

**NANYA TECHNOLOGY CORPORATION AND
SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Nine Months Ended September 30, 2019 and 2018**

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

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Independent Auditors' Review Report

To the Board of Directors of Nanya Technology Corporation :

Introduction

We have reviewed the accompanying consolidated balance sheets of Nanya Technology Corporation (the "Company") and its subsidiaries (together referred to as the "Group") as of September 30, 2019 and 2018, the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2019 and 2018, as well as the changes in equity and cash flows for the nine months ended September 30, 2019 and 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. The management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard ("IASs") 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with Statement of Auditing Standards 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect the total assets amounting to \$3,110,780 thousand and \$5,660,636 thousand, constituting 1.88% and 3.12% of the consolidated total assets; the total liabilities amounting to \$21,134 thousand and \$33,403 thousand, constituting 0.15% and 0.15% of the consolidated total liabilities as of September 30, 2019 and 2018, respectively; as well as the total comprehensive income amounting to the net income of \$11,435 thousand, \$61,836 thousand, \$46,460 thousand and \$67,863 thousand, constituting 0.54%, 0.48%, 0.53% and 0.22% of the consolidated total comprehensive income for the three months and nine months ended September 30, 2019 and 2018, respectively.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews and the review report of another auditor (please refer to Other Matter paragraph), nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2019 and 2018, and of its consolidated financial performance for the three months and nine months ended September 30, 2019 and 2018, as well as of its consolidated cash flows for the nine months ended September 30, 2019 and 2018, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Other Matter

We did not review the financial statements of Formosa Advanced Technologies Co., Ltd., an investment in other accounted for using the equity method of the Group. The financial statements were reviewed by another auditor, whose review report has been furnished to us, and our conclusion, insofar as it relates to the amounts included for Formosa Advanced Technologies Co., Ltd., is based solely on the review report of another auditor. The aforementioned investment accounted for using the equity method amounted to \$2,949,195 thousand and \$3,067,266 thousand, constituting 1.78% and 1.69% of the consolidated total assets as of September 30, 2019 and 2018, respectively; and the share of profit of associates accounted for using the equity method amounted to \$74,627 thousand, \$28,065 thousand, 176,033 thousand and 28,065thousand, constituting 2.78%, 0.22%, 1.82% and 0.08% of the consolidated total profit before tax for the three months and nine months ended September 30, 2019 and 2018, respectively.

The engagement partners on the reviews resulting in this independent auditors’ review report are Hui-Chih Ko and Hsin-Yi Kuo.

KPMG

Taipei, Taiwan (Republic of China)
November 8, 2019

Notes to Readers

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with the generally accepted auditing standards as of September 30, 2019 and 2018

Nanya Technology Corporation and Subsidiaries

Consolidated Balance Sheets

September 30, 2019, December 31 and September 30, 2018

(Expressed in Thousands of New Taiwan Dollars)

	September 30, 2019		December 31, 2018		September 30, 2018	
	Amount	%	Amount	%	Amount	%
Assets						
Current assets:						
1100 Cash and cash equivalents (Note 6(a))	\$ 43,183,908	26	57,384,006	31	57,258,699	31
1170 Notes and accounts receivable, net (Notes 6(b)(p))	8,048,012	5	9,763,741	5	15,663,667	9
1200 Other receivables (Note 6(h))	1,817,457	1	1,313,111	1	1,154,515	1
1310 Inventories (Note 6(c))	17,561,426	11	12,167,737	7	9,326,928	5
1410 Prepayments	1,593,011	1	1,758,316	1	2,400,565	1
Total current assets	72,203,814	44	82,386,911	45	85,804,374	47
Non-current assets:						
1550 Investments accounted for using equity method (Note 6(d))	2,949,195	2	3,006,603	2	3,067,266	2
1600 Property, plant and equipment (Notes 6(f) and 7)	88,662,250	54	95,358,992	52	90,903,196	50
1755 Right-of-use assets (Notes 6(g) and 7)	148,833	-	-	-	-	-
1780 Intangible assets	234,236	-	45,881	-	57,050	-
1840 Deferred tax assets	657,886	-	867,311	-	862,112	-
1935 Long-term lease payments receivable (Note 6(h))	-	-	875,900	1	919,452	1
194D Long-term financial lease payments receivable (Note 6(h))	738,223	-	-	-	-	-
1990 Other non-current assets (Note 8)	53,161	-	44,215	-	31,839	-
Total non-current assets	93,443,784	56	100,198,902	55	95,840,915	53
Total assets	\$ 165,647,598	100	182,585,813	100	181,645,289	100
Liabilities and Equity						
Current liabilities:						
Accounts payable	\$ 2,836,676	2	4,247,638	3	9,115,923	5
Accounts payable to related parties (Note 7)	270,690	-	332,064	-	350,249	-
Other payables	6,828,677	4	8,786,790	5	8,123,588	5
Other payables to related parties (Note 7)	1,620,364	1	938,944	1	975,316	1
Current tax liabilities	1,382,167	1	2,456,338	1	2,483,639	1
Current lease liabilities (Notes 6(j) and 7)	149,622	-	-	-	-	-
Other current liabilities	896	-	1,568	-	2,921	-
Total current liabilities	13,089,092	8	16,763,342	10	21,051,636	12
Non-current liabilities:						
Deferred tax liabilities	631	-	625	-	580	-
Net defined benefit liability, non-current	535,465	-	537,303	-	521,815	-
Other non-current liabilities	239,762	-	377,245	-	179,802	-
Total non-current liabilities	775,858	-	915,173	-	702,197	-
Total liabilities	13,864,950	8	17,678,515	10	21,753,833	12
Equity (Note 6(m)):						
Ordinary share	30,725,609	19	31,032,389	17	31,014,199	17
Advance receipts for share capital	22,430	-	6,488	-	59,584	-
Capital surplus	31,957,132	20	33,557,005	18	33,428,438	18
Legal reserve	13,128,412	8	9,192,249	5	9,192,249	5
Special reserve	273,834	-	39,163	-	39,163	-
Unappropriated retained earnings	76,804,409	46	94,136,513	52	86,199,214	48
Other equity interest	17,754	-	(273,834)	-	(41,391)	-
Treasury shares	(1,146,932)	(1)	(2,782,675)	(2)	-	-
Total equity	151,782,648	92	164,907,298	90	159,891,456	88
Total liabilities and equity	\$ 165,647,598	100	182,585,813	100	181,645,289	100

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

Nanya Technology Corporation and Subsidiaries

Consolidated Statements of Comprehensive Income

For the three months and nine months ended September 30, 2019 and 2018

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

		For the three months ended September 30,				For the nine months ended September 30,			
		2019		2018		2019		2018	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	Operating revenue (Note 6(p))	\$ 14,799,353	100	24,374,586	100	38,611,949	100	67,764,242	100
5000	Operating costs (Notes 6(c)(k)(n)(q) and 7)	<u>10,662,428</u>	<u>72</u>	<u>10,008,492</u>	<u>41</u>	<u>25,494,613</u>	<u>66</u>	<u>30,120,068</u>	<u>44</u>
	Gross profit from operations	<u>4,136,925</u>	<u>28</u>	<u>14,366,094</u>	<u>59</u>	<u>13,117,336</u>	<u>34</u>	<u>37,644,174</u>	<u>56</u>
	Operating expenses (Notes 6(k)(n)(q) and 7):								
6100	Selling expenses	204,726	2	218,119	1	527,521	1	667,145	1
6200	Administrative expenses	335,332	2	377,983	2	960,819	3	1,144,025	2
6300	Research and development expenses	<u>1,344,676</u>	<u>9</u>	<u>1,335,921</u>	<u>5</u>	<u>3,552,126</u>	<u>9</u>	<u>3,569,673</u>	<u>5</u>
	Total operating expenses	<u>1,884,734</u>	<u>13</u>	<u>1,932,023</u>	<u>8</u>	<u>5,040,466</u>	<u>13</u>	<u>5,380,843</u>	<u>8</u>
	Net operating income	<u>2,252,191</u>	<u>15</u>	<u>12,434,071</u>	<u>51</u>	<u>8,076,870</u>	<u>21</u>	<u>32,263,331</u>	<u>48</u>
	Non-operating income and expenses (Notes 6(d)(e)(h)(i)(r) and 7):								
7010	Other income	262,241	2	246,492	1	1,015,088	3	681,778	1
7020	Other gains and losses, net	95,286	1	163,984	1	400,005	1	632,129	1
7050	Finance costs	(725)	-	(148)	-	(2,716)	-	(5,611)	-
7055	Expected credit impairment gain(Note 6(b))	108	(1)	-	-	9,546	-	-	-
7060	Share of profit of associates accounted for using equity method, net	<u>74,627</u>	<u>1</u>	<u>28,065</u>	<u>-</u>	<u>176,033</u>	<u>-</u>	<u>28,065</u>	<u>-</u>
	Total non-operating income and expenses	<u>431,537</u>	<u>3</u>	<u>438,393</u>	<u>2</u>	<u>1,597,956</u>	<u>4</u>	<u>1,336,361</u>	<u>2</u>
7900	Profit from continuing operations before tax	2,683,728	18	12,872,464	53	9,674,826	25	33,599,692	50
7950	Income tax expenses(Note 6(l))	<u>478,931</u>	<u>3</u>	<u>379</u>	<u>-</u>	<u>1,136,096</u>	<u>3</u>	<u>2,191,621</u>	<u>4</u>
	Profit	<u>2,204,797</u>	<u>15</u>	<u>12,872,085</u>	<u>53</u>	<u>8,538,730</u>	<u>22</u>	<u>31,408,071</u>	<u>46</u>
8300	Other comprehensive income: (Note 6(l))								
8310	Components of other comprehensive (loss) income that will not be reclassified to profit or loss								
8311	Remeasurements of the net defined benefit	-	-	-	-	-	-	-	-
8320	Share of other comprehensive loss of associates accounted for using equity method, components of other comprehensive loss that will not be reclassified to profit or loss	(34,541)	-	(10,803)	-	(23,405)	-	(10,803)	-
8349	Income tax related to components of other comprehensive loss that will not be reclassified to profit or loss	-	-	-	-	-	-	(2,571)	-
	Components of other comprehensive income that will not be reclassified to profit or loss	<u>(34,541)</u>	<u>-</u>	<u>(10,803)</u>	<u>-</u>	<u>(23,405)</u>	<u>-</u>	<u>(8,232)</u>	<u>-</u>
8360	Components of other comprehensive income that will be reclassified to profit or loss								
8361	Exchange differences on translation of foreign financial statements	(35,514)	-	(3,633)	-	314,993	1	8,575	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-	-	-	-	-
	Components of other comprehensive (loss) income that will be reclassified to profit or loss	<u>(35,514)</u>	<u>-</u>	<u>(3,633)</u>	<u>-</u>	<u>314,993</u>	<u>1</u>	<u>8,575</u>	<u>-</u>
8300	Other comprehensive (loss) income, net	<u>(70,055)</u>	<u>-</u>	<u>(14,436)</u>	<u>-</u>	<u>291,588</u>	<u>1</u>	<u>343</u>	<u>-</u>
8500	Comprehensive income	<u>\$ 2,134,742</u>	<u>15</u>	<u>12,857,649</u>	<u>53</u>	<u>8,830,318</u>	<u>23</u>	<u>31,408,414</u>	<u>46</u>
	Profit, attributable to:								
8610	Profit, attributable to owners of parent	\$ 2,204,797	15	12,872,085	53	8,538,730	22	31,408,846	46
8620	Loss, attributable to non-controlling interests	-	-	-	-	-	-	(775)	-
		<u>\$ 2,204,797</u>	<u>15</u>	<u>12,872,085</u>	<u>53</u>	<u>8,538,730</u>	<u>22</u>	<u>31,408,071</u>	<u>46</u>
	Comprehensive income attributable to:								
8710	Comprehensive income, attributable to owners of parent	\$ 2,134,742	15	12,857,649	53	8,830,318	23	31,409,189	46
8720	Comprehensive loss, attributable to non-controlling interests	-	-	-	-	-	-	(775)	-
		<u>\$ 2,134,742</u>	<u>15</u>	<u>12,857,649</u>	<u>53</u>	<u>8,830,318</u>	<u>23</u>	<u>31,408,414</u>	<u>46</u>
	Earnings per share (Note 6(o))								
9750	Basic earnings per share	<u>\$ 0.72</u>		<u>4.15</u>		<u>2.81</u>		<u>10.23</u>	
9850	Diluted earnings per share	<u>\$ 0.72</u>		<u>4.04</u>		<u>2.77</u>		<u>9.88</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

Nanya Technology Corporation and Subsidiaries
Consolidated Statements of Changes in Equity
For the nine months ended September 30, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent										Other equity interest		Total equity		
	Ordinary shares	Certificate of entitlement to new shares from convertible bond	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements			Total other equity interest	Treasury shares		Total equity attributable to owners of parent	Non-controlling interests
Balance at January 1, 2018															
Net profit (loss) for the nine months ended September 30, 2018	-	-	-	27,277,191	5,164,057	-	69,734,440	(39,163)	-	-	(39,163)	-	131,999,865	115,523	132,115,188
Other comprehensive income (loss) for the nine months ended September 30, 2018	-	-	-	-	-	-	31,408,846	-	-	-	-	-	31,408,846	(775)	31,408,071
Total comprehensive income (loss) for the nine months ended September 30, 2018	-	-	-	-	-	-	2,571	8,575	(10,803)	(2,228)	(2,228)	-	343	(775)	31,408,411
Appropriation and distribution of retained earnings:															
Legal reserve appropriated	-	-	-	-	4,028,192	-	(4,028,192)	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	-	-	39,163	(39,163)	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	-	(10,879,288)	-	-	-	-	-	(10,879,288)	-	(10,879,288)
Other changes in capital surplus:															
Changes in equity of associates accounted for using equity method	-	-	-	5	-	-	-	-	-	-	-	-	5	-	5
Recognized compensation costs on employee stock options	-	-	-	632,071	-	-	-	-	-	-	-	-	632,071	-	632,071
Conversion of convertible bonds	732,839	-	-	4,504,323	-	-	-	-	-	-	-	-	5,237,162	-	5,237,162
Conversion of certificates of bonds to share	223,958	(223,958)	-	-	-	-	-	-	-	-	-	-	-	-	-
Exercise of employee share options	418,020	-	59,584	1,014,848	-	-	-	-	-	-	-	-	1,492,452	-	1,492,452
Disposal of subsidiaries accounted for using equity method	-	-	-	-	-	-	-	-	-	-	-	-	-	(114,548)	(114,548)
Balance at September 30, 2018	\$ 31,014,199	-	59,584	33,428,438	9,192,249	39,163	86,199,214	(30,588)	(10,803)	(41,391)	-	-	159,891,456	-	159,891,456
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)	-	-	164,907,298	-	164,907,298
Net profit for the nine months ended September 30, 2019	-	-	-	-	-	-	8,538,730	-	-	-	-	-	8,538,730	-	8,538,730
Other comprehensive income (loss) for the nine months ended September 30, 2019	-	-	-	-	-	-	-	314,993	(23,405)	291,588	-	-	291,588	-	291,588
Total comprehensive income (loss) for the nine months ended September 30, 2019	-	-	-	-	-	-	8,538,730	314,993	(23,405)	291,588	-	-	8,830,318	-	8,830,318
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)	-	(21,700,000)
Other changes in capital surplus:															
Changes in equity of associates accounted for using equity method	-	-	-	19	-	-	-	-	-	-	-	-	19	-	19
Recognized compensation costs on employee stock options	-	-	-	117,759	-	-	-	-	-	-	-	-	117,759	-	117,759
Repurchase of treasury share	-	-	-	-	-	-	-	-	-	(1,029,878)	-	-	(1,029,878)	-	(1,029,878)
Retirement of treasury share	(501,360)	-	-	(2,164,261)	-	-	-	-	-	2,665,621	-	-	-	-	-
Exercise of employee share options	194,580	-	15,942	446,610	-	-	-	-	-	-	-	-	657,132	-	657,132
Balance at September 30, 2019	\$ 30,725,609	-	22,430	31,957,132	13,128,412	273,834	76,804,409	135,257	(117,503)	17,754	-	-	151,792,648	-	151,792,648

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

Nanya Technology Corporation and Subsidiaries

Consolidated Statements of Cash Flows

For the nine months ended September 30, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30,	
	2019	2018
Cash flows from operating activities:		
Profit before tax	\$ 9,674,826	33,599,692
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	10,621,739	8,871,715
Amortization expense	66,328	84,334
Expected credit impairment gain	(9,546)	-
Net loss on financial liabilities at fair value through profit or loss	-	281,107
Interest expense	2,716	5,611
Interest income	(1,015,088)	(681,778)
Share-based payments	117,759	632,071
Share of profit of associates accounted for using equity method	(176,033)	(28,065)
Gain on disposal of property, plant and equipment	(4,416)	(2,966)
Gain on disposal of a subsidiary	-	(497)
Reversal of impairment loss on non-financial assets	(213,283)	(109,744)
Unrealized foreign exchange loss	110,271	149,817
Total adjustments to reconcile profit	9,500,447	9,201,605
Changes in operating assets and liabilities:		
Notes and accounts receivable	1,670,279	(7,275,992)
Other receivables	(424,959)	(179,088)
Inventories	(5,393,689)	(2,575,304)
Prepayments	165,305	(781,629)
Financial liabilities held for trading	-	(523,136)
Accounts payable (including related parties)	(384,766)	6,258,337
Other payables (including related parties)	(1,296,227)	(3,947,584)
Other current liabilities	(672)	967
Net defined benefit liability	(1,838)	(3,982)
Other non-current liabilities	16,733	(16,375)
Total changes in operating assets and liabilities	(5,649,834)	(9,043,786)
Cash inflow generated from operations	13,525,439	33,757,511
Interest received	885,366	496,011
Dividends received	210,055	-
Interest paid	(373)	(569)
Income taxes paid	(2,011,004)	(1,435,550)
Net cash flows from operating activities	12,609,483	32,817,403
Cash flows (used in) from investing activities:		
Acquisition of financial assets at amortized cost	-	(3,049,999)
Proceeds from disposal of a subsidiary	-	(85,937)
Acquisition of property, plant and equipment	(4,655,843)	(7,680,547)
Proceeds from disposal of property, plant and equipment	4,712	11,849
Increase in refundable deposits	(5,641)	(4,039)
Decrease in other receivables	-	10,616,574
Acquisition of intangible assets	(79,529)	-
Decrease in lease and installment receivables	198,248	321,997
Increase in other non-current assets	(9,503)	(4,923)
Net cash flows (used in) from investing activities	(4,547,556)	124,975
Cash flows (used in) from financing activities:		
(Decrease) increase in guarantee deposits received	(311,368)	110,069
(Decrease) increase in other payables to related parties	(4,115)	1,348
Payment of lease liabilities	(133,947)	-
Cash dividends paid	(21,700,000)	(10,879,288)
Exercise of employee share options	657,132	1,492,452
Payments to acquire treasury shares	(1,029,878)	-
Net cash flows used in financing activities	(22,522,176)	(9,275,419)
Effect of exchange rate changes on cash and cash equivalents	260,151	(176,937)
Net (decrease) increase in cash and cash equivalents	(14,200,098)	23,490,022
Cash and cash equivalents at beginning of period	57,384,006	33,768,677
Cash and cash equivalents at end of period	\$ 43,183,908	57,258,699

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

Nanya Technology Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

September 30, 2019 and 2018

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

(1) Company history

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

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

The consolidated financial statements were authorized for issuance by the Board of Directors on November 8, 2019.

(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 following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment features with negative compensation”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments to IAS 28 “Long-term interests in associates and joint ventures”	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

- (i) IFRS 16 “Leases”

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group applied IFRS 16 using the modified retrospective approach. The details of the changes in accounting policies are disclosed below,

1) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4(c).

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

2) As a lessee

As a lessee, the Group previously classified its leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognizes its right-of-use assets and lease liabilities for most leases.

The Group decided to apply the recognition exemptions to the short-term and low-value leases of its parking lots and office spaces.

- Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at January 1, 2019. The right-of-use assets are measured below:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application – the Group applied this approach to its land leases.

In addition, the Group used the following practical expedients when applying IFRS 16 to leases.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) As a lessor

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor. The Group accounted for its leases in accordance with IFRS 16 from the date of initial application.

4) Impacts on financial statements

On transition to IFRS 16, the Group recognized both additional \$300,605 of right-of-use assets and lease liabilities at the date of initial application. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The interest rate applied is 1.41%.

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

	<u>January 1, 2019</u>
Operating lease commitment at December 31, 2018 as disclosed in the Group's consolidated financial statements	\$ 385,636
Recognition exemption for:	
short-term leases	(8,037)
leases of low-value assets	<u>(73,619)</u>
	<u>303,980</u>
Discounted using the incremental borrowing rate at January 1, 2019	<u><u>\$ 300,605</u></u>

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning, or after, January 1, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The Group assesses that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”	January 1, 2020

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

(4) Summary of significant accounting policies:

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by FSC and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) for full annual consolidated financial statements.

The significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2018. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2018.

(b) Basis of consolidation

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

Investor	The name of subsidiaries	Business activity	Shareholding			Note
			September 30, 2019	December 31, 2018	September 30, 2018	
The Company	NANYA TECHNOLOGY CORP. U.S.A	Sales of semiconductor products	100.00 %	100.00 %	100.00 %	Note 3
The Company	NANYA TECHNOLOGY CORP. Delaware	Design of semiconductor products	100.00 %	100.00 %	100.00 %	Note 3
The Company	NANYA TECHNOLOGY CORP. H.K.	Sales of semiconductor products	100.00 %	100.00 %	100.00 %	Note 3
The Company	NANYA TECHNOLOGY CORP. Japan	Sales of semiconductor products	100.00 %	100.00 %	100.00 %	Note 3
The Company	PEI JEN Co., Ltd.	General import and export business	- %	- %	100.00 %	Note 1 and note 3
The Company	NANYA TECHNOLOGY INTERNATIONAL LTD.	General investment business	100.00 %	100.00 %	- %	Note 2
NANYA TECHNOLOGY CORP. H.K.	NANYA TECHNOLOGY CORP., Europe GmbH	Sales of semiconductor products	100.00 %	100.00 %	100.00 %	Note 3
NANYA TECHNOLOGY CORP. H.K.	NANYA TECHNOLOGY CORP. Shenzhen	Sales of semiconductor products	100.00 %	100.00 %	100.00 %	Note 3

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Note 1: Pei Jen Co. applied for the completion of its liquidation to the court in December 2018, resulting in the Company's loss of control over Pei Jen Co..

Note 2: The Company fully invested in its subsidiary, Nanya Technology International Ltd., in which the registration process had been completed in November 2018.

Note 3: Company is a non-significant subsidiary, its financial statement have not been reviewed by independent auditors.

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

(c) Leases (Policy applicable from January 1, 2019)

(i) Identifying a lease

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

- 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
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has the right to direct the use of the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of an asset if either:
 - the Group has the right to operate the asset; or
 - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

(ii) As a lessee

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

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

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

- fixed payments;
- 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 of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modifications

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

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

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) As a lessor

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

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(d) Income taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of International Financial Reporting Standards 34, Interim Reporting.

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period by the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period. (and allocated to current and deferred taxes based on its proportionate size.)

For a change in tax rate that is substantively enacted in an interim period, the effect of the change should immediately be recognized in the interim period in which the change occurs.

(e) Employee benefits

The pension cost in the interim period was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year.

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

The preparation of the consolidated financial statements in conformity with the Regulations and IFRSs (in accordance with IAS 34 "Interim Financial Reporting" and endorsed by the FSC) requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2018. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2018.

(6) Explanation of significant accounts:

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2018. Please refer to Note 6 of the 2018 annual consolidated financial statements.

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(a) Cash and cash equivalents

	September 30, 2019	December 31, 2018	September 30, 2018
Petty cash	\$ 146	157	126
Checking accounts and demand deposit	4,715,457	6,377,176	12,436,939
Cash equivalents:			
Time deposits	36,284,926	50,601,623	44,077,538
Commercial paper	1,560,881	404,150	312,036
Repurchase agreements collateralized by corporate bonds	622,498	900	432,060
	<u>\$ 43,183,908</u>	<u>57,384,006</u>	<u>57,258,699</u>

(b) Notes and accounts receivable

	September 30, 2019	December 31, 2018	September 30, 2018
Notes receivable from operating activities	\$ 1,039	481	626
Accounts receivable-measured at amortized cost	8,046,973	9,772,558	15,672,071
Less : Loss allowance	-	(9,298)	(9,030)
	<u>\$ 8,048,012</u>	<u>9,763,741</u>	<u>15,663,667</u>

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

September 30, 2019			
Due days	Notes and accounts receivables gross carrying amount	Weighted average loss rate	Loss allowance provision
Current	\$ 7,862,119	-	-
1 to 30 days past due	183,526	-	-
31 to 60 days past due	2,367	-	-
	<u>\$ 8,048,012</u>		<u>-</u>

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

December 31, 2018			
Due days	Notes and accounts receivables gross carrying amount	Weighted average loss rate	Loss allowance provision
Current	\$ 8,984,499	0.02%	2,088
1 to 30 days past due	766,506	0.90%	6,899
31 to 60 days past due	4,442	1.10%	49
61 to 90 days past due	1,154	1.30%	15
Over 91 days past due	<u>16,438</u>	1.50%	<u>247</u>
	<u>\$ 9,773,039</u>		<u>9,298</u>

September 30, 2018			
Due days	Notes and accounts receivables gross carrying amount	Weighted average loss rate	Loss allowance provision
Current	\$ 15,300,427	0.03%	5,041
1 to 30 days past due	368,384	1.07%	3,942
31 to 60 days past due	<u>3,886</u>	1.20%	<u>47</u>
	<u>\$ 15,672,697</u>		<u>9,030</u>

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

	For the nine months ended September 30,	
	2019	2018
Balance on January 1,	\$ 9,298	8,859
Reversal of impairment losses	(9,546)	-
Foreign exchange gains	<u>248</u>	<u>171</u>
Balance on September 30,	<u>\$ -</u>	<u>9,030</u>

(c) Inventories

	September 30, 2019	December 31, 2018	September 30, 2018
Raw materials	\$ 526,754	598,067	560,538
Work in progress	7,604,615	5,870,118	5,782,687
Finished goods	<u>9,430,057</u>	<u>5,699,552</u>	<u>2,983,703</u>
	<u>\$ 17,561,426</u>	<u>12,167,737</u>	<u>9,326,928</u>

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group did not recognized any loss from devaluation or gain from recovery in the value of inventories for the three months and nine months ended September 30, 2019 and 2018.

(d) Investments accounted for using equity method

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

	September 30, 2019	December 31, 2018	September 30, 2018
Associates	\$ <u>2,949,195</u>	<u>3,006,603</u>	<u>3,067,266</u>

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

Name of Associates	Nature of Relationship to the Group	Registration Country	Percentage of ownership		
			September 30, 2019	December 31, 2018	September 30, 2018
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	19.00 %	19.00 %	19.00 %

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

	September 30, 2019	December 31, 2018	September 30, 2018
Formosa Advanced Technologies Co., Ltd.	\$ <u>15,057,667</u>	<u>14,062,667</u>	<u>14,858,667</u>

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

The financial information of FATC were as follows:

	September 30, 2019	December 31, 2018	September 30, 2018
Current assets	\$ 6,287,991	6,792,443	7,305,931
Non-current assets	6,623,131	5,882,131	5,538,894
Current liabilities	(1,229,925)	(1,231,815)	(1,196,228)
Non-current liabilities	(597,351)	(86,280)	(80,466)
Net asset	\$ <u>11,083,846</u>	<u>11,356,479</u>	<u>11,568,131</u>
Net asset contributed to FATC	\$ <u>11,083,846</u>	<u>11,356,479</u>	<u>11,568,131</u>

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	For the three months ended September 30,		For the nine months ended September 30,	
	2019	2018	2019	2018
Operating revenue	\$ <u>2,456,336</u>	<u>2,281,452</u>	<u>6,899,134</u>	<u>6,556,523</u>
Profit	\$ 355,817	462,866	956,006	1,188,273
Other comprehensive (loss) income	(181,791)	(56,861)	(123,182)	305,002
Total comprehensive (loss) income	\$ <u>174,026</u>	<u>406,005</u>	<u>832,824</u>	<u>1,493,275</u>
Comprehensive income contributed to FATC	\$ <u>174,026</u>	<u>406,005</u>	<u>832,824</u>	<u>1,493,275</u>
			For the nine months ended September 30,	
			2019	2018
Share of net assets of the major associate at January 1			\$ 2,157,732	-
Acquisition of share of net assets of the major associate allocated to the Group			-	2,162,315
Uncollected dividends beyond the collection period which are reclassified to capital surplus			19	5
Total comprehensive income contributed to the Group			158,178	35,577
Cash dividends contributed to the Group			(210,055)	-
Share of net assets of major associate at September 30			2,105,874	2,197,897
Add:good will			887,684	887,684
Less:unrealized profits on upstream sales net assets of the associates			(44,363)	(18,315)
Total carrying amount of the major associate			\$ <u>2,949,195</u>	<u>3,067,266</u>

(e) Loss control over subsidiaries

- (i) The Company had disposed 53.56% of its shares in Piece Makers, with a selling price of \$132,584; therefore, it lost control over Piece Makers on February 26, 2018. The Group recognized a gain on disposal of \$497 in profit or loss, which was included in other gains and losses.

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The carrying amount of assets and liabilities of Piece Makers Technology Corp on February 26, 2018 were as follow:

	February 26, 2018
Cash and cash equivalents	\$ 218,521
Accounts receivable and other receivables	54,228
Inventories	136,906
Other current assets	3,160
Property, plant, and equipment	3,892
Other non-current assets	666
Accounts payable and other payables	(170,752)
Other non-current liabilities	(6)
Carrying amount of net assets	<u><u>\$ 246,615</u></u>

- (ii) Pei Jen Co., Ltd (hereinafter referred to as “Pei Jen”), a subsidiary of the Company, had applied for the completion of its liquidation to the court on December 10, 2018, resulting in the Company's loss of control over Pei Jen. The Company included the distribution of the remaining properties from Pei Jen in its balance sheet, which consisted of cash and cash equivalents amounting to \$44,284, and other tax refund receivable amounting to \$12.

(f) Property, plant and equipment

	<u>Land</u>	<u>Building</u>	<u>Machinery and equipment</u>	<u>Other equipment</u>	<u>Under construction</u>	<u>Total</u>
Cost:						
Balance as of January 1, 2019	\$ 1,013,924	7,740,635	180,746,435	1,132,778	13,886,443	204,520,215
Additions	-	-	1,494,970	35,313	2,032,605	3,562,888
Disposals	-	-	(89,892)	(6,431)	-	(96,323)
Reclassification	-	416,922	12,979,294	13,822	(13,410,038)	-
Effect of exchange rate change	-	72	(3,550)	4,948	-	1,470
Balance as of September 30, 2019	<u>\$ 1,013,924</u>	<u>8,157,629</u>	<u>195,127,257</u>	<u>1,180,430</u>	<u>2,509,010</u>	<u>207,988,250</u>
Balance as of January 1, 2018	\$ 1,013,924	7,502,631	172,719,912	1,133,770	1,778,293	184,148,530
Additions	-	-	2,014,927	18,474	11,402,563	13,435,964
Disposals	-	-	(117,149)	(64,714)	-	(181,863)
Disposal of a subsidiary	-	-	(60)	(23,771)	-	(23,831)
Reclassification	-	237,913	5,725,690	23,909	(5,987,398)	114
Effect of exchange rate change	-	35	424	1,282	-	1,741
Balance as of September 30, 2018	<u>\$ 1,013,924</u>	<u>7,740,579</u>	<u>180,343,744</u>	<u>1,088,950</u>	<u>7,193,458</u>	<u>197,380,655</u>
Accumulated depreciation / impairment:						
Balance as of January 1, 2019	\$ -	1,978,349	106,196,034	986,840	-	109,161,223
Depreciation for the period	-	237,029	10,206,524	29,190	-	10,472,743
Reversal of impairment loss	-	-	(213,283)	-	-	(213,283)
Disposals	-	-	(92,546)	(3,481)	-	(96,027)
Reclassification	-	-	(9,904)	9,904	-	-
Effect of exchange rate change	-	53	(981)	2,272	-	1,344
Balance as of September 30, 2019	<u>\$ -</u>	<u>2,215,431</u>	<u>116,085,844</u>	<u>1,024,725</u>	<u>-</u>	<u>119,326,000</u>

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Land</u>	<u>Building</u>	<u>Machinery and equipment</u>	<u>Other equipment</u>	<u>Under construction</u>	<u>Total</u>
Balance as of January 1, 2018	\$ -	1,676,927	95,179,932	1,049,791	-	97,906,650
Depreciation for the period	-	225,817	8,629,424	16,474	-	8,871,715
Reversal of impairment loss	-	-	(109,744)	-	-	(109,744)
Disposals	-	-	(108,266)	(64,714)	-	(172,980)
Disposal of a subsidiary	-	-	(60)	(19,879)	-	(19,939)
Reclassification	-	-	(10,135)	10,141	-	6
Effect of exchange rate change	-	22	(312)	2,041	-	1,751
Balance as of September 30, 2018	<u>\$ -</u>	<u>1,902,766</u>	<u>103,580,839</u>	<u>993,854</u>	<u>-</u>	<u>106,477,459</u>
Carrying amounts:						
Balance as of September 30, 2019	<u>\$ 1,013,924</u>	<u>5,942,198</u>	<u>79,041,413</u>	<u>155,705</u>	<u>2,509,010</u>	<u>88,662,250</u>
Balance as of December 31, 2018	<u>\$ 1,013,924</u>	<u>5,762,286</u>	<u>74,550,401</u>	<u>145,938</u>	<u>13,886,443</u>	<u>95,358,992</u>
Balance as of September 30, 2018	<u>\$ 1,013,924</u>	<u>5,837,813</u>	<u>76,762,905</u>	<u>95,096</u>	<u>7,193,458</u>	<u>90,903,196</u>

(g) Right-of-use assets

	<u>Land</u>
Cost :	
Balance at January 1, 2019	\$ -
Effect of retrospective application	300,605
Change in an index of lease payment	(2,776)
Balance at September 30, 2019	<u>\$ 297,829</u>
Accumulated depreciation:	
Balance at January 1, 2019	\$ -
Effect of retrospective application	-
Depreciation for the period	148,996
Balance at September 30, 2019	<u>\$ 148,996</u>
Carrying Amount:	
Balance at January 1, 2019	\$ -
Balance at September 30, 2019	<u>\$ 148,833</u>

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(h) Lease receivables

- (i) On June 18, 2009, the Group signed an amended long term lease agreement with Inotera Memories, Inc. (its name was changed to Micron Technology Taiwan in March, 2017, referred to as "MTTW") on the lease of building, facilities and land located on 348, 348-1 and 348-3, Hwa Ya Section, Kueishan District, Taoyuan City. This amended lease agreement, which took effect retroactively from January 1, 2009, includes the renewal term. Initial lease term is from January 1, 2009 to December 31, 2018. However MTTW is entitled to renew this amended lease agreement for an unlimited number of consecutive additional terms of five years each, by providing a written notice with the intention to renew the lease term commencing from January 1, 2019. MTTW has completed the renewal of its lease agreement, with a written notice on December 13, 2018. In addition, MTTW has an exclusive option to purchase the leased assets for a total purchase price of USD50,000 thousand on and after January 1, 2024. Also, the rental receivable for the entire year of 2009 has been waived. Initial yearly rentals for the leased building (including facilities and land) were USD13,010 thousand and USD1,990 thousand, respectively from January 1, 2010 to December 31, 2018; the first yearly renewal rentals for the leased building (including facilities and land) will be USD8,010 thousand and USD1,990 thousand, respectively, from January 1, 2019 to December 31, 2023; the subsequent yearly renewal rentals for the leased building (including facilities and land) will be USD10 thousand and USD1,990 thousand commencing from January 1, 2024. The amended lease agreement for the building (including facilities) is treated as a capital lease because (a) the present value of the periodic rental payments made since the inception date is at least 90% of the market value of the leased assets and (b) the lease term is equal to 75% or more of the total estimated economic life of the leased assets. The land is treated as an operating lease.
- (ii) The total lease receivable from the capital lease of the building (including facilities) was \$5,185,620; the implicit interest rate was 10.56%. The cost of the leased assets at the beginning of the lease period was \$2,656,223. The difference was recognized as unrealized interest revenue of \$2,529,397. For the three months and nine months ended September 30, 2019 and 2018, the Group recognized the interest revenue of \$23,651, \$28,912, \$74,199 and \$92,736, respectively, from the amortization of unrealized interest revenue.

The details of lease receivables were as follows:

	September 30, 2019			December 31, 2018			September 30, 2018		
	Gross investment in the lease	Unearned finance income	Present value of minimum lease payments receivable	Gross investment in the lease	Unearned finance income	Present value of minimum lease payments receivable	Gross investment in the lease	Unearned finance income	Present value of minimum lease payments receivable
Less than one year	\$ 264,330	83,101	181,229	264,331	96,730	167,601	305,580	101,041	204,539
Between one and five years	859,073	120,850	738,223	1,057,320	181,420	875,900	1,057,320	203,951	853,369
More than five years	-	-	-	-	-	-	66,083	-	66,083
Sub-total	<u>\$ 1,123,403</u>	<u>203,951</u>	<u>919,452</u>	<u>1,321,651</u>	<u>278,150</u>	<u>1,043,501</u>	<u>1,428,983</u>	<u>304,992</u>	<u>1,123,991</u>
Current			\$ 181,229			167,601			204,539
Non-current			738,223			875,900			919,452
			<u>\$ 919,452</u>			<u>1,043,501</u>			<u>1,123,991</u>

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Bonds Payable

	September 30, 2019	December 31, 2018	September 30, 2018
Issuance of unsecured overseas convertible bonds	\$ -	14,267,000	14,267,000
Conversion of convertible bonds to ordinary shares	-	(14,267,000)	(14,267,000)
	<u>\$ -</u>	<u>-</u>	<u>-</u>

	For the three months ended September 30,		For the nine months ended September 30,	
	2019	2018	2019	2018
Embedded derivatives-call and put options and conversion rights re-measured at fair value through loss (included other gain and losses)	\$ -	-	-	140,266

Item	The first unsecured overseas convertible bond
1. Issue amount	USD 500,000 thousand
2. Issue par value	USD 200 thousand
3. Issue period	2017.1.24~2022.1.24
4. Bond expiration	5 years
5. Coupon rate	0%
6. Conversion price	TWD 52.47 dollars
7. Conversion period	The bondholder has the right to convert any bonds into shares that are subject to the terms set forth in the contract. The bonds are convertible anytime after 40 day from the issuance date (excluding the issuance date itself).
8. Put option of bond holders	<p>(A) Each bondholder may require the Company to redeem, in whole or in part, the convertible bonds at an amount, hereinafter referred to as "Early Redemption Amount"(ERA), calculated at par value, plus, interest compensation, which is calculated semi-annually at the rate of 1.75% per annum, after 3 years from the issuance date (excluding the issuance date itself).</p> <p>(B) Each bondholder may redeem in advance, in whole or in part, the convertible bond if the Company is delisted from the Taiwan stock exchange.</p> <p>(C) Each bondholder may redeem in advance, in whole or in part, the convertible bonds if the Company meets all the conditions on the changes in its rights of control in the contract.</p>

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Item	The first unsecured overseas convertible bond
9.Call option of issuer	<p>(A)The issuer may redeem, in whole or in part, the convertible bonds at the ERA if the closing price of the Company's shares which translated into US dollars at the prevailing rate for a period of 20 trading days in any period of 30 consecutive trading days is above 130 percent of the ERA multiplied the conversion ratio and divided by par value.</p> <p>(B)The issuer may redeem its outstanding convertible bonds at their Early Redemption Amount if more than 90 per cent, in principal, of the amount of the bonds have already been converted, redeemed, repurchased or cancelled.</p> <p>(C)The issuer may redeem, in whole or in part, or the convertible bonds at their Early Redemption Amount if the Company has become obliged to pay the additional interests and costs as a result of any changes in, or amendment to, the laws or regulations of the ROC.</p>

The host contract debt instruments and derivative conversion rights instruments were included in convertible bond, the host contract are measured at an effective annual rate equal to 1.6593%; the derivative conversion rights instruments are measured at fair value recognized in profit or loss. The Company approved to distribute its cash dividends for 2016 in the general meeting of stockholders held on May 26, 2017. As a result, the conversion price decreased to \$50.94 dollars since June 26, 2017 (ex-dividend date).

Because the bondholders had exercised the entire conversion rights, the first unsecured overseas convertible bond issued by the Company had been fully converted in the first quarter of 2018.

(j) Lease liabilities

	September 30,
	2019
Current	<u><u>\$ 149,622</u></u>

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

The amount recognized in profit or loss were as follows:

	For the three months ended September 30, 2019	For the nine months ended September 30, 2019
Interest on lease liabilities	<u><u>\$ 645</u></u>	<u><u>2,463</u></u>
Expense relating to short-term and low-value lease assets	<u><u>\$ 18,608</u></u>	<u><u>52,053</u></u>

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	For the nine months ended September 30, 2019
Total cash outflow for leases	\$ <u>185,448</u>

(i) Land lease

As of September 30, 2019, the Group leases its land with a period of 3 years. The lease included an option to terminate, which are exercisable only by the Group and not by the lessors. The lease payment changes annually based on a local price index.

(ii) Other lease

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

(k) Employee benefits

(i) Defined benefit plan

Management believes that there was no material volatility of the market, no material reimbursement and settlement or other material one-time events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2018 and 2017.

The expenses recognized in profit or loss for the Group were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2019	2018	2019	2018
Operating cost	\$ 1,879	1,958	5,743	5,909
Operating expenses	1,086	1,006	3,153	2,980
Total	\$ <u>2,965</u>	<u>2,964</u>	<u>8,896</u>	<u>8,889</u>

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Defined contribution plans

The Group's expenses under the pension plan cost to the Bureau of local government were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2019	2018	2019	2018
Operating cost	\$ 22,729	21,270	68,199	63,571
Operating expenses	17,649	14,453	51,455	44,186
Total	<u>\$ 40,378</u>	<u>35,723</u>	<u>119,654</u>	<u>107,757</u>

(I) Income tax

(i) The Group's income tax expenses were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2019	2018	2019	2018
Current tax expense				
Current period	\$ 319,364	379	738,640	3,926
Surtax on undistributed earnings	-	-	187,965	2,187,695
Deferred tax expense	159,567	-	209,491	-
Tax expense	<u>\$ 478,931</u>	<u>379</u>	<u>1,136,096</u>	<u>2,191,621</u>

(ii) The Group's tax expense recognized in other comprehensive income were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2019	2019	2019	2018
Items that could not be reclassified subsequently to profit or loss:				
Remeasurement of net defined benefit plan	\$ -	-	-	2,571

(iii) The Company's tax returns have been examined by the ROC tax authority through 2016.

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(m) Capital and other equity

Except as described below, there was no material change in equity for the nine months ended September 30, 2019 and 2018. Please refer to Note 6(o) of the consolidated financial statements as of and for the year ended December 31, 2018 for the related detail disclosures on equity.

(i) Ordinary Share

On February 27, May 10, and August 12, 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 and 19,056 thousand ordinary shares at par value, respectively, with an issuing prices of \$33.1, \$33.1 and \$29.2 to \$33.1 per share, respectively, which totaled \$194,580. All issued shares were paid up upon issuance and the related process for registration had been completed.

For the third quarter of 2019, the Company's ordinary shares were derived from the exercise of employee share options. Accordingly, the Company had issued 754 thousand ordinary shares, at issuing prices of \$30.3 and \$29.2 per share, respectively, which totaled \$22,430, which was recognized as advance receipts for share capital as of September 30, 2019.

(ii) Capital surplus

	September 30, 2019	December 31, 2018	September 30, 2018
Premium from the issuance of stock	\$ 28,994,659	30,712,310	30,669,328
Employee stock option plans	2,699,950	2,844,690	-
Expired employee stock option plans	262,499	-	-
Employee stock option plans	-	-	2,759,105
Change in equity of associates accounted for using equity method	<u>24</u>	<u>5</u>	<u>5</u>
	<u>\$ 31,957,132</u>	<u>33,557,005</u>	<u>33,428,438</u>

(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.

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

In accordance with the ROC Company Act, 10% of net income should be set aside as legal reserve, until it is equal to share capital. When the Group incurs no loss, it may, in pursuant to a resolution to be adopted by a shareholders' meeting, distribute its legal reserve by issuing new shares or by cash. Only the portion of legal reserve which exceeds 25 percent of the paid-in capital may be distributed.

2) Special Reserve

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

3) Earnings distribution

Earnings distribution for 2018 and 2017 were approved by the general meetings of shareholders were held on May 30, 2019 and May 24, 2018, respectively. The relevant dividend distributions to shareholders were as follows:

		For the year ended December 31, 2018	
		Dividends per share	Amount
Dividends attributable to ordinary shareholders:			
Cash dividends	\$	7.11	<u><u>21,700,000</u></u>
		For the year ended December 31, 2017	
		Dividends per share	Amount
Dividends attributable to ordinary shareholders:			
Cash dividends	\$	3.51	<u><u>10,879,288</u></u>

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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, 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 September 30, 2019	<u>20,000</u>	<u>\$ 1,146,932</u>	<u>-</u>	<u>-</u>	<u>20,000</u>	<u>1,146,932</u>

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

In accordance with 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.

(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, 2019	\$ (179,736)	(94,098)	(273,834)
Exchange differences on translation of foreign financial statements	314,993	-	314,993
Unrealized loss from financial of assets measured at fair value through other comprehensive loss, associates accounted for using equity method	-	(23,405)	(23,405)
Balance as of September 30, 2019	<u>\$ 135,257</u>	<u>(117,503)</u>	<u>17,754</u>

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	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, 2018	\$ (39,163)	-	(39,163)
Exchange differences on translation of foreign financial statements	8,575	-	8,575
Unrealized loss from financial assets measured at fair value through other comprehensive loss associates accounted for using equity method	-	(10,803)	(10,803)
Balance as of September 30, 2018	<u>\$ (30,588)</u>	<u>(10,803)</u>	<u>(41,391)</u>

(n) Share-based payment

Except as described below, there was no material change on the share-based payment transactions for nine months ended September 30, 2019 and 2018. Please refer to Note 6(p) of consolidated financial statements as of and for the year ended December 31, 2018 for related disclosures on share-based payment transactions.

- (i) The company approved to distribute its cash dividends in the third quarter of 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.
- (ii) Relevant information of employee stock option plans

The Company:

	For the nine months ended September 30,			
	2019		2018	
	Weighted- average exercise (price TWD)	Number of options (Thousand Units)	Weighted- average exercise (price TWD)	Number of options (Thousand Units)
Outstanding at January 1,	\$ 34.49	109,382	35.34	155,374
Options granted	29.22	(20,016)	33.12	(43,573)
Options expired	35.60	(60,367)	-	-
Options forfeited	29.24	(519)	34.00	(2,122)
Outstanding at September 30,	30.08	<u>28,480</u>	34.49	<u>109,679</u>
Options exercisable at September 30,	30.07	<u>5,808</u>	35.49	<u>63,236</u>

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Compensation cost

	For the three months ended September 30,		For the nine months ended September 30,	
	2019	2018	2019	2018
Compensation cost arising from share options granted to employees	\$ <u>32,509</u>	<u>86,111</u>	<u>117,759</u>	<u>632,071</u>

(o) Earnings per share

	For the three months ended September 30,		For the nine months ended September 30,	
	2019	2018	2019	2018
Basic earnings per share:				
Net profit attributable to the Company	\$ <u>2,204,797</u>	<u>12,872,085</u>	<u>8,538,730</u>	<u>31,408,846</u>
Weighted-average number of ordinary shares outstanding (basic)	<u>3,052,680</u>	<u>3,102,214</u>	<u>3,042,467</u>	<u>3,068,888</u>
Basic earnings per share (dollar)	\$ <u>0.72</u>	<u>4.15</u>	<u>2.81</u>	<u>10.23</u>
Diluted earnings per share:				
Net profit attributable to the Company (basic)	\$ <u>2,204,797</u>	<u>12,872,085</u>	<u>8,538,730</u>	<u>31,408,846</u>
Weighted-average number of ordinary shares (basic)	<u>3,052,680</u>	<u>3,102,214</u>	<u>3,042,467</u>	<u>3,068,888</u>
Effect of employee share option	<u>17,401</u>	<u>57,273</u>	<u>22,049</u>	<u>78,959</u>
Effect of employee remuneration	<u>12,659</u>	<u>28,244</u>	<u>12,659</u>	<u>31,745</u>
Weighted-average number of ordinary shares (diluted)	<u>3,082,740</u>	<u>3,187,731</u>	<u>3,077,175</u>	<u>3,179,592</u>
Diluted earnings per share (dollar)	\$ <u>0.72</u>	<u>4.04</u>	<u>2.77</u>	<u>9.88</u>

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(p) Revenue from contracts with customers

(i) Disaggregation of revenue

For the three months ended September 30, 2019					
	Japanese department	USA department	Manufacturing department	Other department	Total
Primary geographic markets:					
Taiwan	\$ 1,067	291,487	4,970,539	18,757	5,281,850
Turkey	-	-	-	70,421	70,421
Japan	460,663	-	-	-	460,663
Malaysia	-	176,088	7,757	-	183,845
Korea	162,330	10,108	23,530	-	195,968
China	374,795	1,205,981	5,637,169	349,145	7,567,090
USA	-	40,924	118,709	-	159,633
Thailand	7,495	174,234	144,405	-	326,134
Germany	-	-	-	97,341	97,341
Other countries	131,261	29,693	106,938	188,516	456,408
	<u>\$ 1,137,611</u>	<u>1,928,515</u>	<u>11,009,047</u>	<u>724,180</u>	<u>14,799,353</u>
Major products/services line:					
Dynamic Random Access Memory (DRAM)	\$ 1,137,611	1,928,234	10,969,856	724,180	14,759,881
Other	-	281	39,191	-	39,472
	<u>\$ 1,137,611</u>	<u>1,928,515</u>	<u>11,009,047</u>	<u>724,180</u>	<u>14,799,353</u>
For the three months ended September 30, 2018					
	Japanese department	USA department	Manufacturing department	Other department	Total
Primary geographic markets:					
Taiwan	\$ 1,722	59,544	11,141,135	23,495	11,225,896
Turkey	-	-	-	3,778	3,778
Japan	457,358	-	-	-	457,358
Malaysia	-	281,502	125,915	-	407,417
Korea	81,957	4	102,232	-	184,193
China	530,851	3,490,462	6,015,695	398,549	10,435,557
USA	-	65,732	261,867	-	327,599
Other countries	152,631	19,286	525,177	635,694	1,332,788
	<u>\$ 1,224,519</u>	<u>3,916,530</u>	<u>18,172,021</u>	<u>1,061,516</u>	<u>24,374,586</u>
Major products/services line:					
Dynamic Random Access Memory (DRAM)	\$ 1,224,519	3,916,530	18,135,414	1,061,516	24,337,979
Other	-	-	36,607	-	36,607
	<u>\$ 1,224,519</u>	<u>3,916,530</u>	<u>18,172,021</u>	<u>1,061,516</u>	<u>24,374,586</u>

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the nine months ended September 30, 2019					
	Japanese department	USA department	Manufacturing department	Other department	Total
Primary geographic markets:					
Taiwan	\$ 8,173	413,552	15,494,544	67,673	15,983,942
Turkey	-	-	-	188,150	188,150
Japan	1,416,325	-	-	-	1,416,325
Malaysia	-	601,602	22,536	-	624,138
Korea	351,548	27,439	142,330	-	521,317
China	1,154,232	2,197,596	12,822,351	1,112,080	17,286,259
USA	-	136,718	188,746	-	325,464
Thailand	52,186	386,088	282,620	-	720,894
Germany	-	-	-	277,850	277,850
Other countries	255,232	126,331	312,667	573,380	1,267,610
	<u>\$ 3,237,696</u>	<u>3,889,326</u>	<u>29,265,794</u>	<u>2,219,133</u>	<u>38,611,949</u>
Major products line:					
Dynamic Random Access Memory (DRAM)	\$ 3,237,696	3,888,487	29,149,737	2,219,133	38,495,053
Other	-	839	116,057	-	116,896
	<u>\$ 3,237,696</u>	<u>3,889,326</u>	<u>29,265,794</u>	<u>2,219,133</u>	<u>38,611,949</u>
For the nine months ended September 30, 2018					
	Japanese department	USA department	Manufacturing department	Other department	Total
Primary geographic markets:					
Taiwan	\$ 6,278	145,509	29,882,730	111,477	30,145,994
Turkey	-	-	-	427,929	427,929
Japan	1,560,005	-	-	1,609	1,561,614
Malaysia	-	703,742	409,310	12,610	1,125,662
Korea	206,308	298	436,813	1,715	645,134
China	1,302,833	7,081,439	20,668,052	1,511,736	30,564,060
USA	-	228,579	269,407	-	497,986
Other countries	294,202	53,114	1,122,377	1,326,170	2,795,863
	<u>\$ 3,369,626</u>	<u>8,212,681</u>	<u>52,788,689</u>	<u>3,393,246</u>	<u>67,764,242</u>
Major products line:					
Dynamic Random Access Memory (DRAM)	\$ 3,369,626	8,212,681	52,683,153	3,393,246	67,658,706
Other	-	-	105,536	-	105,536
	<u>\$ 3,369,626</u>	<u>8,212,681</u>	<u>52,788,689</u>	<u>3,393,246</u>	<u>67,764,242</u>

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Contract balances

	September 30, 2019	December 31, 2018	September 30, 2018
Notes receivable from operating activities	\$ 1,039	481	626
Accounts receivable	8,046,973	9,772,558	15,672,071
Less: allowance for impairment	-	(9,298)	(9,030)
Total	<u>\$ 8,048,012</u>	<u>9,763,741</u>	<u>15,663,667</u>

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

(q) Remuneration to employees

According to the Company's articles of incorporation, if the Company makes a profit, it should appropriate for employee remuneration to employees which is calculated based on 1% to 12% of the Company's net income before tax before deduction of employee remuneration to employees and after offsetting accumulated deficits, if any, should be distributed as employee remuneration to employees. Employees who are entitled to receive the above mentioned employee remuneration to employees, 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 \$167,948, \$120,000, \$539,035 and \$1,640,949 for the three months and nine months ended September 30, 2019 and 2018, respectively. This employee remuneration to employees was estimated based on the Company's net income before tax before deducting any employee remuneration, according to the earnings allocation method as stated under the Company's articles of association. If there is any difference between the actual amounts and the estimated amounts of employee remuneration to employees after the financial reports are issued, the management of the Company is expecting that the differences will be treated as a changes in accounting estimates and recognized through profit or loss in the following year.

The difference between the estimated employee remuneration, which was stated in the financial statement for the year ended December 31, 2018, and the amount of actual distribution in 2019, amounted to \$1,739,997. The company recognized difference of \$3 in profit or loss in 2019.

The difference between the estimated employee remuneration, which was stated in the financial statement for the year ended December 31, 2017, and the amount of actual distributions in 2018, amounted to \$1,362,183. The Company recognized difference of \$1,830 in profit or loss in 2018.

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(r) Non-operating income and expenses

(i) Other incomes

	For the three months ended September 30,		For the nine months ended September 30,	
	2019	2018	2019	2018
Interest income				
Bank deposits and short-term notes	\$ 238,590	217,580	940,889	589,042
Financial lease	23,651	28,912	74,199	92,736
	<u>\$ 262,241</u>	<u>246,492</u>	<u>1,015,088</u>	<u>681,778</u>

(ii) Other gains and losses

	For the three months ended September 30,		For the nine months ended September 30,	
	2019	2018	2019	2018
Foreign exchange (loss) gains	\$ (38,396)	113,144	78,150	702,816
Net loss on financial liabilities at fair value through profit or loss	-	-	-	(281,107)
Gain on disposal of a subsidiary	-	-	-	497
Reversal of impairment gain on non-financial assets	92,961	8,883	213,283	109,744
Gain on disposals of property, plant and equipment	4,703	2,920	4,416	2,966
Others	36,018	39,037	104,156	97,213
	<u>\$ 95,286</u>	<u>163,984</u>	<u>400,005</u>	<u>632,129</u>

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Finance costs

	For the three months ended September 30,		For the nine months ended September 30,	
	2019	2018	2019	2018
Bank loans	\$ -	-	-	26
Amortization interest of overseas convertible bond	-	-	-	5,105
Financing from other related parties	32	99	110	334
Amortization interest of lease liabilities	645	-	2,463	-
Others	48	49	143	146
	<u>\$ 725</u>	<u>148</u>	<u>2,716</u>	<u>5,611</u>

(s) Financial instruments

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For the related information, please refer to note 6(w) of the consolidated financial statements for the year ended December 31, 2018.

(i) 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
September 30, 2019							
Non-derivative financial liabilities							
Financing from other related parties	\$ 3,510	3,668	79	3,589	-	-	-
Accounts payable (including related parties)	3,107,366	3,107,366	3,107,366	-	-	-	-
Other payables (including related parties)	8,445,531	8,445,531	8,445,531	-	-	-	-
Lease liabilities	149,622	150,505	100,337	50,168	-	-	-
	<u>\$ 11,706,029</u>	<u>11,707,070</u>	<u>11,653,313</u>	<u>53,757</u>	<u>-</u>	<u>-</u>	<u>-</u>
December 31, 2018							
Non-derivative financial liabilities							
Financing from other related parties	\$ 7,625	8,046	211	7,835	-	-	-
Accounts payable (including related parties)	4,579,702	4,579,702	4,579,702	-	-	-	-
Other payable (including related parties)	9,718,109	9,718,109	9,718,109	-	-	-	-
	<u>\$ 14,305,436</u>	<u>14,305,857</u>	<u>14,298,022</u>	<u>7,835</u>	<u>-</u>	<u>-</u>	<u>-</u>
September 30, 2018							
Non-derivative financial liabilities							
Financing from other related parties	\$ 9,764	10,249	242	10,007	-	-	-
Accounts payable (including related parties)	9,466,172	9,466,172	9,466,172	-	-	-	-
Other payables (including related parties)	9,089,140	9,089,140	9,089,140	-	-	-	-
	<u>\$ 18,565,076</u>	<u>18,565,561</u>	<u>18,555,554</u>	<u>10,007</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(ii) Currency risk

1) Exposure to currency risk

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

	September 30, 2019			December 31, 2018			September 30, 2018		
	Foreign currency (in thousands)	Exchange rate (dollars)	New Taiwan Dollars	Foreign currency (in thousands)	Exchange rate (dollars)	New Taiwan Dollars	Foreign currency (in thousands)	Exchange rate (dollars)	New Taiwan Dollars
Financial assets:									
Monetary items									
USD	\$ 393,810	31.042	12,224,650	1,565,831	30.733	48,122,684	1,733,932	30.551	52,973,357
JPY	1,662,378	0.2875	477,934	3,219,721	0.2772	892,507	143,737	0.2692	38,694
EUR	61	33.9439	2,071	7	35.167	246	17	35.5288	604
HKD	68,469	3.9581	271,007	-	-	-	-	-	-
Financial liabilities:									
Monetary items									
USD	131,174	31.042	4,071,903	135,655	30.733	4,169,085	177,032	30.551	5,408,505
JPY	2,302,487	0.2875	661,965	2,644,019	0.2772	732,922	4,104,067	0.2692	1,104,815
EUR	434	33.9439	14,732	4,387	35.1670	154,278	42,595	35.5288	1,513,349

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange fluctuations on cash and cash equivalents, accounts receivable, accounts payable and other payable (including related parties) which are denominated in different foreign currencies. A 1% depreciation of the TWD against the USD, EUR, JPY, and HKD as of September 30, 2019 and 2018 would have increased the net income before tax by \$82,271 and \$449,860 for the nine months ended September 30, 2019 and 2018, respectively. This analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis as prior year.

Since the Group has many kinds of functional currency, the information on foreign exchange loss on monetary items is disclosed by total amount. For the nine months ended September 30, 2019 and 2018, foreign exchange gain (including realized and unrealized portions) amounted to \$78,150 and \$702,816, respectively.

2) interest rate risk

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

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

If the interest rate had increased by 1 basis points, the Group's net income would have increased or decreased by \$35 and \$98 for the nine months ended September 30, 2019 and 2018 with all other variable factors remaining constant. This is mainly due to the Group's borrowing at variable rates and investment in variable-rate bills.

(iii) Fair value of financial instruments

1) Types and fair value of financial instruments

The fair value of financial liabilities was measured at recurring fair value. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described 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 :

September 30, 2019					
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 43,183,908	-	-	-	-
Notes and accounts Receivable	8,048,012	-	-	-	-
Other receivables (including related parties)	1,636,228	-	-	-	-
Lease payments receivable (including current portion)	919,452	-	-	-	-
Total	\$ 53,787,600	-	-	-	-
Financial liabilities measured at amortized cost					
Accounts payable (including related parties)	\$ 3,107,336	-	-	-	-
Other payables (including related parties)	8,449,041	-	-	-	-
Lease liabilities-current	149,622	-	-	-	-
Total	\$ 11,705,999	-	-	-	-

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

December 31, 2018					
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 57,384,006	-	-	-	-
Notes and accounts receivable, net	9,763,741	-	-	-	-
Other receivables	1,145,510	-	-	-	-
Lease payments receivable (including current position)	1,043,501	-	-	-	-
Total	<u>\$ 69,336,758</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities measured at amortized cost					
Accounts payable (including related parties)	\$ 4,579,702	-	-	-	-
Other payables (including related parties)	9,725,734	-	-	-	-
Total	<u>\$ 14,305,436</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
September 30, 2018					
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 57,258,699	-	-	-	-
Notes and accounts receivable, net	15,663,667	-	-	-	-
Other receivables	949,976	-	-	-	-
Lease payments receivable (including current portion)	1,123,991	-	-	-	-
Total	<u>\$ 74,996,333</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities measured at amortized cost					
Accounts payable (including related parties)	\$ 9,466,172	-	-	-	-
Other payables (including related parties)	9,098,904	-	-	-	-
Total	<u>\$ 18,565,076</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

2) Valuation techniques for financial instruments not measured at fair value

The Group's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

a) Financial assets and liabilities measured at amortized cost.

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement.

However, if no quoted prices are available, the fair value is determined by discounted cash flows, using estimation and assumptions under existing market conditions which are obtainable by the Company.

3) There were no transfers from financial assets for the nine months ended September 30, 2019 and 2018.

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(t) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in Note 6(x) of the consolidated financial statements for the year ended December 31, 2018.

(u) Capital management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2018. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2018. Please refer to Note 6(z) of the consolidated financial statements for the year ended December 31, 2018 for further details.

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

The Group's investing and financing activities on non-cash transactions for the nine months ended September 30, 2019 and 2018 were as follows:

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

(ii) Financing activities which did not affect the current cash flows:

	For the nine months ended September 30,	
	2019	2018
Conversion of convertible bonds to ordinary shares	\$ -	3,240,750
Retirement of treasury shares	\$ 2,665,621	-

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

	<u>January 1, 2019</u>	<u>Cash flow</u>	<u>Non-Cash changes</u>			<u>September 30, 2019</u>
			<u>Change in an index of lease payment</u>	<u>Increased by other payables</u>	<u>Interest expense</u>	
Other payables to related parties	\$ 7,625	(4,115)	-	-	-	3,510
Lease liabilities	300,605	(133,947)	(2,776)	(16,723)	2,463	149,622
	<u>\$ 308,230</u>	<u>(138,062)</u>	<u>(2,776)</u>	<u>(16,723)</u>	<u>2,463</u>	<u>153,132</u>

(7) Related-party transactions:

(a) Names and relationship with related parties

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

<u>Name of related party</u>	<u>Relationship with the Group</u>
Nan Ya Photonics Incorporation	The Group's other related parties
Formosa Technologies (Nanjing) Corporation	The Group's other related parties
Formosa Sumco Technology Corporation	The Group's other related parties

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of related party	Relationship with the Group
Formosa Advanced Technologies Co., Ltd. (referred to as "FATC")	The Group's associates (Note)
Formosa Technologies Corporation	The Group's other related parties
Formosa Biomedical Technology Corp.	The Group's other related parties
Formosa Plastics Corporation	The Group's other related parties
Formosa Heavy Industries Corp. (GZ) Ltd.	The Group's other related parties
Formosa Waters Technology Co., Ltd.	The Group's other related parties
Formosa Chemicals & Fiber Corporation	The Group's other related parties
Formosa Heavy Industries Corporation	The Group's other related parties
Formosa Transportation (Ning bo) Corp.	The Group's other related parties
Formosa Petrochemical Corporation	The Group's other related parties
Nan Ya Plastics Corporation	The entity with significant influence over the Group

Note: FATC was the previous other related party of the Group. However, since the Company has significant influence over FATC, it became the Group's associates beginning July 25, 2018.

(b) Significant transactions with related parties

(i) Purchase from related parties

Relationship	Purchases				Accounts payable to related parties		
	For the three months ended September 30,		For the nine months ended September 30,		September 30, 2019	December 31, 2018	September 30, 2018
	2019	2018	2019	2018			
Entities with significant influence over the Group	\$ 18,048	32,153	79,512	61,903	6,044	5,626	10,584
Associates	-	-	984	4,221	-	-	-
Other related parties:							
Formosa Sumco Technology Corporation	255,129	440,985	1,038,483	1,289,575	249,187	322,068	334,242
Other related parties	64,359	30,932	234,715	81,325	15,459	4,370	5,423
	<u>\$ 337,536</u>	<u>504,070</u>	<u>1,353,694</u>	<u>1,437,024</u>	<u>270,690</u>	<u>332,064</u>	<u>350,249</u>

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

(ii) Consigned out for processing

Relationship	Amount				Other payables to related parties		
	For the three months ended September 30,		For the nine months ended September 30,		September 30, 2019	December 31, 2018	September 30, 2018
	2019	2018	2019	2018			
Associates	\$ 1,833,392	1,491,013	5,183,993	4,345,154	1,616,819	931,059	957,634

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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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Financing from related parties

Relationship	Financial costs			
	For the three months ended		For the nine months ended	
	September 30		September 30	
	2019	2018	2019	2018
Other related parties:				
Formosa Heavy Industries Corp. (GZ) Ltd.	-	-	-	80
Formosa Transportation (Ningbo) Corp.	-	-	-	45
Formosa Technologies (Nanjing) Corporation	32	99	110	188
Formosa Heavy Industries Corporation	-	-	-	21
	<u>\$ 32</u>	<u>99</u>	<u>110</u>	<u>334</u>

Relationship	Other payables to related parties					
	Balance of borrowings			Interest payable		
	September 30, 2019	December 31, 2018	September 30, 2018	September 30, 2019	December 31, 2018	September 30, 2018
Other related parties:						
Formosa Technologies (Nanjing) Corporation	<u>\$ 3,510</u>	<u>7,625</u>	<u>9,764</u>	<u>35</u>	<u>156</u>	<u>146</u>

(iv) Property transactions

1) Acquisition of equipment

Relationship	Acquisition price		Other payables to related parties		
	For the nine months ended		September 30, 2019	December 31, 2018	September 30, 2018
	2019	2018			
Entities with significant influence over the Group	\$ -	391	-	-	178
Other related parties	340	8,017	-	104	7,594
	<u>\$ 340</u>	<u>8,408</u>	<u>-</u>	<u>104</u>	<u>7,772</u>

2) Acquisition of Financial Assets

For the nine months ended September 30, 2018				
Relationship	Account	Number of shares of transaction (in thousands)	Item of transaction	Acquisition price
Associates	Investments accounted for using equity method	84,022	Shares of Formosa Advanced Technologies Co., Ltd.	<u>\$ 3,049,999</u>

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Leases

	Amount			
	For the three months ended September 30,		For the nine months ended September 30,	
	2019	2018	2019	2018
Entities with significant influence over the Group	\$ <u>12,675</u>	<u>58,537</u>	<u>36,769</u>	<u>170,911</u>

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.

A three-year land lease contract was signed in July 2017. The total value of the contract was \$617,862. For the three months and nine months ended 2018, the rent expense were amounting to \$50,663 and \$152,265, respectively.

The Group applied IFRS 16, with a date of initial application on January 1, 2019. This lease transaction recognized the additional amounts of \$300,605 of right-of-use assets and lease liabilities. For the three months and nine months ended September 30, 2019, the Group recognized the amount of \$645 and \$2,463, as interest expense, respectively. As of September 30, 2019, the balance of lease liabilities amounted to \$149,622.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	For the three months ended September 30,		For the nine months ended September 30,	
	2019	2018	2019	2018
Short-term employee benefits \$	68,259	48,301	92,222	70,533
Share-based payment	855	2,262	3,087	16,695
	<u>\$ 69,114</u>	<u>50,563</u>	<u>95,309</u>	<u>87,228</u>

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

(8) Pledged assets:

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

Pledged assets	Object	September 30, 2019	December 31, 2018	September 30, 2018
Other non-current assets	Office leasing	\$ <u>5,270</u>	<u>5,137</u>	<u>-</u>

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Notes to the Consolidated Financial Statements

(9) Commitments and contingencies:

(a) Significant commitments

	September 30, 2019	December 31, 2018	September 30, 2018
Guarantees for importation goods provided by bank	\$ 1,045,000	1,035,000	435,000
Unused letters of credit	29,739	419,639	1,797,359
Total	\$ 1,074,739	1,454,639	2,232,359

(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 Company has engaged counsels to properly handle it to ensure the Company's rights.
- (ii) In October 2016, Lone Star Silicon Innovations LLC (Lone Star) filed a lawsuit against Nanya Technology Corp. (Nanya) and two of its subsidiaries, Nanya Technology Corp., USA (NTC USA) and Nanya Technology Corp., Delaware (NTC Delaware), to the US District Court of East Texas for patent infringement. The lawsuit was handed over to the US District Court of Northern California in July 2017, wherein it was denied in January 2018. Therefore, Lone Star appealed to the US Court of Appeals for the Federal Circuit on the said matter. The case is still in progress. The Group has engaged lawyers to handle the case to ensure its rights.
- (iii) 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\$5,403 ten thousands; 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 September 30, 2019, the payment amounting to \$44,150 (USD1,460 thousand) had been recognized by the Company.
 - 2) The Company agreed to share the 50% portion of the total losses for penalty, improving costs and suspending operation before the date of share-swap in the following two to five years due to an existing event of environmental safety and factory facilities which violated the laws.

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(10) Losses Due to Major Disasters: None

(11) Subsequent Events:

On November 8, 2019, the Company's Board of Directors approved to increase the capital of its subsidiary, Nanya Technology International Corporation, amounting to USD 200 million by issuing 200 shares with a par value of USD 1 million per share.

(12) Other:

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

	For the three months ended September 30, 2019			For the three months ended September 30, 2018		
	Cost of goods sold	Operating expenses	Total	Cost of goods sold	Operating expenses	Total
Employee benefits						
Salaries	766,822	607,558	1,374,380	734,308	544,113	1,278,421
Labor and health insurance	48,526	35,945	84,471	43,782	33,015	76,797
Pension expenses	24,608	18,735	43,343	23,228	15,459	38,687
Remuneration of directors	-	1,560	1,560	-	1,710	1,710
Other personnel expenses	18,058	6,020	24,078	17,273	5,732	23,005
Depreciation expenses	3,600,520	77,891	3,678,411	3,001,258	38,872	3,040,130
Amortization expenses	26,614	-	26,614	12,964	-	12,964

	For the nine months ended September 30, 2019			For the nine months ended September 30, 2018		
	Cost of goods sold	Operating expenses	Total	Cost of goods sold	Operating expenses	Total
Employee benefits						
Salaries	2,196,744	1,545,634	3,742,378	3,313,296	1,956,925	5,270,221
Labor and health insurance	143,790	107,177	250,967	130,148	95,716	225,864
Pension expenses	73,942	54,608	128,550	69,480	47,166	116,646
Remuneration for directors	-	4,990	4,990	-	4,750	4,750
Other personnel expenses	53,789	17,782	71,571	50,956	16,825	67,781
Depreciation expenses	10,443,183	178,556	10,621,739	8,755,069	116,646	8,871,715
Amortization expenses	66,328	-	66,328	84,334	-	84,334

- (b) The Group's operations were not affected by seasonality or cyclicity factors.

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The followings were the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the nine months ended September 30, 2019:

- (i) Loans to other parties: None
- (ii) Guarantees and endorsements for other parties: None
- (iii) Securities held at the reporting date (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Memoright (Cayman) Co., Ltd.	-	Financial assets measured at amortized cost and fair value through other comprehensive income	-	-	-	-	

- (iv) Information regarding purchase or sale of securities for the period exceeding \$300 million or 20% of the capital stock: None
- (v) Acquisition of individual real estate with amount exceeding \$300 million or 20% of the Company's paid-in capital: None
- (vi) Disposal of individual real estate with amount exceeding \$300 million or 20% of the Company's paid-in capital: None
- (vii) Related-party transaction for purchases and sales for which amounts exceeding \$100 million or 20% of the Company's paid-in capital:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase /Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Nanya Technology Corp., U.S.A.	Subsidiary	(Sale)	(3,801,664)	(9.90)%	O/A 60-90Days	-		1,447,321	17.43%	(Note)
The Company	Nanya Technology Corp., Japan	Subsidiary	(Sale)	(3,135,640)	(8.17)%	O/A 180Days	-		667,442	8.04%	(Note)
The Company	Nanya Technology Corp., Europe GmbH	Subsidiary	(Sale)	(2,048,598)	(5.34)%	O/A 60-90Days	-		401,426	4.83%	(Note)
The company	Nanya Technology Corp., HK	subsidiary	(Sale)	(142,569)	(0.37)%	O/A 60-90 Days	-		41,441	0.50%	(Note)
The Company	Formosa Sunco Technology Corp.	Other related parties	Purchase	1,038,483	11.25%	O/A 60Days	-		(249,187)	(8.02)%	-
The Company	Formosa Biomedical Technology Corporation	Other related parties	Purchase	116,117	1.26%	Payment after arrival and inspection of goods	-		(6,045)	(0.19)%	-
Nanya Technology Corp., U.S.A	Nanya Technology Corp	The parent company	Purchase	3,801,664	100.00%	O/A 60-90Days	-		(1,447,321)	(100.00)%	(Note)
Nanya Technology Corp., Japan	Nanya Technology Corp	The parent company	Purchase	3,135,640	100.00%	O/A 180Days	-		(667,442)	(100.00)%	(Note)
Nanya Technology Corp., Europe GmbH	Nanya Technology Corp	The parent company	Purchase	2,048,598	100.00%	O/A 60-90Days	-		(401,426)	(100.00)%	(Note)
Nanya Technology Corp., HK	Nanya Technology Corp	The parent company	Purchase	142,569	100.00%	O/A 60-90Days	-		(41,441)	(100.00)%	(Note)

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

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance of accounts receivable from related parties	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
The Company	Nanya Technology Corp., U.S.A.	Subsidiary	1,447,321	2.57	-	-	552,637	-
The Company	Nanya Technology Corp., Japan	Subsidiary	667,442	6.11	-	-	361,085	-
The Company	Nanya Technology Europe GmbH	Subsidiary	401,426	5.56	-	-	211,422	-

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

(ix) Trading in derivative instruments: None

(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	Nanya Technology Corp.	Nanya Technology Corp., U.S.A	1	Sales	3,801,664	On the basis of general conditions	9.85%
0	Nanya Technology Corp.	Nanya Technology Corp., Japan	1	Sales	3,135,640	On the basis of general conditions	8.12%
0	Nanya Technology Corp.	Nanya Technology Europe GmbH	1	Sales	2,048,598	On the basis of general conditions	5.31%
0	Nanya Technology Corp.	Nanya Technology Corp., HK	1	Sales	142,569	On the basis of general conditions	0.37%
0	Nanya Technology Corp.	Nanya Technology Corp., U.S.A	1	Accounts receivable	1,447,321	On the basis of general conditions	0.87%
0	Nanya Technology Corp.	Nanya Technology Corp., Japan	1	Accounts receivable	667,442	On the basis of general conditions	0.40%
0	Nanya Technology Corp.	Nanya Technology Europe GmbH	1	Accounts receivable	401,426	On the basis of general conditions	0.24%

Note 1: Assigned numbers represent the following:

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

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

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

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

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

The following is the information on investees for the nine months ended September 30, 2019:

(In Thousands of New Taiwan Dollars / Shares)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of September 30, 2019			Net income of investee	Share of profits of investee	Note
				September 30, 2019	December 31, 2018	Shares (thousands)	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 %	161,646	19,333	19,333	(Note1)
The Company	Nanya Technology Corp., Delaware	U.S.A	Design of semiconductor products	36,005	36,005	-	100.00 %	168,692	17,667	17,667	(Note1)
The Company	Nanya Technology Corp., HK	Hong Kong	Sales of semiconductor products	66,271	66,271	20	100.00 %	54,790	5,053	5,053	(Note1)
The Company	Nanya Technology Corp., Japan	Japan	Sales of semiconductor products	20,161	20,161	1	100.00 %	184,509	4,407	4,407	(Note1)
The Company	Nanya Technology International, Ltd	British Virgin Island	General investment business	30,888,000	30,888,000	1	100.00 %	31,790,334	745,134	745,134	(Note 1)
The Company	Formosa Advanced Technologies Co., Ltd	Yunlin	Assembling, testing and producing modules for IC	3,049,999	3,049,999	84,022	19.00 %	2,949,195	956,006	176,033	(Note 2)
Nanya Technology Corp., HK	Nanya Technology Europe GmbH	Germany	Sales of semiconductor products	30,056	30,056	-	100.00 %	64,751	4,216	4,216	(Note1)

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

(2)Investment accounted for using equity method.

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(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, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of September 30, 2019	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	30,576 (USD985 thousand)	(Note 1)	30,576 (USD985 thousand)	-	-	30,576 (USD985 thousand)	(579)	100.00%	(579)	13,248	-

Note 1 : Indirect investment in Nanya Technology Corp., Shenzhen through Nanya Technology Corp., HK.

Note 2 : The transactions were written off in the consolidated financial statements.

(ii) Limitation on investment in Mainland China:

(In Thousands of New Taiwan Dollars)

Accumulated Investment in Mainland China as of September 30, 2019 (Note 1)	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on Investment (Note 2)
30,576 (USD985 thousand)	30,576 (USD985 thousand)	91,069,589

Note 1 : The exchange rate of New Taiwan dollars to US dollars on September 30, 2019 was USD1 : TWD 31.042.

Note 2 : 60% of net equity.

(iii) Significant transactions: None

(14) Segment information:

For the three months ended September 30, 2019						
	Japanese division	USA division	Manufacturing divisions	Others divisions	Adjustments and eliminated	Total
Revenue:						
From external customers	\$ 1,137,611	1,928,515	11,009,047	724,180	-	14,799,353
From sales among intersegments	-	468	3,702,566	179,243	(3,882,277)	-
Total revenue	<u>\$ 1,137,611</u>	<u>1,928,983</u>	<u>14,711,613</u>	<u>903,423</u>	<u>(3,882,277)</u>	<u>14,799,353</u>
Reportable segment profit or loss	<u>\$ (5,299)</u>	<u>6,844</u>	<u>2,683,207</u>	<u>227,660</u>	<u>(228,684)</u>	<u>2,683,728</u>
For the three months ended September 30, 2018						
	Japanese division	USA division	Manufacturing divisions	Others divisions	Adjustments and eliminated	Total
Revenue:						
From external customers	\$ 1,224,519	3,916,069	18,192,342	1,041,656	-	24,374,586
From sales among intersegments	-	461	6,114,540	170,687	(6,285,688)	-
Total revenue	<u>\$ 1,224,519</u>	<u>3,916,530</u>	<u>24,306,882</u>	<u>1,212,343</u>	<u>(6,285,688)</u>	<u>24,374,586</u>
Reportable segment profit or loss	<u>\$ 40,524</u>	<u>21,436</u>	<u>12,872,086</u>	<u>255</u>	<u>(61,837)</u>	<u>12,872,464</u>
For the nine months ended September 30, 2019						
	Japanese division	USA division	Manufacturing divisions	Others divisions	Adjustments and eliminated	Total
Revenue:						
From external customers	\$ 3,237,696	3,889,326	29,265,794	2,219,133	-	38,611,949
From sales among intersegments	-	1,398	9,128,471	382,157	(9,512,026)	-
Total revenue	<u>\$ 3,237,696</u>	<u>3,890,724</u>	<u>38,394,265</u>	<u>2,601,290</u>	<u>(9,512,026)</u>	<u>38,611,949</u>
Reportable segment profit or loss	<u>\$ 4,288</u>	<u>19,333</u>	<u>9,673,497</u>	<u>769,302</u>	<u>(791,594)</u>	<u>9,674,826</u>

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the nine months ended September 30, 2018						
	Japanese division	USA division	Manufacturing divisions	Others divisions	Adjustments and eliminated	Total
Revenue:						
From external customers	\$ 3,369,626	8,211,334	52,826,945	3,356,337	-	67,764,242
From sales among intersegments	-	1,347	14,572,860	330,421	(14,904,628)	-
Total revenue	<u>\$ 3,369,626</u>	<u>8,212,681</u>	<u>67,399,805</u>	<u>3,686,758</u>	<u>(14,904,628)</u>	<u>67,764,242</u>
Reportable segment profit or loss	<u>\$ 17,319</u>	<u>26,088</u>	<u>33,598,751</u>	<u>26,173</u>	<u>(68,639)</u>	<u>33,599,692</u>
Reportable segment assets						
Balance at September 30, 2019	\$ 853,264	1,617,969	165,664,086	32,475,675	(34,963,396)	165,647,598
Balance at December 31, 2018	\$ 882,323	2,654,957	203,166,038	31,591,529	(55,709,034)	182,585,813
Balance at September 30, 2018	<u>\$ 942,805</u>	<u>3,718,889</u>	<u>181,637,711</u>	<u>1,041,787</u>	<u>(5,695,903)</u>	<u>181,645,289</u>
Reportable segment liabilities						
Balance at September 30, 2019	\$ 668,569	1,448,608	13,881,438	461,859	(2,595,524)	13,864,950
Balance at December 31, 2018	\$ 708,537	2,506,403	38,258,740	652,582	(24,447,747)	17,678,515
Balance at September 30, 2018	<u>\$ 750,424</u>	<u>3,569,575</u>	<u>21,746,254</u>	<u>798,006</u>	<u>(5,110,426)</u>	<u>21,753,833</u>