Company'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 Company'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**	**488,491**

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
Operating expected rate of return for the plan asset	(5,298)	(6,192)
	$ 9,968	**11,860**

(Continued)

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Notes to the Financial Statements

		2020	2019
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 as of January 1,	$	57,312	23,635
Recognized during the period		(3,013)	33,677
Balance as 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)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. The sensitivity analysis adopts the same methods for determining the defined benefit assets at balance sheet date.

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

(ii) Defined contribution plan

The Company 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 Company is not required to bear the regulated or putative obligation subsequent to the payment of fixed-rate contribution.

The Company's pension costs under the contribution pension plan amounted to $151,699 and $141,403 for the years ended 2020 and 2019, respectively.

(j) Income tax

(i) The Company's income tax expense recognized for the years ended 2020 were as follows:

	For the years ended December 31, 2020	2019
Current tax expense		
Current period	$ 1,397,212	876,663
Surtax on undistributed earnings	171,974	673,894
Adjustment for prior periods	(588,184)	(485,929)
Taxes on remitted earnings from subsidiary	103,526	-
Deferred tax expense	203,449	319,147
Tax expense	**$ 1,287,977**	**1,383,775**

The Company's tax income recognized in other comprehensive income for the years ended 2020 and 2019 were as follows:

	For the years ended December 31, 2020	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 expense and profit before tax for 2020 and 2019 is as follows:

	For the years ended December 31, 2020	2019
Income tax calculated based on local tax rate	$ 1,794,804	2,241,675
Tax effect of permanent differences	(192,534)	(168,317)
Change in unrecognized temporary differences	(1,609)	(48,133)
Tax effect of unrecognized current-year loss carryforward	-	(829,415)
Adjustment for prior periods	(588,184)	(485,929)
Taxes on remitted earnings from subsidiary	103,526	-
Surtax on undistributed earnings	171,974	673,894
Total	**$ 1,287,977**	**1,383,775**

(Continued)

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Notes to the Financial Statements

(ii) Deferred tax assets

1) Recognized deferred tax assets

Deferred tax assets：

	Impairment loss of assets	Improvements costs of environmental safety and factory facilities	Others	Total
Balance as of January 1, 2020	155,102	165,032	229,899	550,033
Recognized in loss	(30,878)	(30,785)	(141,786)	(203,449)
Recognized in other comprehensive loss	-	-	(754)	(754)
Balance as of December 31, 2020	**124,224**	**134,247**	**87,359**	**345,830**
Balance as of January 1, 2019	234,579	168,625	457,557	860,761
Recognized in loss	(79,477)	(3,593)	(236,077)	(319,147)
Recognized in other comprehensive income	-	-	8,419	8,419
Balance as of December 31, 2019	**155,102**	**165,032**	**229,899**	**550,033**

Deferred tax liabilities：

2) The Company's income 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 government registered 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 2020 and 2019 were as follows:

(in thousand shares)

	Ordinary Shares 2020	Ordinary Shares 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 Company's Board of Directors approved to issue the Company's ordinary shares deriving from the exercise of employee share options. The Company had issued 632 thousand, 664 thousand, 17,951 thousand and 982 thousand ordinary shares at par value, respectively, 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 Company'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 and 2019.

On February 27, May 10, August 12 and November 8, 2019, the Company' s Board of Directors approved to issue the Company's ordinary shares deriving from the exercise of employee share options. The Company 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, $29.2, $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 Company'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 share option plans	262,499	262,499
Psat 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 paid-up capital.

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(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 fifty percent (50%) of the Company's total dividend distribution every year.

1) Legal reserve

When the Company 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) Earnings distribution

Earnings distribution for 2019 and 2018 was approved in the general meeting of shareholders 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)

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Notes to the Financial Statements

	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 501,360 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 losses 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 losses from financial of assets measured at fair value through other comprehensive income, 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 losses 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 transactions

As of December 31, 2020, the Company 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 (dollar) (Notes1~5)	38.0	36.6
Deal period	8 years	8 years
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 were 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.

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 9th 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.

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(i) 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 rate	- %	- %
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 Company'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

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

Further details of the outstanding stock options of the Company as of December 31, 2020 and 2019 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

(iii) Compensation cost

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

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(m) Earnings per share

	For the years ended December 31, 2020	2019
Basic earnings per share：		
Net income attributable to the Company	$ **7,686,041**	**9,824,599**
Weighted-average number of ordinary shares outstanding (basic)	3,065,482	3,045,219
Basic earnings per share (dollar)	$ **2.51**	**3.23**
Diluted earnings per share:		
Net income attributable to the Company (basic and diluted)	$ **7,686,041**	**9,824,599**
Effect of potentially dilutive ordinary shares		
Weighted-average number of ordinary shares (basic)	3,065,482	3,045,219
Effect of employee stock 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 year ended December 31, 2020 Manufacturing department	For the year ended December 31, 2019 Manufacturing department
Primary geographic markets:		
Taiwan	$ 18,120,076	19,426,583
Japan	3,777,093	3,849,678
China	25,456,947	18,562,317
USA	9,262,938	5,917,946
Other countries	4,083,336	3,718,970
	$ **60,700,390**	**51,475,494**
Major products line:		
Dynamic Random Access Memory (DRAM)	$ 60,562,260	51,266,263
Others	138,130	209,231
	$ **60,700,390**	**51,475,494**

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(i) Contract balances

	December 31, 2020	December 31, 2019	January 1, 2019
Notes receivable from operating activities	$ -	-	481
Notes receivable-related parties from non-operating activities	-	41,545	-
Accounts receivable (including related parties)	8,235,352	7,466,062	10,217,057
Total	**$ 8,235,352**	**7,507,607**	**10,217,538**

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

(o) Remuneration to employees

According to the Company's articles of incorporation, if the Company makes a profit, it should appropriate for employee compensation which is calculated based on 1% to 12% of the Company'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 Company 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 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, the related information would be available at the Market Observation Post System website.

There is no difference between the estimated amounts of employee remuneration for the year ended December 31, 2020 and 2019 and the financial statements for the year 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	$ 49,393	246,818
Interest income from financial lease receivables	78,316	96,730
	$ 127,709	**343,548**

(ii) Other gains and losses

	For the years ended December 31, 2020	2019
Gain or loss on disposal of property, plant and equipment	$ (6,633)	4,723
Foreign exchange gains (losses)	(699,836)	(168,956)
Reversal of impairment loss (impairment loss) on non-financial assets	-	213,282
Others	178,588	180,778
	$ (527,881)	**229,827**

(iii) Finance costs

	For the years ended December 31, 2020	2019
Amortization interest of lease liabilities	12,833	2,933
Others	190	191
	$ 13,023	**3,124**

(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 Company's customers are mostly those in the high-tech industry. In order to reduce accounts receivable credit risk, the Company continuously assesses the financial condition of its customers. If it is necessary, the Company will ask for guarantees or warranties. The Company 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 Company's major customers consisted of five and eight customers which accounted for 75.46% and 69.57%, 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 (including related parties), please refer to note 6(b).

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

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Considering that the Company 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 payable (including related parties)	5,281,268	5,281,268	5,281,268	-	-	-	-
Lease liabilities (including current portion)	1,796,084	1,914,405	100,758	100,758	201,516	604,549	906,824
	$ 9,189,126	9,307,447	7,493,800	100,758	201,516	604,549	906,824
December 31, 2019							
Non-derivative financial liabilities							
Accounts payable (including related parties)	$ 2,706,958	2,706,958	2,706,958	-	-	-	-
Other payable (including related parties)	7,864,881	7,864,881	7,864,881	-	-	-	-
Lease liabilities- Current	99,924	100,336	100,336	-	-	-	-
Total	$ 10,671,763	10,672,175	10,672,175	-	-	-	-

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

	December 31, 2020			December 31, 2019		
	Foreign currency (in thousands)	Foreign rate (dollars)	New Taiwan Dollars	Foreign currency (in thousands)	Foreign rate (dollars)	New Taiwan Dollars
Financial assets:						
Monetary items						
USD	$ 367,526	28.508	10,477,431	306,649	30.106	9,231,975
JPY	3,490,741	0.2724	950,878	2,546,135	0.2763	703,497
EUR	42	34.5600	1,452	144	33.690	4,851
HKD	1,379	3.6257	5,000	227,936	3.863	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	33.690	155,511

2) Sensitivity analysis

The Company' s exposure to foreign currency risk arises from the foreign currency exchange fluctuations on cash and cash equivalents, accounts receivable (including related parties), accounts payable, and other payables (including related parties) which are denominated in different foreign currencies. A 1% depreciation of the TWD against the USD, EUR, and JPY as of December 31, 2020 and 2019 would have increased the net income before tax by $78,005 and $67,077 for the years ended 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.

Since the Company 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 (loss) (including realized and unrealized portions) amounted to $699,836 and $168,956, respectively.

(iv) Fair value of financial instruments

1) Types and fair value of financial instruments

The fair value of financial liabilities at fair value though profit or loss was measured at recurring fair value. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, disclosure of fair value information is not required:

	December 31, 2020				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 16,573,114	-	-	-	-
Notes and accounts receivable (including related parties)	8,235,352	-	-	-	-
Other receivables	1,249,639	-	-	-	-
Lease payments receivable (including current portion)	689,886	-	-	-	-
Total	**$ 26,747,991**	-	-	-	-
Financial liabilities measured at amortized cost					
Accounts payable (including related parties)	$ 2,111,774	-	-	-	-
Other payables (including related parties)	5,281,268	-	-	-	-
Lease liabilities (including current portion)	1,796,084	-	-	-	-
Total	**$ 9,189,126**	-	-	-	-

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	December 31, 2019				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost：					
Cash and cash equivalents	$ 6,497,820	-	-	-	-
Notes and accounts receivable (including related parties)	7,507,607	-	-	-	-
Other receivables	1,379,107	-	-	-	-
Lease payments receivable (including current portion)	875,900	-	-	-	-
Total	$ **16,260,434**	-	-	-	-
Financial liabilities measured at amortized cost					
Notes and accounts payable (including related parties)	2,706,958	-	-	-	-
Other payables (including related parties)	7,864,881	-	-	-	-
Lease liabilities-current	99,924	-	-	-	-
Total	$ **10,671,763**	-	-	-	-

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

(r) Financial risk management

(i) Nature and extent

The Company 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 Company’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 financial statements.

(ii) Framework of risk management

The Company's Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The Company's risk management policies are established to identify and analyze the risks being faced by the Company, 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 Company’s activities. The Company, 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.

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The Company's Board of Directors oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company’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 Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers, bank deposits and investments.

1) Accounts receivable

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company'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 Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company'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 Company; these limits are reviewed quarterly. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

The Company established an impairment allowance that represents its estimate of incurred losses in respect of accounts receivable and investments. Major components of this impairment allowance are specific loss component that is related to individually significant exposure and collective loss component where is 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 Company'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 Company’ s policy is to provide financial guarantees only to wholly owned subsidiaries. At December 31, 2020 and 2019, no other guarantees were outstanding.

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Notes to the Financial Statements

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Also, the Company'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 Company's reputation.

The Company 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 Company'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 Company 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 Company'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 Company, primarily the New Taiwan Dollars (NTD). The currencies used in these transactions are denominated in NTD, USD, JPY, EUR and HKD.

(s) Capital management

The Company'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 Company's equity.

The Company 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 Company 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 Company's debt-to-capital ratio on reporting date was as follows:

	December 31, 2020	**December 31, 2019**
Total Liabilities	$ 11,812,445	13,081,887
Deduct: cash and cash equivalents	(16,573,114)	(6,497,820)
Net liabilities	**$ (4,760,669)**	**6,584,067**
Total equity	**$ 153,812,027**	**152,011,553**
Debt-to-capital ratio	**(3.10)%**	**4.33 %**

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NANYA TECHNOLOGY CORPORATION
Notes to the Financial Statements

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

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

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

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

(ii)

	For the years ended December 31, 2020	For the years ended December 31, 2019
Acquisition of property, plant and equipment	$ 8,337,644	4,080,199
Add: Payables on equipment at beginning of period	973,002	2,383,092
Less: Payables on equipment at end of period	(693,313)	(973,002)
Others	(167,843)	-
Cash Paid	$ **8,449,490**	**5,490,289**

	For the years ended December 31, 2020	For the years ended December 31, 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, 2020	For the years ended December 31, 2019
(iii) Retirement of treasury shares	$ **-**	**2,665,621**

(iv) Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2020	Cash flow	Non-Cash changes: Increase	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, 2020
Lease liabilities	$ 300,605	(184,115)	(2,776)	(16,723)	2,933	99,924

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Notes to the Financial Statements

(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 financial statements.

Name of related party	Relationship with the Company
Nanya Technology Corp. U.S.A.	The Company’s subsidiary
Nanya Technology Corp. Delaware	The Company’s subsidiary
Nanya Technology Corp. H.K.	The Company’s subsidiary
Nanya Technology Corp. Japan	The Company’s subsidiary
Nanya Technology International, Ltd.	The Company’s subsidiary
Nanya Technology Corp. Europe GmbH	The Company’s subsidiary
Nanya Technology Corp. Shenzhen	The Company’s subsidiary
Nan Ya Photonics Incorporation	The Company’s other related parties
Formosa Sumco Technology Corporation	The Company’s other related parties
Formosa Advanced Technologies Co., Ltd.	The Company’s associates
Formosa Technologies Corporation	The Company’s other related parties
Formosa Biomedical Technology Corp.	The Company’s other related parties
Formosa Petrochemical Corporation	The Company’s other related parties
Formosa Plastics Corporation	The Company’s other related parties
Formosa FCFC Carpet Corporation	The Company’s other related parties
Formosa Waters Technology Co., Ltd.	The Company’s other related parties
Nan Ya Plastics Corporation	The entity with significant influence over the Company
Formosa Taffeta Co., Ltd.	The Company’s other related parties

(b) Significant related-party transactions

(i) Sales to related parties

	Sales For the years ended December 31,		Accounts receivable to related parties	
	2020	2019	December 31, 2020	December 31, 2019
Subsidiaries				
Nanya Technology Corp. USA	$ 9,211,321	5,663,168	1,436,308	1,506,295
Other Subsidiaries	6,613,016	6,622,021	1,243,457	884,855
Associates	9,271	-	8,237	-
Total	$ 15,833,608	12,285,189	2,688,002	2,391,150

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The selling prices and collection terms for the sales to subsidiaries, related parties and associates above are not significantly different from those third-party customers, and the normal credit term with the related parties above is O/A 60 to 180 days and due for collection on the 15th day of the month following the month of delivery of goods sold. There is no collateral received among related parties accounts receivable. However, not expected credit loss is necessary based on the result of management's evaluation.

(ii) Purchase from related parties

	Purchases For the years ended December 31,		Accounts payable to related parties	
	2020	**2019**	**December 31, 2020**	**December 31, 2019**
Entities with significant influence over the Company	$ 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
Total	**$ 897,859**	**1,604,750**	**84,678**	**133,199**

The purchase price and payment terms for the purchase from related parties above are not significantly different from those with third party vendors, and the average payment period for notes and accounts payable pertaining to such purchase transactions ranged from one to two months, which was similar to that of other normal vendors.

(iii) Consigned out for processing

	Amount For the years ended December 31,		Other payables to related parties	
	2020	**2019**	**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.

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(iv) Service received

Relationship		Other gains For the years ended December 31, 2020	2019	Administrative expenses For the years ended December 31, 2020	2019	Other payables to related parties December 31, 2020	December 31, 2019
Subsidiaries							
Nanya Technology Corp. USA	$	288	305	-	-	-	-
Nanya Technology Corp. Europe GmbH		171	181	-	-	-	-
Nanya Technology Corp. Shen zhen		-	-	53,955	53,344	3,532	6,241
Nanya Technology Corp. Delaware		144	153	467,288	476,401	46,251	50,381
Nanya Technology Corp. Japan		-	-	1,165	2,005	-	-
	$	603	639	522,408	531,750	49,783	56,622

(v) Property transactions

1) Acquisition of equipment:

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

2) Acquisition of Financial Assets

Relationship	Account	For the year ended December 31, 2019 Number of shares of transaction (in thousands)	Item of transaction		Acquisition price
Other related parties - Formosa Taffeta Co., Ltd.	Investments accounted for using equity method	57,489	Shares of Formosa Advanced Technologies Co., Ltd.	$	2,049,483
Subsidiary - Nanya Technology International, Ltd	Investments accounted for using equity method	0.2	Shares of Nanya Technology International, Ltd.		6,116,400
				$	8,165,883

(vi) Lease contracts

Relationship		Acquisition price For the years ended December 31, 2020	2019
Entities with significant influence over the Company	$	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.

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The Company 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.

(vii) Others

	Other income		**Other payables to related parties**	
	December 31, 2020	**2019**	**December 31, 2020**	**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	**2019**
Short-term employee benefits	$ 55,141	79,107
Share-based payment	702	3,942
	$ 55,843	**83,049**

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

(8) Pledged assets: None

(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**

(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.

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(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 Company 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.

(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.

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Notes to the Financial Statements

(12) Other:

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	1,823,776	4,778,860	3,041,992	1,643,263	4,685,255
Labor and health insurance	194,298	90,411	284,709	192,226	73,687	265,913
Pension expenses	99,661	62,006	161,667	99,008	54,255	153,263
Remuneration of directors	-	6,500	6,500	-	6,660	6,660
Other personnel expenses	73,204	30,092	103,296	71,809	23,935	95,744
Depreciation expenses	13,773,731	430,796	14,204,527	14,045,030	273,001	14,318,031
Amortization expenses	236,477	-	236,477	91,126	-	91,126

The Company's number of employees and additional information on employee benefits for the years ended December 31, 2020 and 2019 are as follows：

	For the years ended December 31, 2020	2019
Number of employees	3,397	3,208
Number of directors who were not employees	8	8
The average employee benefit	$ 1,572	1,625
The average salaries and wages	$ 1,410	1,464
Changes of the average salaries and wages	(3.69)%	(25.87)%
Remuneration to supervisor	$ -	-

The Company's salary and remuneration policies (including directors, managers, and employees) are as follows:

The Company established a remuneration committee to monitor its directors and executives, and to protect the rights of its shareholders and employees. Also, the Company formulates the policies, standards and structures of remuneration, to regularly examine the performance of directors and executives. Furthermore, the Company aims to attract and hold talented employees though providing competitive salaries.

NANYA TECHNOLOGY CORPORATION
Notes to Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

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

(i) Loans to other parties: None

(ii) Guarantees and endorsements for other parties: None

(iii) Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures):None

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of $300 million or 20% of the Company's paid-in capital:None

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

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

(vii) Related-party transaction for purchases and sales for which amounts exceeding the lower of $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%	
The Company	Nanya Technology Corp., Japan	Subsidiary	(Sale)	(3,777,092)	(6.22)%	O/A 180Days	-		740,886	9.00%	
The Company	Nanya Technology Corp., Europe GmbH	Subsidiary	(Sale)	(2,662,397)	(4.39)%	O/A 60~90Days	-		465,705	5.65%	
The company	Nanya Technology Corp., HK	Subsidiary	(Sale)	(173,527)	(0.29)%	O/A 60~90 Days	-		36,866	0.45%	
Nanya Technology Corp. Delaware	Nanya Technology Corp.	The parent company	(Sale)	(454,105)	100.00%	O/A 60~90 Days	-		46,251	100.00%	-
Nanya Technology Corp., U.S.A.	Nanya Technology Corp	The parent company	Purchase	9,211,321	100.00%	O/A 180Days	-		(1,436,308)	(100.00)%	-
Nanya Technology Corp., Japan	Nanya Technology Corp	The parent company	Purchase	3,777,092	100.00%	O/A 60~90Days	-		(740,886)	(100.00)%	
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)%	
Nanya Technology Corp., HK	Nanya Technology Corp	Other related company	Purchase	173,527	100.00%	O/A 60Days	-		(36,866)	(100.00)%	
The Company	Formosa Sumco Technology Corporation	Other related company	Purchase	573,342	4.79%	O/A 60Days	-		(71,257)	(3.37)%	
The Company	Formosa Biomedical Technology Corp.	Other related company	Purchase	156,534	1.31%	Payment after arrival and inspection of goods	-		(3,602)	(0.17)%	-

NANYA TECHNOLOGY CORPORATION
Notes to Financial Statements

(viii) Receivables from related parties with amounts exceeding the lower of $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	Account 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	-

(ix) Trading in derivative instruments: None

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2020 (excluding information on investees in Mainland China):

(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			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	Shares (thousand)	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	18,263	18,263	Note 1
The Company	Nanya Technology Corp., Delaware	U.S.A	Design of semiconductor products	36,005	36,005	-	100.00 %	171,992	17,632	17,632	Note 1
The Company	Nanya Technology Corp., HK	Hong Kong	Sales of semiconductor products	66,271	66,271	20	100.00 %	70,615	9,535	9,535	Note 1
The Company	Nanya Technology Corp., Japan	Japan	Sales of semiconductor products	20,161	20,161	1	100.00 %	166,261	(15,847)	(15,847)	Note 1
The Company	Formosa Advanced Technologies Co., Ltd.	Yunlin County, Taiwan	Assembling, testing and producing modules for IC	5,099,482	5,099,482	141,511	32.00 %	5,160,505	1,402,677	466,895	Note 3
The Company	Nanya Technology International, Ltd.	British Virgin Island	General investment business	37,004,400	37,004,400	1.0	100.00 %	34,357,493	547,446	547,446	Note 1
Nanya Technology Corp., HK	Nanya Technology Europe GmbH	Germany	Sales of semiconductor products	30,056	30,056	-	100.00 %	71,181	4,242	4,242	Note 2

Note 1: As subsidiary

Note 2: As sub-subsidiary

Note 3: As investee company 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	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%	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.

NANYA TECHNOLOGY CORPORATION
Notes to Financial Statements

(ii) Limitation on investment in Mainland China:

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

(a) 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:

Please refer to the consolidated financial statements as of and for the year ended December 31, 2020.

Nanya Technology Corporation

STATEMENT OF CASH AND CASH EQUIVALENTS

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Items	Description	Amount	Note
Cash in bank	Checking Account	$ 12,731	
	Demand deposits	10,734,497	
	Foreign currency deposits	3,319,390	(Note)
Repurchase bonds		492,080	
Commercial paper		2,014,416	
Total		**$ 16,573,114**	

Note

	Original currency (in thousand)	Currency rate
USD	109,017	28.508
JPY	770,896	0.2724
EUR	42	34.56
HKD	29	3.6257

Nanya Technology Corporation

Statement of trade receivables

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Clients	Amount
Non-related parties:	
MediaTek Inc.	$ 1,004,312
KINGSTON	950,315
WPI	608,667
Realtek Semiconductor Corp.	582,311
Kingston (Taiwan)	425,947
Techmosa International Inc	381,753
WT Microelectronics Co., Ltd.	380,658
Other (Less than 5% of the ending balance)	1,213,387
Total	**$ 5,547,350**

Nanya Technology Corporation

STATEMENT OF INVENTORIES

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Items	Amount: Cost	Amount: Net Realizable value
Raw materials	$ 350,906	350,906
Work in process	6,578,665	6,578,665
Finished goods	7,154,684	7,154,684
Total	**$ 14,084,255**	**14,084,255**

Nanya Technology Corporation

STATEMENT OF PREPAYMENTS

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Items	Description	Amount
Prepaid expense	Project maintenance	$ 676,200
	Computer usage fee	199,570
	Software	193,397
	R&D expense	100,687
Prepaid material expense	Material	283,748
Others	Less than 5% of the ending balance	57,711
Total		**$ 1,511,313**

Nanya Technology Corporation

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

	Beginning Balance		Additions		Disposals				Ending Balance			
Investee Company	Number of Shares	Amount	Number of Shares	Amount (Note1)	Number of Shares	Amount (Note 1)	Others (Note2)	Income from investments	Number of Shares	Percentage of ownership	Amount	Guarantee or pledge
Nanya Technology Corp, USA	2,400	$ 147,580	-	-	-	-	2,711	18,263	2,400	100.00 %	168,554	Nil
Nanya Technology Corp, Delaware	1	165,736	-	-	-	-	-	17,632	1	100.00 %	183,368	Nil
Nanya Technology Corp, HK	19,699	68,560	-	-	-	-	-	9,535	19,699	100.00 %	78,095	Nil
Nanya Technology Corp, Japan	1,000	204,937	-	-	-	-	1,263	(15,847)	1,000	100.00 %	190,353	Nil
Formosa Advanceed Technologies Co., Ltd.	141,511,000	5,019,236	-	-	-	311,324	(14,302)	466,895	141,511,000	32.00 %	5,160,505	Nil
Nanya Technology International, Ltd	1,200	37,959,199	-	-	-	1,308,846	-	547,446	1,200	100.00 %	37,197,799	Nil
Subtoatl		43,565,248		-		1,620,170	(10,328)	1,043,924			42,978,674	
Add: Exchange differences on translation of foreign financial statements												
Nanya Technology Corp, USA		(1,318)		-		-	(9,160)	-			(10,478)	
Nanya Technology Corp, Delaware		(2,056)		-		-	(9,320)	-			(11,376)	
Nanya Technology Corp, HK		(10,578)		-		-	3,098	-			(7,480)	
Nanya Technology Corp, Japan		(21,670)		-		-	(2,422)	-			(24,092)	
Nanya Technology International, Ltd		(902,417)		-		-	(1,937,889)	-			(2,840,306)	
Subtoatl		(938,039)		-		-	(1,955,693)	-			(2,893,732)	
		$ 42,627,209		**-**		**1,620,170**	**(1,966,021)**	**1,043,924**			**40,084,942**	

Note1 : The amounts consisted of cash dividend.

Note2 : The amounts consisted of realized net profit or loss from sales amounting to $3,974, share of other comprehensive income of associates accounted for using equity method amounting to $(14,316),and changes in Capital surplus amounting to $14.

Nanya Technology Corporation

STATEMENT OF TRADE PAYABLES

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Items	Amount
Accounts O/A payable	$ 478,979
Accounts raw material and supplies payable	1,514,079
Others (Less than 5% of the ending balance)	34,038
Total	**$ 2,027,096**

STATEMENT OF OTHER PAYABLES

Items	Amount
Salaries payable	$ 1,200,994
Royalty Payable	1,119,465
Consigned out for processing	521,634
Others (Less than 5% of the ending balance)	1,319,482
	$ 4,161,575

Nanya Technology Corporation

STATEMENT OF OPERATING COSTS

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Items	Amount
Beginning balance of year for raw materials	$ 381,848
Add: raw materials purchased	11,979,905
Ending balance of year for raw materials	(350,906)
Add: Others	207,639
Less: Reclassified to manufacturing and operating expenses	(4,541,151)
Usage material	7,677,335
Direct labor	547,361
Manufacturing expenses	34,164,940
Manufacturing Costs	42,389,636
Beginning balance of year for work in progress	7,329,074
Add: Transferred from finished goods	12,061,787
Less: Reclassified to operating expenses	(1,405,353)
Ending balance of year for work in progress	(6,578,665)
Cost of finished goods	53,796,479
Beginning balance of year for finished goods	10,361,386
Less: Reclassified to work in progress	(12,061,787)
Reclassified to operating expenses	(60,376)
Ending balance of year for finished goods	(7,154,684)
Add: Other costs	144,745
Loss on work stoppage	262,479
Operating costs	**$ 45,288,242**

Nanya Technology Corporation

STATEMENT OF SELLING EXPENSES

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Items	Amount
Salaries	$ 232,123
Air Freights on export sales	100,962
Commissions on export sales	55,412
Compensation costs	35,180
Welfare costs	30,431
Others (Less than 5% of the ending balance)	146,754
Total	**$ 600,862**

Nanya Technology Corporation

STATEMENT OF ADMINISTRATIVE EXPENSES

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Items	Amount
Salaries	$ 484,028
Amortization expenses	162,652
Miscellaneous expenses	153,892
Professional service fee	147,958
Utilities	97,382
Rent expenses	67,599
Others (Less than 5% of the ending balance)	198,964
	$ 1,312,475

Nanya Technology Corporation

STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSE

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Items	Amount
Testing material expenses	$ 2,360,149
Salaries	1,294,526
Depreciation expenses	412,687
Computer usage expenses	339,061
Others (Less than 5% of the ending balance)	753,073
	$ 5,159,496