

**NANYA TECHNOLOGY CORPORATION AND  
SUBSIDIARIES**

**Consolidated Financial Statements**

**With Independent Auditors' Report  
For the Years Ended December 31, 2019 and 2018**

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

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## **Representation Letter**

The entities that are required to be included in the combined financial statements of Nanya Technology Corporation as of and for the year ended December 31, 2019 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Nanya Technology Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Nanya Technology Corporation

Chairman: JIA-ZHAO, WU

Date: February 26, 2020



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## Independent Auditors' Report

To the Board of Directors of Nanya Technology Corporation:

### Opinion

We have audited the consolidated financial statements of Nanya Technology Corporation (“the Company”) and its subsidiaries (“the Group”), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of another auditor (please refer to Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

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

### Other Matter

We did not audit the financial statements of Formosa Advanced Technologies Co., Ltd., an investment in other accounted for using the equity method of the Group. The financial statements were audited by another auditor, whose audit report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Formosa Advanced Technologies Co., Ltd., are based solely on the audit report of another auditor. The aforementioned investment accounted for using the equity method constituted 3.04% and 1.65% of the consolidated total assets as of December 31, 2019 and 2018, respectively, and the share of profit of associates accounted for using the equity method constituted 1.64% and 0.12% of the consolidated total profit before tax for the period from January 1 to December 31, 2019 and July 25 to December 31, 2018, respectively.

Nanya Technology Corporation has prepared its parent-company-only financial statements as of and for the years ended December 31, 2019 and 2018, on which we have issued an unmodified with other matter opinion.

## **Key Audit Matters**

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

### **Valuation of inventories**

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

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

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

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

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

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

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

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. Furthermore, we remain solely responsible for our audit opinion.

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)  
February 26, 2020

#### **Notes to Readers**

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
Nanya Technology Corporation and Subsidiaries

Consolidated Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2019		December 31, 2018		December 31, 2019		December 31, 2018							
		Amount	%	Amount	%	Amount	%	Amount	%						
Assets															
Current assets:															
1100	Cash and cash equivalents (Note 6(a))	\$	44,148,979	27	57,384,006	31	2170	Accounts payable	\$	2,573,759	2	4,247,638	3		
1160	Notes receivable due from related parties, net (Note 6(b)(p) and 7)		41,545	-	-	-	2180	Accounts payable to related parties (Note 7)		133,199	-	332,064	-		
1170	Notes and accounts receivable, net (Notes 6(b)(p))		7,291,735	4	9,763,741	5	2200	Other payables		6,650,153	4	8,786,790	5		
1200	Other receivables (Note 6(h))		1,620,743	1	1,313,111	1	2220	Other payables to related parties (Note 7)		1,205,857	1	938,944	1		
1310	Inventories (Note 6(c))		18,122,496	11	12,167,737	7	2230	Current tax liabilities		1,515,896	1	2,456,338	1		
1410	Prepayments		1,637,129	1	1,758,316	1	2280	Current lease liabilities(Notes 6(j) and 7)		99,924	-	-	-		
	Total current assets		72,862,627	44	82,386,911	45	2399	Other current liabilities		92,754	-	1,568	-		
Non-current assets:											12,271,542	8	16,763,342	10	
1550	Investments accounted for using equity method (Note 6(d))		5,019,236	3	3,006,603	2	Total current liabilities								
1600	Property, plant and equipment (Notes 6(f) and 7)		85,530,112	52	95,358,992	52	Non-Current liabilities:								
1755	Right-of-use assets (Notes 6(g))		99,222	-	-	-	2570	Deferred tax liabilities (Note 6(l))		1,197	-	625	-		
1780	Intangible assets		296,710	-	45,881	-	2640	Net defined benefit liability, non-current (Note 6(k))		575,896	-	537,303	-		
1840	Deferred tax assets (Note 6(i))		555,885	-	867,311	-	2670	Other non-current liabilities		240,464	-	377,245	-		
1935	Long-term lease payments receivable (Note 6(h))		-	-	875,900	1	Total non-current liabilities								
194D	Long-term financial lease payments receivable (Note 6(h))		689,886	1	-	-	Total liabilities								
1990	Other non-current assets (Note 8)		46,974	-	44,215	-	Equity (Note 6(m)):								
	Total non-current assets		92,238,025	56	100,198,902	55	3110	Ordinary share		30,733,649	19	31,032,389	17		
							3140	Advance receipts for share capital		3,475	-	6,488	-		
							3200	Capital surplus		32,005,339	20	33,557,005	18		
							3310	Legal reserve		13,128,412	8	9,192,249	5		
							3320	Special reserve		273,834	-	39,163	-		
							3350	Unappropriated retained earnings		78,054,876	47	94,136,513	52		
							3400	Other equity interest		(1,041,100)	(1)	(273,834)	-		
							3500	Treasury shares		(1,146,932)	(1)	(2,782,675)	(2)		
							Total equity								
										152,011,553	92	164,907,298	90		
Total assets		\$	165,100,652	100	182,585,813	100	Total liabilities and equity				\$	165,100,652	100	182,585,813	100



(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**Nanya Technology Corporation and Subsidiaries**  
**Consolidated Statements of Comprehensive Income**  
**For the years ended December 31, 2019 and 2018**  
**(Expressed in Thousands of New Taiwan Dollars, Except Earnings Per Share)**

		2019		2018	
		Amount	%	Amount	%
4000	Operating revenue (Note 6(p))	\$ 51,727,458	100	84,721,804	100
5000	Operating costs (Notes 6(c)(f)(g)(n)(q) and 7)	<u>35,233,371</u>	<u>68</u>	<u>38,105,801</u>	<u>45</u>
	Gross profit from operations	<u>16,494,087</u>	<u>32</u>	<u>46,616,003</u>	<u>55</u>
	Operating expenses (Notes 6(f)(g)(k)(n)(q) and 7):				
6100	Selling expenses	737,082	1	849,649	1
6200	Administrative expenses	1,313,757	3	1,523,573	2
6300	Research and development expenses	<u>4,926,428</u>	<u>10</u>	<u>4,887,311</u>	<u>6</u>
	Total operating expenses	<u>6,977,267</u>	<u>14</u>	<u>7,260,533</u>	<u>9</u>
	Net operating income	<u>9,516,820</u>	<u>18</u>	<u>39,355,470</u>	<u>46</u>
	Non-operating income and expenses (Notes 6(b)(d)(e)(h)(i)(r) and 7):				
7010	Other income	1,303,594	3	1,030,384	1
7020	Other gains and losses, net	214,749	1	1,152,527	2
7050	Finance costs	(3,264)	-	(5,744)	-
7055	Expected credit gain	9,508	-	-	-
7060	Share of profit of associates accounted for using equity method, net	<u>183,875</u>	<u>-</u>	<u>51,700</u>	<u>-</u>
	Total non-operating income and expenses	<u>1,708,462</u>	<u>4</u>	<u>2,228,867</u>	<u>3</u>
7900	Profit from continuing operations before tax	11,225,282	22	41,584,337	49
7950	Income tax expenses (Note 6(l))	<u>(1,400,683)</u>	<u>(3)</u>	<u>(2,223,487)</u>	<u>(3)</u>
	Profit	<u>9,824,599</u>	<u>19</u>	<u>39,360,850</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	(42,096)	-	(18,096)	-
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	(10,688)	-	(95,101)	-
8349	Income tax related to components of other comprehensive loss that will not be reclassified to profit or loss	<u>(8,419)</u>	<u>-</u>	<u>(6,190)</u>	<u>-</u>
	Components of other comprehensive income that will not be reclassified to profit or loss	<u>(44,365)</u>	<u>-</u>	<u>(107,007)</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	(758,303)	(2)	(140,573)	-
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>(758,303)</u>	<u>(2)</u>	<u>(140,573)</u>	<u>-</u>
8300	Other comprehensive (loss) income, net	<u>(802,668)</u>	<u>(2)</u>	<u>(247,580)</u>	<u>-</u>
8500	Comprehensive income	<u>\$ 9,021,931</u>	<u>17</u>	<u>39,113,270</u>	<u>46</u>
	Profit, attributable to:				
8610	Profit, attributable to owners of parent	\$ 9,824,599	19	39,361,625	46
8620	Loss, attributable to non-controlling interests	-	-	(775)	-
		<u>\$ 9,824,599</u>	<u>19</u>	<u>39,360,850</u>	<u>46</u>
	Comprehensive income attributable to:				
8710	Comprehensive income, attributable to owners of parent	\$ 9,021,931	17	39,114,045	46
8720	Comprehensive loss, attributable to non-controlling interests	-	-	(775)	-
		<u>\$ 9,021,931</u>	<u>17</u>	<u>39,113,270</u>	<u>46</u>
	Earnings per share (Note 6(o))				
9750	Basic earnings per share	\$ <u>3.23</u>		<u>12.80</u>	
9850	Diluted earnings per share	\$ <u>3.19</u>		<u>12.38</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**Nanya Technology Corporation and Subsidiaries**  
**Consolidated Statements of Changes in Equity**  
**For the years ended December 31, 2019 and 2018**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent										Non-controlling interests	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	Other equity interest				
								Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total other equity interest		
Balance at January 1, 2018												
Net profit (loss) for the year ended December 31, 2018	29,659,382	223,958	-	27,277,191	5,164,057	-	69,734,440	(39,163)	-	(39,163)	131,999,865	132,115,188
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-	39,361,625	-	-	-	(775)	39,360,850
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-	(12,909)	(140,573)	(94,098)	(234,671)	-	(247,580)
Appropriation and distribution of retained earnings:							39,348,716	(140,573)	(94,098)	(234,671)	(775)	39,113,270
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)
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	-	-	-	717,656	-	-	-	-	-	-	717,656	717,656
Conversion of certificates of bonds-to-share	223,958	(223,958)	-	-	-	-	-	-	-	-	-	-
Conversion of convertible bonds	732,839	-	-	4,504,323	-	-	-	-	-	-	5,237,162	5,237,162
Purchase of treasury share	-	-	-	-	-	-	-	-	-	(2,782,675)	-	(2,782,675)
Exercise of employee share options	436,210	-	6,488	1,057,830	-	-	-	-	-	-	1,500,528	1,500,528
Disposal of subsidiaries accounted for using equity method	-	-	-	-	-	-	-	-	-	-	(114,548)	(114,548)
Balance at December 31, 2018	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 year ended December 31, 2019	-	-	-	-	-	-	9,824,599	-	-	-	9,824,599	9,824,599
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	-	(35,402)	(758,303)	(8,963)	(767,266)	-	(802,668)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	-	9,789,197	(758,303)	(8,963)	(767,266)	-	9,021,931
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	-	-	3,936,163	-	(3,936,163)	-	-	-	-	-
Special reserve appropriated	-	-	-	-	-	234,671	(234,671)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	-	(21,700,000)	-	-	-	-	(21,700,000)
Other changes in capital surplus:												
Changes in equity of associates accounted for using equity method	-	-	-	19	-	-	-	-	-	-	19	19
Recognized compensation costs on employee stock options	-	-	-	150,116	-	-	-	-	-	-	150,116	150,116
Repurchase of treasury share	-	-	-	-	-	-	-	-	-	(1,029,878)	-	(1,029,878)
Retirement of treasury share	(501,360)	-	-	(2,164,261)	-	-	-	-	-	-	-	-
Exercise of employee share options	202,620	-	(3,013)	462,460	-	-	-	-	-	-	662,067	662,067
Balance at December 31, 2019	30,733,649	-	3,475	32,005,339	13,128,412	273,834	78,054,876	(938,039)	(103,061)	(1,041,100)	152,011,553	152,011,553

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**Nanya Technology Corporation and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**For the years ended December 31, 2019 and 2018**  
**(Expressed in Thousands of New Taiwan Dollars)**

	2019	2018
<b>Cash flows from operating activities:</b>		
Profit before tax	\$ 11,225,282	41,584,337
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	14,326,287	11,983,266
Amortization expense	91,126	97,298
Expected credit gain	(9,508)	-
Net loss on financial liabilities at fair value through profit or loss	-	281,107
Interest expense	3,264	5,744
Interest income	(1,303,594)	(1,030,384)
Share-based payments	150,116	717,656
Share of profit of associates accounted for using equity method	(183,875)	(51,700)
Gain on disposal of property, plant and equipment	(4,424)	(16,859)
Gain on disposal of a subsidiary	-	(497)
Reversal of impairment loss on non-financial assets	(213,282)	(109,745)
Unrealized foreign exchange loss	94,027	79,509
<b>Total adjustments to reconcile profit</b>	<b>12,950,137</b>	<b>11,955,395</b>
<b>Changes in operating assets and liabilities:</b>		
Notes and accounts receivable (including related parties)	2,372,242	(1,294,628)
Other receivables	(397,933)	(348,559)
Inventories	(5,954,759)	(5,416,113)
prepayments	121,244	(139,380)
Financial liabilities held for trading	-	(523,136)
Accounts payable (including related parties)	(429,964)	728,155
Other payables (including related parties)	(1,870,902)	2,432,313
Other current liabilities	91,186	(386)
Net defined benefit liability	(3,503)	(6,590)
Other non-current liabilities	9,720	(22,226)
<b>Total changes in operating assets and liabilities</b>	<b>(6,062,669)</b>	<b>(4,590,550)</b>
Cash inflow generated from operations	18,112,750	48,949,182
Interest received	1,313,286	782,134
Interest paid	(422)	(691)
Income taxes paid	(2,018,607)	(1,486,623)
<b>Net cash flows from operating activities</b>	<b>17,407,007</b>	<b>48,244,002</b>
<b>Cash flows used in investing activities:</b>		
Proceeds from disposal of a subsidiary	-	(85,937)
Proceeds from capital reduction of investments accounted for using equity method	(2,049,483)	(3,049,999)
Acquisition of property, plant and equipment	(5,496,257)	(20,425,865)
Proceeds from disposal of property, plant and equipment	4,729	25,743
Increase in refundable deposits	(1,773)	(13,073)
Decrease in other receivables	-	10,616,574
Acquisition of intangible assets	(164,666)	-
Decrease in lease and installment receivables	264,331	429,330
Increase in other non-current assets	(9,319)	(10,060)
Dividends received	210,056	-
<b>Net cash flows (used in) from investing activities</b>	<b>(7,242,382)</b>	<b>(12,513,287)</b>
<b>Cash flows (used in) from financing activities:</b>		
(Decrease) increase in guarantee deposits received	(297,469)	314,765
Decrease in other payables to related parties	(4,175)	(791)
Payment of lease liabilities	(184,115)	-
Cash dividends paid	(21,700,000)	(10,879,288)
Exercise of employee share options	662,067	1,500,528
Payments to acquire treasury shares	(1,029,878)	(2,782,675)
<b>Net cash flows used in financing activities</b>	<b>(22,553,570)</b>	<b>(11,847,461)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(846,082)</b>	<b>(267,925)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(13,235,027)</b>	<b>23,615,329</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>57,384,006</b>	<b>33,768,677</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 44,148,979</b>	<b>57,384,006</b>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**Nanya Technology Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 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 February 26, 2020.

**(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.

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
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 under which the cumulative effect of initial application is recognized in retained earnings on January 1, 2019. 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(k).

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 IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"	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:

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
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 IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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:**

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

- (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "the Regulations" ) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by the Financial Supervisory Commission, ROC. (hereinafter referred to IFRS as endorsed by the FSC).

- (b) Basis of preparation

- (i) Basis of measurement

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

- (ii) Functional and presentation currency

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

(Continued)

**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

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

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

Changes in the Group’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

When the Group loses control over a subsidiary, it derecognizes the assets (including any goodwill) and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any interest retained in the former subsidiary is measured at fair value when control is lost, with the resulting gain or loss being recognized in profit or loss. The Group recognizes as gain or loss in profit or loss the difference between (i) the fair value of the consideration received as well as any investment retained in the former subsidiary at its fair value at the date when control is lost ;and (ii) the assets, liabilities of the subsidiary as well as any related non-controlling interests at their carrying amounts at the date when control is lost, as gain or loss in profit or loss. When the Group loses control of its subsidiary, it accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if it had directly disposed of the related assets or liabilities.

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

Investor	The name of subsidiaries	Business activity	Shareholding	
			December 31, 2019	December 31, 2018
The Company	NANYA TECHNOLOGY CORP. U.S.A	Sales of semiconductor products	100.00 %	100.00 %
The Company	NANYA TECHNOLOGY CORP. Delaware	Design of semiconductor products	100.00 %	100.00 %
The Company	NANYA TECHNOLOGY CORP. H.K.	Sales of semiconductor products	100.00 %	100.00 %
The Company	NANYA TECHNOLOGY CORP. Japan	Sales of semiconductor products	100.00 %	100.00 %

(Continued)



**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Investor	The name of subsidiaries	Business activity	Shareholding	
			December 31, 2019	December 31, 2018
The Company	NANYA TECHNOLOGY INTERNATIONAL LTD.	General investment business	100.00 %	100.00 %
NANYA TECHNOLOGY CORP. H.K.	NANYA TECHNOLOGY CORP., Europe GmbH	Sales of semiconductor products	100.00 %	100.00 %
NANYA TECHNOLOGY CORP. H.K.	NANYA TECHNOLOGY CORP. Shenzhen	Sales of semiconductor products	100.00 %	100.00 %

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

(d) Foreign currency

(i) Foreign currency transactions

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

Exchange differences are generally recognized in profit or loss.

(ii) Foreign operations

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

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

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

(Continued)

**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

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

- (i) The asset is expected to be realized, or intended to be sold or consumed, in the Group's normal operating cycle;
- (ii) The asset is held primarily for the purpose of trading;
- (iii) The asset is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

- (i) The liability is expected to be settled in the normal operating cycle;
- (ii) The liability is held primarily for the purpose of trading;
- (iii) The liability is due to be settled within twelve months after the reporting period; or
- (iv) The liability does not have any unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

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

(g) Financial instruments

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

(Continued)

**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(i) Financial assets

1) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

(Continued)

## NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

- a breach of contract such as a default or being more than 60 days past due;
- the disappearance of an active market for a security because of financial difficulties.

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

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

#### 2) Derecognition of financial assets

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

#### (ii) Financial liabilities and equity instruments

##### 1) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

##### 2) Treasury shares

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

(Continued)

**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

3) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bonds denominated in NTD that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

4) Financial liabilities

Financial liabilities are classified as FVTPL. A financial liability is classified as at FVTPL if it is derivative. Financial liabilities at FVTPL are measured at fair value and net gains and losses are recognized in profit or loss.

5) Derecognition of financial liabilities

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

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

6) Offsetting of financial assets and liabilities

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

(Continued)

**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(h) Inventories

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

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

(i) Investment in associates

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

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

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

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

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

(Continued)

**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

(j) Property, plant and equipment

(i) Recognition and measurement

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straightline basis over the estimated useful lives. If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise, the asset is depreciated over the shorter of the lease term and its useful life.

Land is not depreciated.

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

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

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

(Continued)

**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(k) Leases

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:

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the customer has the right to direct the use of the asset throughout the period of use only if either:
  - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
  - the relevant decisions about how and for what purpose the asset is used are predetermined and:
    - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
    - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

(ii) As a 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, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

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

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modifications

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

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

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

(iii) As a lessor

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

(Continued)

**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

Applicable before January 1, 2019

(i) Lessor

Asset under financing lease is recognized on a net basis as lease receivable. Initial direct costs incurred in negotiating and arranging an operating lease are added to the net investment in the leased asset. The finance income is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the receivable.

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

Contingent rents are recognized as income in the period when the lease adjustments are confirmed.

(ii) Lessee

Leases in which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the lease asset is measured at an amount equal to the lower of its fair value or the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

Minimum lease payments made under finance leases are apportioned between the finance cost and the reduction of the outstanding liability. The finance cost is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability

Other leases are operating leases and are not recognized in the Group's balance sheets.

Payments made under operating leases (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

(Continued)

**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(l) Intangible assets

(i) Recognition and measurement

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

(ii) Subsequent expenditure

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

(iii) Amortization

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

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

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

(m) Impairment of non-derivative financial assets

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

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

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

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

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

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

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**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(n) Revenue recognition

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

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

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

(o) Employee benefits

(i) Defined contribution plan

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

(ii) Defined benefit plan

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

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

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

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## NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

(iii) Short-term employee benefits

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

(p) Share-based payment

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

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

(q) Income taxes

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

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

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

- (i) Temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction.
- (ii) Temporary differences related to investments in subsidiaries that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

(Continued)

**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

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

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - 1) The same taxable entity; or
  - 2) Different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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

(r) **Earnings per share**

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

(s) **Operating segments**

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

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

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

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**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

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

(a) Valuation of inventories

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

**(6) Explanation of significant accounts:**

(a) Cash and cash equivalents

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Petty cash	\$ 147	157
Checking accounts and demand deposit	4,119,539	6,377,176
Cash equivalents:		
Time deposits	39,215,453	50,601,623
Commercial paper	454,300	404,150
Repurchase agreements collateralized by corporate bonds	359,540	900
	<u><u>\$ 44,148,979</u></u>	<u><u>57,384,006</u></u>

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

(b) Notes and accounts receivable

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Notes receivable from operating activities	\$ -	481
Notes receivable-related parties from non-operating activities	41,545	-
Accounts receivable-measured at amortized cost	7,291,735	9,772,558
Less : Loss allowance	-	(9,298)
	<u><u>\$ 7,333,280</u></u>	<u><u>9,763,741</u></u>

(Continued)

**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for notes and accounts receivables (including related parties) on December 31, 2019 and 2018. To measure the expected credit losses, notes and accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information.

The loss allowance provision as of December 31, 2019 and 2018 was determined as follows:

<b>December 31, 2019</b>			
<b>Due days</b>	<b>Notes and accounts receivables (including related parties) gross carrying amount</b>	<b>Weighted average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 7,283,834	-	-
1 to 30 days past due	49,446	-	-
	<b>\$ 7,333,280</b>		<b>-</b>
<b>December 31, 2018</b>			
<b>Due days</b>	<b>Notes and accounts receivables gross carrying amount</b>	<b>Weighted average loss rate</b>	<b>Loss allowance provision</b>
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	16,438	1.50%	247
	<b>\$ 9,773,039</b>		<b>9,298</b>

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

<b>For the year ended December 31,</b>		
	<b>2019</b>	<b>2018</b>
Balance on January 1,	\$ 9,298	8,859
Reversal of impairment losses	(9,508)	-
Foreign exchange gains	210	439
Balance on December 31,	<b>\$ -</b>	<b>9,298</b>

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

(Continued)



**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(c) Inventories

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Raw materials	\$ 381,848	598,067
Work in progress	7,329,074	5,870,118
Finished goods	<u>10,411,574</u>	<u>5,699,552</u>
	<b><u>\$ 18,122,496</u></b>	<b><u>12,167,737</u></b>

The Group recognized cost of goods sold amounting to \$34,716,236 and \$37,312,264 for the years ended December 31, 2019 and 2018, respectively.

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

(d) Investments accounted for using equity method

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

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Associates	<b><u>\$ 5,019,236</u></b>	<b><u>3,006,603</u></b>

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

<b>Name of Associates</b>	<b>Nature of Relationship to the Group</b>	<b>Registration Country</b>	<b>Percentage of ownership</b>	
			<b>December 31, 2019</b>	<b>December 31, 2018</b>
Formosa Advanced Technologies Co., Ltd.(FATC)	It mainly engages in assembling and testing of module products, as well as in the research and development of integrated circuits.	Taiwan	32.00 %	19.00 %

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

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Formosa Advanced Technologies Co., Ltd.	<b><u>\$ 16,494,889</u></b>	<b><u>14,062,667</u></b>

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**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

The financial information of FATC were as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Current assets	\$ 6,631,748	6,792,443
Non-current assets	6,643,175	5,882,131
Current liabilities	(1,250,357)	(1,231,815)
Non-current liabilities	(594,493)	(86,280)
Net asset	<u>\$ 11,430,073</u>	<u>11,356,479</u>
Net asset contributed to FATC	<u>\$ 11,430,073</u>	<u>11,356,479</u>
	<b>For the year ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
Operating revenue	<u>\$ 9,457,849</u>	<u>8,785,525</u>
Profit	1,262,496	1,420,293
Other comprehensive (loss) income	(83,445)	(138,670)
Total comprehensive (loss) income	<u>\$ 1,179,051</u>	<u>1,281,623</u>
Comprehensive income contributed to FATC	<u>\$ 1,179,051</u>	<u>1,281,623</u>
	<b>For the year ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
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	1,474,005	2,162,315
Total comprehensive income contributed to the Group	235,924	(4,588)
Uncollected dividends beyond the collection period which are reclassified to capital surplus	19	5
Cash dividends contributed to the Group	(210,056)	-
Share of net assets of major associate at December 31	3,657,624	2,157,732
Add: good will	1,463,162	887,684
Less: unrealized profits on upstream sales net assets of the associates	(101,550)	(38,813)
Total carrying amount of the major associate	<u>\$ 5,019,236</u>	<u>3,006,603</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.

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**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:

	<b>February 26, 2018</b>
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>
<b>Cost:</b>						
Balance as of January 1, 2019	\$ 1,013,924	7,740,635	180,746,435	1,132,778	13,886,443	204,520,215
Additions	-	-	2,052,813	44,373	1,988,981	4,086,167
Disposals	-	-	(102,453)	(258,379)	-	(360,832)
Reclassification	-	416,922	13,209,013	365	(13,626,300)	-
Effect of exchange rate change	-	(6)	(2,088)	(122)	-	(2,216)
Balance as of December 31, 2019	<u>\$ 1,013,924</u>	<u>8,157,551</u>	<u>195,903,720</u>	<u>919,015</u>	<u>2,249,124</u>	<u>208,243,334</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	-	-	2,483,401	77,247	18,442,417	21,003,065
Disposals	-	-	(542,734)	(65,391)	-	(608,125)
Disposal of a subsidiary	-	-	(60)	(23,771)	-	(23,831)
Reclassification	-	237,913	6,085,627	10,841	(6,334,267)	114
Effect of exchange rate change	-	91	289	82	-	462
Balance as of December 31, 2018	<u>\$ 1,013,924</u>	<u>7,740,635</u>	<u>180,746,435</u>	<u>1,132,778</u>	<u>13,886,443</u>	<u>204,520,215</u>
<b>Accumulated depreciation / impairment:</b>						
Balance as of January 1, 2019	\$ -	1,978,349	106,196,034	986,840	-	109,161,223
Depreciation for the period	-	317,039	13,772,529	38,112	-	14,127,680
Reversal of impairment loss	-	-	(213,282)	-	-	(213,282)
Disposals	-	-	(102,148)	(258,379)	-	(360,527)
Reclassification	-	-	(180)	180	-	-
Effect of exchange rate change	-	(8)	(1,768)	(96)	-	(1,872)
Balance as of December 31, 2019	<u>\$ -</u>	<u>2,295,380</u>	<u>119,651,185</u>	<u>766,657</u>	<u>-</u>	<u>122,713,222</u>

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**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	-	301,360	11,659,800	22,106	-	11,983,266
Reversal of impairment loss	-	-	(109,745)	-	-	(109,745)
Disposals	-	-	(533,850)	(65,391)	-	(599,241)
Disposal of a subsidiary	-	-	(60)	(19,879)	-	(19,939)
Reclassification	-	-	(185)	191	-	6
Effect of exchange rate change	-	62	142	22	-	226
Balance as of December 31, 2018	<u>\$ -</u>	<u>1,978,349</u>	<u>106,196,034</u>	<u>986,840</u>	<u>-</u>	<u>109,161,223</u>
Carrying amounts:						
Balance as of December 31, 2019	<u>\$ 1,013,924</u>	<u>5,862,171</u>	<u>76,252,535</u>	<u>152,358</u>	<u>2,249,124</u>	<u>85,530,112</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>

(i) Reversal of impairment loss and impairment loss

The estimated future recoverable amount of equipment, which had been identified to be no longer useful for its operation, is higher than the book value. In 2019 and 2018, the Group reassessed its estimates, wherein the amount of \$213,282 and \$109,745 of the initially recognized impairment has been reversed.

(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 December 31, 2019	<u>\$ 297,829</u>
Accumulated depreciation:	
Balance at January 1, 2019	\$ -
Effect of retrospective application	-
Depreciation for the period	198,607
Balance at December 31, 2019	<u>\$ 198,607</u>
Carrying Amount:	
Balance at December 31, 2019	<u>\$ 99,222</u>

(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

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# NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

lease agreement for an unlimited number of consecutive additional terms of five years each, by providing a written notice with the intention to renew the lease term commencing from January 1, 2019. MTTW has completed the renewal of its lease agreement, with a written notice on December 13, 2018. In addition, MTTW has an exclusive option to purchase the leased assets for a total purchase price of USD50,000 thousand on and after January 1, 2024. Also, the rental receivable for the entire year of 2009 has been waived. Initial yearly rentals for the leased building (including facilities and land) were USD13,010 thousand and USD1,990 thousand, respectively from January 1, 2010 to December 31, 2018; the first yearly renewal rentals for the leased building (including facilities and land) will be USD8,010 thousand and USD1,990 thousand, respectively, from January 1, 2019 to December 31, 2023; the subsequent yearly renewal rentals for the leased building (including facilities and land) will be USD10 thousand and USD1,990 thousand commencing from January 1, 2024. The amended lease agreement for the building (including facilities) is treated as a capital lease because (a) the present value of the periodic rental payments made since the inception date is at least 90% of the market value of the leased assets and (b) the lease term is equal to 75% or more of the total estimated economic life of the leased assets. The land is treated as an operating lease.

- (ii) The total lease receivable from the capital lease of the building (including facilities) was \$5,185,620; the implicit interest rate was 10.56%. The cost of the leased assets at the beginning of the lease period was \$2,656,223. The difference was recognized as unrealized interest revenue of \$2,529,397. For the years ended December 31, 2019 and 2018, the Group recognized the interest revenue of \$96,730 and \$119,578, respectively, from the amortization of unrealized interest revenue.

The details of lease receivables were as follows:

	December 31, 2019			December 31, 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
Less than one year	\$ 264,331	78,317	186,014	264,331	96,730	167,601
Between one and five years	792,989	103,103	689,886	1,057,320	181,420	875,900
Sub-total	<u>\$ 1,057,320</u>	<u>181,420</u>	<u>875,900</u>	<u>1,321,651</u>	<u>278,150</u>	<u>1,043,501</u>
Current			\$ 186,014			167,601
Non-current			689,886			875,900
			<u>\$ 875,900</u>			<u>1,043,501</u>

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

(Continued)

**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(i) Bonds Payable

	<b>December 31, 2018</b>
Issuance of unsecured overseas convertible bonds	\$ 14,267,000
Conversion of convertible bonds to ordinary shares	<u>(14,267,000)</u>
	<u>\$ -</u>
	<b>For the year ended December 31, 2018</b>
Embedded derivatives-call and put options and conversion rights re-measured at fair value through loss (included other gain and losses)	<u>\$ 140,266</u>

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 days 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>

(Continued)

**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

<b>Item</b>	<b>The first unsecured overseas convertible bond</b>
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 is 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

	<b>December 31, 2019</b>
Current	<b>\$ 99,924</b>

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

The amount recognized in profit or loss were as follows:

	<b>For the year ended December 31, 2019</b>
Interest on lease liabilities	<b>\$ 2,933</b>
Expense relating to short-term and low-value lease assets	<b>\$ 81,096</b>

(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:

	<b>For the year ended December 31, 2019</b>
Total cash outflow for leases	<b>\$ <u>255,304</u></b>

(i) Land lease

As of December 31, 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

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

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Present value of defined benefit obligations	\$ 1,098,174	1,025,794
Fair value of plan assets	<u>(522,278)</u>	<u>(488,491)</u>
Net defined benefit liabilities	<b>\$ <u>575,896</u></b>	<b><u>537,303</u></b>

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

1) Composition of plan assets

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

(Continued)



**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

As of December 31, 2019, the Group's pension fund with Bank of Taiwan amounted to \$522,278. Please refer to the related information published on the website of the Labor Pension Supervisory Committee concerning the utilization of the labor pension fund, related yield rate and its allocation.

2) Movements in present value of the defined benefit obligations

	<b>For the years ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
Defined benefit obligation as of January 1,	\$ 1,025,794	984,774
Current service and interest costs	18,052	17,675
Remeasurement of net defined benefit liabilities		
— actuarial losses arising from change in financial assumptions	64,451	30,568
Benefits paid	(10,123)	(7,223)
Defined benefit obligation as of December 31,	<u>\$ 1,098,174</u>	<u>1,025,794</u>

3) Movements in fair value of defined benefit plan assets

	<b>For the years ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
Fair value of plan assets as of January 1,	\$ 488,491	458,977
Interest income	6,192	5,822
Remeasurement of net defined liabilities		
— return on plan assets (excluding interest income)	22,355	12,472
Contributions from employer	14,357	13,998
Benefits already paid by the plan	(9,117)	(2,778)
Fair value of plan assets as of December 31,	<u>\$ 522,278</u>	<u>488,491</u>

4) Expenses recognized in profit or loss

	<b>For the years ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
Current service costs	\$ 5,230	5,365
Net interest income of net defined benefit liabilities	12,822	12,310
Expected rate of return for the plan asset	(6,192)	(5,822)
	<u>\$ 11,860</u>	<u>11,853</u>
Cost of goods sold	\$ 7,662	7,799
Operating expenses	4,198	4,054
	<u>\$ 11,860</u>	<u>11,853</u>

(Continued)

**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

	<b>For the years ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
Balance of January 1,	\$ 23,635	11,729
Recognized during the period	33,677	14,477
Adjustment in tax rate	-	(2,571)
Balance of December 31,	<u><u>\$ 57,312</u></u>	<u><u>23,635</u></u>

- 6) Actuarial assumptions

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Discount rate	1.00 %	1.25 %
Future salary increases	2.85 %	2.85 %

Based on the actuarial report, the Group is expected to make contributions of \$15,098 to the defined benefit plans in 2019.

The weighted average duration of the defined benefit plan is 17.6 years.

- 7) Sensitivity analysis

	<b>Effect of defined benefit obligations</b>	
	<b>Increase Amount</b>	<b>Decrease Amount</b>
December 31, 2019		
Discount rate (change 0.25%)	\$ 41,656	(39,743)
Future salaries (change 1%)	176,405	(149,197)
December 31, 2018		
Discount rate (change 0.25%)	41,904	(39,885)
Future salaries (change 1%)	178,420	(149,450)

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

The same methods and assumptions are adopted in the two-year sensitivity analysis.

(Continued)

**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Defined contribution plan

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

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

The Group's pension costs under the contribution pension plan amounted to \$158,696 and \$144,195 for the years ended 2019 and 2018, respectively.

(l) Income tax

- (i) The Group's income tax expenses recognized for the years ended December 31, 2019 and 2018 were as follows:

	<b>For the year ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
Current tax expense		
Current period	\$ 892,390	22,265
Adjustment for prior periods	-	15,009
Surtax on undistributed earnings	187,965	2,187,695
Deferred tax expense (income)	<u>320,328</u>	<u>(1,482)</u>
Tax expense	<u><b>\$ 1,400,683</b></u>	<u><b>2,223,487</b></u>

The Group's tax expense recognized in other comprehensive income or the years ended December 31, 2019 and 2018 were as follows:

	<b>For the year ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
Items that could not be reclassified subsequently to profit or loss:		
Remeasurement of net defined benefit plan	\$ 8,419	3,619
Adjustment in tax rate	<u>-</u>	<u>2,571</u>
	<u><b>\$ 8,419</b></u>	<u><b>6,190</b></u>

(Continued)

**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The Group's tax expense calculated at the statutory income tax rate on the financial reporting income before income taxes was reconciled to the tax expense as follows:

	<b>For the years ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
Income tax calculated based on local tax rate	\$ 2,445,925	8,326,847
Effect of foreign tax rate change	(183,605)	5,543
Tax effect of permanent differences	(168,234)	(85,999)
Change in unrecognized temporary difference	(50,986)	178,361
Tax effect of unrecognized current-year loss carryforward	(829,740)	(8,405,858)
Income basic tax	-	2,209
(Understatement) overstatement in prior year's income tax	(119)	14,998
Surtax on undistributed earnings	187,965	2,187,695
Other	(523)	(309)
<b>Total</b>	<b>\$ 1,400,683</b>	<b>2,223,487</b>

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred income tax assets

	<b>For the years ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
Net operating loss carry forwards	\$ -	843,606

The ROC Income Tax Act allows tax losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. The aforementioned tax losses are not recognized as deferred tax assets as the Group estimates that the taxable income in the future will not be sufficient for covering temporary differences.

2) Recognized deferred tax liabilities and assets

Deferred tax assets :

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

(Continued)

**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	Operating loss carry forwards	Impairment loss of assets	Improvements cost of enviromental safety and factory facilities	Others	Total
<b>Balance as of January 1, 2018</b>	\$ 297,195	255,113	143,332	226,919	922,559
Recognized in profit or loss	(201,406)	(65,554)	-	194,209	(72,751)
Recognized in other comprehensive income	-	-	-	3,619	3,619
Adjustment in tax rate recognized in profit or loss	(95,789)	45,020	25,293	36,617	11,141
Adjustment in tax rate recognized in other comprehensive income	-	-	-	2,571	2,571
Exchange differences on translation of foreign financial statements	-	-	-	172	172
<b>Balance as of December 31, 2018</b>	<u>\$ -</u>	<u>234,579</u>	<u>168,625</u>	<u>464,107</u>	<u>867,311</u>

Deferred tax liabilities :

	Unrealized foreign exchange gain	Others	Total
<b>Balance as of January 1, 2019</b>	\$ -	625	625
Recognized in profit or loss	-	601	601
Exchange differences on translation of foreign financial statements	-	(29)	(29)
<b>Balance as of December 31, 2019</b>	<u>\$ -</u>	<u>1,197</u>	<u>1,197</u>
<b>Balance as of January 1, 2018</b>	\$ 63,132	567	63,699
Recognized in profit or loss	(74,273)	40	(74,233)
Recognized in other comprehensive income	11,141	-	11,141
Exchange differences on translation of foreign financial statements	-	18	18
<b>Balance as of December 31, 2018</b>	<u>\$ -</u>	<u>625</u>	<u>625</u>

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

(m) Capital and other equity

As of December 31, 2019 and 2018, the Group's government registered total authorized capital both amounted to \$300,000,000 with \$10 par value per share, the number of ordinary shares both were 30,000,000 thousand shares and total paid-up ordinary share amounted to \$30,733,649 and \$31,032,389 respectively. All issued shares were paid up upon issuance.

(Continued)

**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The movements of shares outstanding for the years ended December 31, 2019 and 2018 were as follows:

(in thousand shares)

	<b>Ordinary Shares</b>	
	<b>2019</b>	<b>2018</b>
Balance as of January 1,	3,103,239	2,963,938
Conversion of convertible bonds	-	73,284
Conversion of certificates of bonds-to-share	-	22,396
Exercise of employees shares options	20,262	43,621
Retirement of treasury shares	(50,136)	-
Balance as of December 31,	<u><b>3,073,365</b></u>	<u><b>3,103,239</b></u>

(i) Ordinary Share

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

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

In addition, 22,396 thousand shares of certificates of entitlement had been issued as of December 31, 2017; all certificates of entitlement had been transferred to ordinary shares, and the related process for the registration had been completed in the first quarter of 2018.

For the years ended December 31, 2019 and 2018, the overseas convertible bondholders exercised some of their conversion rights and the Group issued 73,284 thousand ordinary shares at a par value which totaled 732,839, respectively. The process for the registration had been completed.

On November 12 and August 10, 2018, the Group's board of directors approved to issue the Company's ordinary shares deriving from the exercise of employee share options. The Group had issued 1,819 thousand and 41,802 thousand ordinary shares at par value, with the issuing prices of \$34.3 and \$33.1 per share, which totaled \$436,210. All issued shares were paid up upon issuance and the related process for registration had been completed.

(Continued)

**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

For the fourth quarter of 2018, the Group's ordinary shares were derived from the exercise of employee share options. Accordingly, the Group had issued 196 thousand ordinary shares, at issuing prices of \$33.1 per share, which totaled \$6,488, which was recognized as advance receipts for share capital as of December 31, 2018.

(ii) Capital surplus

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Premium from the issuance of stock	\$ 29,010,509	30,712,310
Employee stock option plans	2,732,307	2,844,690
Expired employee stock option plans	262,499	-
Change in equity of associates accounted for using equity method	<u>24</u>	<u>5</u>
	<b><u>\$ 32,005,339</u></b>	<b><u>33,557,005</u></b>

In accordance with the R.O.C. Group Act, realized capital reserves can only be reclassified as share capital or distributed as cash dividends after offsetting losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the capitalization of capital reserves every year shall not exceed 10 percent of the paid-up capital.

(iii) Retain earning

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

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

1) Legal reserve

When the 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.

(Continued)

**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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:

		<b>For the year ended December 31, 2018</b>	
		<b>Dividends per share</b>	<b>Amount</b>
Dividends attributable to ordinary shareholders:			
Cash dividends	\$	7.11	<u><b>21,700,000</b></u>
		<b>For the year ended December 31, 2017</b>	
		<b>Dividends per share</b>	<b>Amount</b>
Dividends attributable to ordinary shareholders:			
Cash dividends	\$	3.56	<u><b>10,879,288</b></u>

(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:

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

  

<b>Reasons for repurchase of shares</b>					
<b>Transferring to employees</b>		<b>Protecting the Company's integrity and shareholders' equity</b>		<b>Total</b>	
<b>thousand shares</b>	<b>Amount</b>	<b>thousand shares</b>	<b>Amount</b>	<b>thousand shares</b>	<b>Amount</b>
Balance as of January 1, 2018	-	\$ -	-	-	-
Repurchase for the period	20,000	1,146,932	30,445	1,635,743	50,445 2,782,675
Balance as of December 31, 2018	<u>20,000</u>	<u>\$ 1,146,932</u>	<u>30,445</u>	<u>1,635,743</u>	<u>50,445 2,782,675</u>

(Continued)



# NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

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

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

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

(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	(758,303)	-	(758,303)
Unrealized loss from financial of assets measured at fair value through other comprehensive loss, associates accounted for using equity method	-	(8,963)	(8,963)
Balance as of December 31, 2019	<u>\$ (938,039)</u>	<u>(103,061)</u>	<u>(1,041,100)</u>
Balance as of January 1, 2018	\$ (39,163)	-	(39,163)
Exchange differences on translation of foreign financial statements	(140,573)	-	(140,573)
Unrealized loss from financial assets measured at fair value through other comprehensive loss associates accounted for using equity method	-	(94,098)	(94,098)
Balance as of December 31, 2018	<u>\$ (179,736)</u>	<u>(94,098)</u>	<u>(273,834)</u>

(Continued)

**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(n) Share-based payment

The Group has issued stock options under the employee stock option plan (ESOP) as follows:

	<b>The 7th batch of Employee Stock Option Plan</b>	<b>The 8th batch of Employee Stock Option Plan</b>	<b>The 9th batch of Employee Stock Option Plan</b>
Grant date	2011.03.21	2016.5.10	2016.8.11
Grant unit	70,000	97,500	2,500
Exercise price (Notes 1-8)	14.6	38.0	36.6
Deal period	8 years (Expires on March 20,2019)	8years	8years
Vested Conditions	Duration of two years duration and at certain proportion	Duration of two years duration and at certain proportion	Duration of two years duration and at certain proportion

Note 1: The Company increased its capital through carrying out a private placement of ordinary shares in 2011, 2012 and 2013. As a result, the exercise prices of the 7th batch of the employee stock option plan was adjusted to \$6.0 dollars, \$5.1 dollars and \$4.3 dollars, respectively, in accordance with the offering and exercising terms and conditions of ESOP.

Note 2: The Company reduced its capital in 2014. As a result, the exercise price of the 7th batch of the employee stock option plan was adjusted to \$43 dollars in accordance with the offering and exercising terms and conditions of ESOP.

Note 3: The Company approved to distribute its cash dividends in 2015. As a result, the exercise price of the 7th batch of the employee stock option plan was adjusted to \$41.5 dollars in accordance with the offering and exercising terms and conditions of ESOP.

Note 4: The Company increased its capital through issuing of shares in 2016. As a result, the exercise price of the 7th batch of the employee stock option plan was adjusted to \$40.9 dollars in accordance with the offering and exercising terms and conditions of ESOP.

Note 5: The Company approved to distribute its cash dividends in 2016. As a result, the exercise price of the 7th and 8th batch of the employee stock option plan were adjusted to \$ 38 dollars and \$ 35.3 dollars, respectively, in accordance with the offering and exercising terms and conditions of ESOP.

Note 6: The Company approved to distribute its cash dividends in 2017. As a result, the exercise price of the 7th, 8th and 9th batch of the employee stock option plan were adjusted to \$36.9 dollars, \$34.3 dollars and \$35.5 dollars, respectively, in accordance with the offering and exercising terms and conditions of ESOP.

Note 7: The Company approved to distribute its cash dividends in 2018. As a result, the exercise price of the 7th, 8th and 9th batch of the employee stock option plan were adjusted to \$35.6 dollars, \$33.1 dollars and \$34.3 dollars, respectively, in accordance with the offering and exercising terms and conditions of ESOP.

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

(Continued)

**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

	<b>The 7th batch of Employee Stock Option Plan</b>	<b>The 8th batch of Employee Stock Option Plan</b>	<b>The 9th batch of Employee Stock Option Plan</b>
Dividend yield	- %	- %	- %
Expected volatility	53.79 %	55.47 %	45.80 %
Risk-free rate	0.9307 %	0.5728 %	0.529 %
Fair value of unit stock option (dollar)	\$ 5.91	18.77	15.30

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

- (ii) Relevant information of employee stock option plans

The Company:

	<b>For the years ended December 31,</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Weighted- average exercise (price TWD)</b>	<b>Number of options (Thousand Units)</b>	<b>Weighted- average exercise (price TWD)</b>	<b>Number of options (Thousand Units)</b>
Outstanding at January 1,	\$ 34.49	109,382	35.34	155,374
Options granted	29.22	(20,185)	33.12	(43,817)
Options expired	35.60	(60,367)	-	-
Options forfeited	29.25	(628)	33.99	(2,175)
Outstanding at December 31,	29.25	<b>28,202</b>	34.49	<b>109,382</b>
Options exercisable at December 31,	29.23	<b>5,617</b>	35.50	<b>62,992</b>

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

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Range of exercise price (dollar)	29.2~33.1	33.1~35.6
Weighted average of remaining option plan period (year)	4.36~4.61	0.22~5.61

- (iii) Compensation cost

	<b>For the years ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
Compensation cost arising from share options granted to employees	<b>\$ 150,116</b>	<b>717,656</b>

(Continued)

**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(o) Earnings per share

	<b>For the years ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>Basic earnings per share:</b>		
Net profit attributable to the Company	\$ <u>9,824,599</u>	<u>39,361,625</u>
Weighted-average number of ordinary shares outstanding (basic)	<u>3,045,219</u>	<u>3,074,181</u>
Basic earnings per share (dollar)	\$ <u>3.23</u>	<u>12.80</u>
<b>Diluted earnings per share:</b>		
Net profit attributable to the Company (basic)	\$ <u>9,824,599</u>	<u>39,361,625</u>
Weighted-average number of ordinary shares (basic)	<u>3,045,219</u>	<u>3,074,181</u>
Effect of employee share option	22,392	69,935
Effect of employee remuneration	<u>14,052</u>	<u>34,252</u>
Weighted-average number of ordinary shares (diluted)	<u>3,081,663</u>	<u>3,178,368</u>
Diluted earnings per share (dollar)	\$ <u>3.19</u>	<u>12.38</u>

(p) Revenue from contracts with customers

(i) Disaggregation of revenue

	<b>For the years ended December 31, 2019</b>		
	<b>Manufacturing department</b>	<b>Overseas sales department</b>	<b>Total</b>
Primary geographic markets:			
Taiwan	\$ 19,426,583	588,110	20,014,693
Turkey	-	245,878	245,878
Japan	-	1,762,307	1,762,307
Malaysia	106,853	827,297	934,150
Korea	165,693	552,319	718,012
China	18,376,066	6,151,341	24,527,407
USA	254,778	164,345	419,123
Thailand	419,045	658,794	1,077,839
Other countries	<u>441,288</u>	<u>1,586,761</u>	<u>2,028,049</u>
	<u>\$ 39,190,306</u>	<u>12,537,152</u>	<u>51,727,458</u>
Major products line:			
Dynamic Random Access Memory (DRAM)	\$ 38,981,075	12,536,039	51,517,114
Other	<u>209,231</u>	<u>1,113</u>	<u>210,344</u>
	<u>\$ 39,190,306</u>	<u>12,537,152</u>	<u>51,727,458</u>

(Continued)

**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2018			
	Manufacturing department	Overseas sales department	Total
Primary geographic markets:			
Taiwan	\$ 37,938,624	339,011	38,277,635
Turkey	-	426,437	426,437
Japan	-	2,060,489	2,060,489
Malaysia	500,316	948,412	1,448,728
Korea	518,720	321,290	840,010
China	25,193,509	12,172,695	37,366,204
USA	295,393	297,093	592,486
USA	1,172,239	179,819	1,352,058
Other countries	300,171	2,057,586	2,357,757
	<u>\$ 65,918,972</u>	<u>18,802,832</u>	<u>84,721,804</u>
Major products line:			
Dynamic Random Access Memory (DRAM)	\$ 65,777,291	18,801,745	84,579,036
Other	141,681	1,087	142,768
	<u>\$ 65,918,972</u>	<u>18,802,832</u>	<u>84,721,804</u>
(ii) Contract balances			

	December 31, 2019	December 31, 2018	January 1, 2018
Notes receivable from operating activities	\$ -	481	3,577
Notes receivable from non-operating activities	41,545	-	-
Accounts receivable	7,291,735	9,772,558	8,530,890
Less: allowance for impairment	-	(9,298)	(8,859)
Total	<u>\$ 7,333,280</u>	<u>9,763,741</u>	<u>8,525,608</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 Group's articles of incorporation, if the Group makes a profit, it should appropriate for employee compensation which is calculated based on 1% to 12% of the Group's net income before tax before deduction of employee compensation, and after offsetting accumulated deficits, if any, should be distributed as employee compensations. Employees who are entitled to receive the above-mentioned employee compensation, in shares or cash, include the employees of the subsidiaries of the Group who meet certain specific requirements.

(Continued)

**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The estimated employee remuneration which was charged to profit or loss under operating costs or expense amounted to \$800,000 and \$1,740,000 for the years ended December 31, 2019 and 2018, respectively. This employee remuneration was estimated based on the Company's net income before tax before deducting any employee compensation, according to the earnings allocation method as stated under the Company's articles of association, the related information would be available at the Market Observation Post System website.

There is no difference between the estimated employee remuneration, which was stated in the financial statements for the year ended December 31, 2019, and the amounts approved by the Company's board of directors.

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 distributions in 2019, amounted to \$1,739,997. The Company recognized difference of \$3 in profit or loss in 2019.

(r) Non-operating income and expenses

(i) Other income

	<b>For the years ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
Bank deposits and short-term notes	\$ 1,206,864	910,806
Financial lease	96,730	119,578
	<b>\$ 1,303,594</b>	<b>1,030,384</b>

(ii) Other gains and losses

	<b>For the years ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
Gain on disposal of property, plant and equipment	\$ 4,424	16,859
Gain on disposal on a subsidiary	-	497
Foreign exchange gain (loss)	(186,184)	1,180,313
Net loss on financial assets and liabilities at fair value through profit or loss	-	(281,107)
Reversal of impairment loss (impairment loss) on non-financial assets	213,282	109,745
Others	183,227	126,220
	<b>\$ 214,749</b>	<b>1,152,527</b>

(Continued)

**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) Finance costs

	<b>For the years ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
Bank loan	\$ -	26
Amortization interest of overseas convertible bond	-	5,105
Financing from other related parties	140	419
Amortization interest of lease liabilities	2,933	-
Others	191	194
	<u><u>\$ 3,264</u></u>	<u><u>5,744</u></u>

(s) Financial instruments

(i) Credit risk

1) Exposure to credit risk

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

2) Concentration of credit risk

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

As of December 31, 2019 and 2018, the Group's major customers consisted of four and five customers which accounted for 42.66% and 39.31%, respectively, of accounts receivable so that management believes the concentration of credit risk.

3) Credit risk of receivables

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

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

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

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## NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018, no allowance for impairment was provided because there was no indication of credit-impaired for the 12-month ECL or lifetime ECL allowance for other financial assets measured at amortized cost.

#### (ii) Liquidity risk

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

	Carrying amount	Contractual cash flow	Within 6 months	6-12months	1-2years	2-5years	Over 5 years
<b>December 31, 2019</b>							
Non-derivative financial liabilities							
Financing from other related parties	\$ 3,450	3,635	3,635	-	-	-	-
Accounts payable (including related parties)	2,705,781	2,705,781	2,705,781	-	-	-	-
Other payables (including related parties)	7,853,737	7,853,737	7,853,737	-	-	-	-
Lease liabilities	99,924	100,336	100,336	-	-	-	-
	<u>\$ 10,662,892</u>	<u>10,663,489</u>	<u>10,663,489</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>December 31, 2018</b>							
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 payables (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>

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

#### (iii) Currency risk

##### 1) Exposure to currency risk

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

	December 31, 2019			December 31, 2018		
	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	\$ 242,435	30.106	7,298,748	1,565,831	30.733	48,122,684
JPY	888,926	0.2763	245,610	3,219,721	0.2772	892,507
EUR	144	33.6895	4,851	7	35.1670	246
HKD	227,936	3.8634	880,608	-	-	-

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**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	December 31, 2019			December 31, 2018		
	Foreign currency (in thousands)	Exchange rate (dollars)	New Taiwan Dollars	Foreign currency (in thousands)	Exchange rate (dollars)	New Taiwan Dollars
Financial liabilities:						
Monetary items						
USD	112,965	30.106	3,400,924	135,655	30.733	4,169,085
JPY	2,014,894	0.2763	556,715	2,644,019	0.2772	732,922
EUR	4,616	33.6895	155,511	4,387	35.1670	154,278

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange fluctuations on cash and cash equivalents, accounts receivable, accounts payable 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 December 31, 2019 and 2018 would have increased the net income before tax by \$43,167 and \$439,592 for the years ended December 31, 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.

Since the Group has many kinds of functional currency, the information on foreign exchange loss on monetary items is disclosed by total amount. For the years ended December 31, 2019 and 2018, foreign exchange gain (including realized and unrealized portions) amounted to \$(186,184) and \$1,180,313, respectively.

(iv) interest rate analysis

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

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

If the interest rate had increased by 1 basis points, the Group's net income would have increased or decreased by \$35 and \$76 for the years ended December 31, 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.

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**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(v) 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:

		December 31, 2019				
		Fair Value				
	Book Value	Level 1	Level 2	Level 3	Total	
Financial assets measured at amortized cost						
Cash and cash equivalents	\$ 44,148,979	-	-	-	-	
Notes and accounts Receivable	7,333,280	-	-	-	-	
Other receivables (including related parties)	1,434,729	-	-	-	-	
Lease payments receivable (including current portion)	875,900	-	-	-	-	
Total	<u>\$ 53,792,888</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Financial liabilities measured at amortized cost						
Accounts payable (including related parties)	\$ 2,706,958	-	-	-	-	
Other payables (including related parties)	7,856,010	-	-	-	-	
Lease liabilities-current	99,924	-	-	-	-	
Total	<u>\$ 10,662,892</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
		December 31, 2018				
		Fair Value				
	Book Value	Level 1	Level 2	Level 3	Total	
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 portion)	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>	

(Continued)

**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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 years ended December 31, 2019 and 2018.

(t) Financial risk management

(i) Nature and extent

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

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

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

(ii) Framework of risk management

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

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

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## NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

#### (iii) Credit risk

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

##### 1) Accounts receivable

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

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

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

##### 2) Investment

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

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**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iv) Liquidity risk

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

The Group has unused bank facilities for \$17,479,000 and \$15,337,000 as of December 31, 2019 and 2018.

(v) Market risk

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

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

1) Currency risk

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

2) Interest rate risk

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

(u) 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 December 31, 2019 and 2018 were as follows:

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

(ii) Conversion of convertible bonds to ordinary shares

**For the years  
ended  
December 31,  
2018**  
**3,240,750**

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**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
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	<b>For the years ended December 31, 2019</b>
(iii) Retirement of treasury shares	<b>\$ <u>2,665,621</u></b>
(iv) Reconciliation of liabilities arising from financing activities were as follows :	

	<u>January 1, 2019</u>	<u>Cash flow</u>	<u>Change in an index of lease payment</u>	<u>Non-Cash changes Increased by other payables</u>	<u>Interest expense</u>	<u>December 31, 2019</u>
Other payables to related parties	\$ 7,625	(4,175)	-	-	-	3,450
Lease liabilities	300,605	(184,115)	(2,776)	(16,723)	2,933	99,924
	<b>\$ <u>308,230</u></b>	<b><u>(188,290)</u></b>	<b><u>(2,776)</u></b>	<b><u>(16,723)</u></b>	<b><u>2,933</u></b>	<b><u>103,374</u></b>

(v) Capital management

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

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

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Total Liabilities	\$ 13,089,099	17,678,515
Deduct: cash and cash equivalents	<u>(44,148,979)</u>	<u>(57,384,006)</u>
Net liabilities	<b>\$ <u>(31,059,880)</u></b>	<b><u>(39,705,491)</u></b>
Total equity	<b>\$ <u>152,011,553</u></b>	<b><u>164,907,298</u></b>
Debt-to-capital ratio	<b><u>(20.43)%</u></b>	<b><u>(24.08)%</u></b>

The Group has not changed its capital management strategy as of December 31, 2019.

(Continued)

**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(7) Related-party transactions:**

**(a) Names and relationship with related parties**

The following are entities that have had transactions with related party during the periods covered in the 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
Formosa Advanced Technologies Co., Ltd. (referred to as "FATC")	The Group's associates
Formosa Technologies Corporation	The Group's other related parties
Formosa Biomedical Technology Corp.	The Group's other related parties
Formosa Plastics Corporation	The Group's other related parties
Formosa 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
Formosa Taffeta Co., Ltd.	The Group's other related parties

**(b) Significant transactions with related parties**

**(i) Purchase from related parties**

<u>Relationship</u>	<u>Purchases</u>		<u>Accounts payable to related parties</u>	
	<u>For the year ended</u>	<u>December 31,</u>	<u>December</u>	<u>December</u>
	<u>2019</u>	<u>2018</u>	<u>31, 2019</u>	<u>31, 2018</u>
Entities with significant influence over the Group	\$ 98,740	77,917	6,183	5,626
Associates	1,157	5,390	-	-
Other related parties:				
Formosa Sumco Technology Corporation	1,199,180	1,729,352	119,204	322,068
Other related parties	<u>305,673</u>	<u>172,238</u>	<u>7,812</u>	<u>4,370</u>
	<u>\$ 1,604,750</u>	<u>1,984,897</u>	<u>133,199</u>	<u>332,064</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.

(Continued)

**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Consigned out for processing

Relationship	Amount		Other payables to related parties	
	For the year ended December 31,		December 31, 2019	December 31, 2018
	2019	2018		
Associates	\$ <u>7,088,474</u>	<u>6,161,227</u>	<u>1,202,342</u>	<u>931,059</u>

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

(iii) Financing from related parties

Relationship	Financial costs	
	For the year ended December 31	
	2019	2018
Other related parties:		
Formosa Heavy Industries Corp. (GZ) Ltd.	\$ -	79
Formosa Transportation (Ningbo) Corp.	-	45
Formosa Technologies (Nanjing) Corporation	140	274
Formosa Heavy Industries Corporation	-	21
	<u>\$ 140</u>	<u>419</u>

Relationship	Other payables to related parties				
	Balance of borrowings			Interest payable	
	December 31, 2019	December 31, 2018	December 31, 2018	December 31, 2019	December 31, 2018
Other related parties:					
Formosa Technologies (Nanjing) Corporation	\$ <u>3,450</u>	<u>7,625</u>	<u>7,625</u>	<u>65</u>	<u>156</u>

(iv) Property transactions

1) Acquisition of equipment

Relationship	Acquisition price		Other payables to related parties	
	For the year ended December 31,		December 31, 2019	December 31, 2018
	2019	2018		
Entities with significant influence over the Group	\$ -	391	-	-
Other related parties	340	8,017	-	104
	<u>\$ 340</u>	<u>8,408</u>	<u>-</u>	<u>104</u>

(Continued)



**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) Acquisition of Financial Assets

		For the year ended December 31, 2019		
<u>Relationship</u>	<u>Account</u>	<u>Number of shares (in thousands)</u>	<u>Item of transaction</u>	<u>Acquisition price</u>
Associates-Formosa Taffeta Co.,Ltd.	Investments accounted for using equity method	57,489	Shares of stock of Formosa Advanced Technologies Co., Ltd.	\$ <u><u>2,049,483</u></u>

  

		For the year ended December 31, 2018		
	<u>Financial Statement Account</u>	<u>Number of Shares (in thousands)</u>	<u>Item of transaction</u>	<u>Acquisition price</u>
Associates	Investments accounted for using equity method	84,022	Shares of stock of Sky Dragon Investment Limited	\$ <u><u>3,049,999</u></u>

(v) Leases

<u>Relationship</u>	<u>Acquisition price</u>	
	<u>For the year ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Entities with significant influence over the Group	\$ <u><u>49,426</u></u>	<u><u>228,800</u></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 year ended 2019, the rent expense was amounting to \$202,928 .

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 year ended December 31, 2019, the Group recognized the amount of \$2,933, as interest expense. As of December 31, 2019, the balance of lease liabilities amounted to \$99,924.

(vi) Other

<u>Relationship</u>	<u>Other income</u>	<u>Other payables to related parties</u>
	<u>December 31, 2019</u>	<u>December 31, 2019</u>
	<u>\$ <u>41,545</u></u>	<u><u>41,545</u></u>
Entities with significant influence over the Group		

(Continued)

**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(c) Key management personnel compensation

Key management personnel compensation comprised:

	<b>For the years ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
Short-term employee benefits	\$ 103,456	81,043
Share-based payment	3,942	18,957
	<b><u>\$ 107,398</u></b>	<b><u>100,000</u></b>

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:

<b>Pledged assets</b>	<b>Object</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Other non-current assets	Office leasing	<b><u>\$ 5,122</u></b>	<b><u>5,137</u></b>

**(9) Commitments and contingencies:**

(a) Significant commitments

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Guarantees for importation goods provided by bank	\$ 1,045,000	1,035,000
Unused letters of credit	39,023	419,639
Total	<b><u>\$ 1,084,023</u></b>	<b><u>1,454,639</u></b>

(b) Contingent liabilities

- (i) In 2000, the Company was charged by Brazil's Ministry of Justice as being involved in the International Monopolies, which influences Brazil's DRAM market. Consequently, the Company, other large international companies and individuals are investigated at the same time. The lawsuit was in a court hearing. The Company has engaged counsels to properly handle it to ensure the Company's rights.
- (ii) In October 2016, Lone Star Silicon Innovations LLC (Lone Star) filed a lawsuit against Nanya Technology Corp. (Nanya) and two of its subsidiaries, Nanya Technology Corp., USA (NTC USA) and Nanya Technology Corp., Delaware (NTC Delaware), to the US District Court of East Texas for patent infringement. The lawsuit was handed over to the US District Court of Northern California in July 2017, wherein it was denied in January 2018. Therefore, Lone Star appealed to the US Court of Appeals for the Federal Circuit on the said matter. The case is still in progress. The Group has engaged lawyers to handle the case to ensure its rights.

(Continued)

# NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

- (iii) In November 2019, Monterey Research LLC (Monterey) filed a lawsuit against Nanya Technology Corp. (Nanya) and two of its subsidiaries, Nanya Technology Corp., USA (NTC USA) and Nanya Technology Corp., Delaware (NTC Delaware), to the US District Court of Delaware for patent infringement. The Company has engaged counsels to properly handle it to ensure the Company's rights.
- (iv) The original Joint Venture agreement signed by the Company, Micron Technology, Inc. and its related parties was terminated after Micron Semiconductor Co. completed its share-swap with Micron Technology Taiwan. Both parties had mutually agreed to sign a cooperation agreement, the details of the agreement were as follows:
- 1) The estimated cost for improving specific environmental safety and factory facilities in mutually operating period of joint venture agreement amounted to US\$54,030 thousand; the Company agreed to share the 50% portion of the total costs and accrued it as expense of \$850,000 (USD27,015 thousand) to other payable. The Company will share the cost based on the actual amounts at the appointed time. As of December 31, 2019 and 2018, the payment amounting to \$44,150 (USD \$1,460 thousand) and \$27,000 (USD 900 thousand) had been recognized by the Company, respectively.
  - 2) The Company agreed to share the 50% portion of the total losses for penalty, improving costs and suspending operation before the date of share-swap in the following two to five years due to an existing event of environmental safety and factory facilities which violated the laws.

### (10) Losses Due to Major Disasters: None

### (11) Subsequent Events: None

### (12) Other:

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

	For the year ended December 31, For the year ended			For the year ended December 31, For the year ended		
	Cost of goods sold	Operating expenses	Total	Cost of goods sold	Operating expenses	Total
Employee benefits						
Salaries	3,041,992	2,108,949	5,150,941	3,945,782	2,374,053	6,319,835
Labor and health insurance	192,226	142,896	335,122	175,515	126,233	301,748
Pension expenses	99,008	71,548	170,556	92,607	63,441	156,048
Remuneration for directors	-	-	-	-	-	-
Other personnel expenses	71,809	23,934	95,743	68,850	22,730	91,580
Depreciation expenses	14,045,030	281,257	14,326,287	11,827,103	156,163	11,983,266
Amortization expenses	91,126	-	91,126	97,298	-	97,298

(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 years ended December 31, 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				Highest Percentage of ownership (%)	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:

(In Thousands of New Taiwan Dollars / Shares)

Name of company	Security type	Account	Counter party	Relationship	Beginning		Purchases		Sales				Ending		Note
					Shares (in thousand)	Amount	Shares (in thousand)	Amount	Shares (in thousand)	Price	Cost	Gain (loss) on disposal	Shares (in thousand)	Amount	
Formosa Advanced Technologies Co., Ltd.	Stocks	Investment accounted for using equity method	Formosa Taffeta Co., Ltd.	Associates	84,022	3,006,603	57,489	2,049,483	-	-	-	-	141,511	5,019,236	Note 1
Nanya Technology International, Ltd.	Stocks	Investment accounted for using equity method	Nanya Technology International, Ltd.	Subsidiary	1	30,736,892	0.2	6,116,400	-	-	-	-	1.2	37,056,782	Note 2

Note 1: Refer to details of investments accounted for using equity method to Note 6(d).

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

- (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)	(5,663,168)	(11.00)%	O/A 60-90Days	-		1,506,295	20.06%	(Note)
The Company	Nanya Technology Corp., Japan	Subsidiary	(Sale)	(3,849,678)	(7.48)%	O/A 180Days	-		457,907	6.10%	(Note)
The Company	Nanya Technology Corp., Europe GmbH	Subsidiary	(Sale)	(2,586,092)	(5.02)%	O/A 60-90Days	-		384,798	5.13%	(Note)
The company	Nanya Technology Corp., HK	subsidiary	(Sale)	(186,251)	(0.36)%	O/A 60-90 Days	-		42,150	0.56%	(Note)
The Company	Formosa Sumco Technology Corp.	Other related parties	Purchase	1,199,180	9.77%	O/A 60Days	-		(119,204)	(4.40)%	-
The Company	Formosa Biomedical Technology Corporation	Other related parties	Purchase	160,629	1.31%	Payment after arrival and inspection of goods	-		(6,328)	(0.23)%	-
Nanya Technology Corp., U.S.A	Nanya Technology Corp	The parent company	Purchase	5,663,168	100.00%	O/A 60-90Days	-		(1,506,294)	(100.00)%	(Note)

(Continued)

## NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

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)	
Nanya Technology Corp., Japan	Nanya Technology Corp	The parent company	Purchase	3,849,678	100.00%	O/A 180Days	-		(457,907)	(100.00)%	(Note)
Nanya Technology Corp., Europe GmbH	Nanya Technology Corp	The parent company	Purchase	2,586,092	100.00%	O/A 60-90Days	-		(384,798)	(100.00)%	(Note)
Nanya Technology Corp., HK	Nanya Technology Corp	The parent company	Purchase	186,251	100.00%	O/A 60-90Days	-		(42,150)	(100.00)%	(Note)

Note: The transactions were written off in the 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	1,506,295	2.83	-	-	787,718	-
The Company	Nanya Technology Corp., Japan	Subsidiary	457,907	6.64	-	-	256,186	-
The Company	Nanya Technology Europe GmbH	Subsidiary	384,798	5.35	-	-	240,848	-

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	5,663,168	On the basis of general conditions	10.95%
0	Nanya Technology Corp.	Nanya Technology Corp., Japan	1	Sales	3,849,678	On the basis of general conditions	7.44%
0	Nanya Technology Corp.	Nanya Technology Europe GmbH	1	Sales	2,586,092	On the basis of general conditions	5.00%
0	Nanya Technology Corp.	Nanya Technology Corp. HK	1	Sales	186,251	On the basis of general conditions	0.36%
0	Nanya Technology Corp.	Nanya Technology Corp., U.S.A	1	Accounts receivable	1,506,295	On the basis of general conditions	0.91%
0	Nanya Technology Corp.	Nanya Technology Corp., Japan	1	Accounts receivable	457,907	On the basis of general conditions	0.28%
0	Nanya Technology Corp.	Nanya Technology Europe GmbH	1	Accounts receivable	384,798	On the basis of general conditions	0.23%

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.

(Continued)

## NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

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

The following is the information on investees for the year ended December 31, 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 December 31, 2019		Highest Percentage of ownership	Net income of investee	Share of profits of investee	Note
				December 31, 2019	December 31, 2018	Shares (thousands)	Percentage of ownership				
The Company	Nanya Technology Corp., U.S.A.	U.S.A.	Sales of semiconductor products	20,392	20,392	2	100.00 %	146,262	15,114	15,114	(Note1)
The Company	Nanya Technology Corp., Delaware	U.S.A.	Design of semiconductor products	36,005	36,005	-	100.00 %	163,680	17,660	17,660	(Note1)
The Company	Nanya Technology Corp., HK	Hong Kong	Sales of semiconductor products	66,271	66,271	20	100.00 %	57,982	8,462	8,462	(Note1)
The Company	Nanya Technology Corp., Japan	Japan	Sales of semiconductor products	20,161	20,161	1	100.00 %	183,267	12,126	12,126	(Note1)
The Company	Nanya Technology International, Ltd.	British Virgin Island	General investment business	37,004,400	30,888,000	12	100.00 %	37,056,782	950,976	950,976	(Note 1)
The Company	Formosa Advanced Technologies Co., Ltd	Yunlin	Assembling, testing and producing modules for IC	5,099,482	3,049,999	141,511	32.00 %	5,019,236	1,262,496	183,875	(Note 2)
Nanya Technology Corp., HK	Nanya Technology Europe GmbH	Germany	Sales of semiconductor products	30,056	30,056	-	100.00 %	65,134	5,072	5,072	(Note1)

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

(2) Investment accounted for using equity method.

(c) Information on investment in mainland China:

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

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2019	Net income (losses) of the investee	Percentage of ownership	Highest Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow							
Nanya Technology Corp., Shenzhen	Sales of semiconductor products	29,654 (USD985 thousand)	(Note)	29,654 (USD985 thousand)	-	-	29,654 (USD985 thousand)	1,773	100.00%	100.00	1,773	15,279	-

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 December 31, 2019 (Note 1)	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on Investment (Note 2)
29,654 (USD985 thousand)	29,654 (USD985 thousand)	91,206,932

Note 1 : The exchange rate of New Taiwan dollars to US dollars on September 30, 2019 was USD1 : TWD 31.106.

Note 2 : 60% of net equity.

(iii) Significant transactions: None

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## NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

#### (14) Segment information:

##### (a) General information:

The Group's main operating activities are the manufacturing, selling, technology R&D of semiconductor products and securities investment, and are divided into three reporting segments in 2018, namely, the manufacturing department, which is responsible for the manufacture and sales of semiconductor products; and the Japanese and U.S.A department, which are responsible for the sales of semiconductor products. The operating decision maker, on the other hand, uses the geographic area information as its management framework in managing the segments mentioned above.

There was a difference between the departmental segmentation bases in 2018 and those included in the previous consolidated financial statements due to the operating decision maker, on the other hand, uses the group function information as its management framework in managing the segments mentioned above. After adjustment for operating activities, the reporting segments of the Group are manufacturing department, sales department, overseas R&D department and investment department, respectively.

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

The Group's reportable segments are the Company's regional business divisions. The chief operating decision maker manages the business division with a respective regional management framework. Most of the management information are reported separately for each of the business divisions. The management of the business divisions remains employed by the Group.

No tax expenses(income) are allocated to the reporting segment. The reportable amount is similar to that of the report used by the chief operating decision maker.

For the year ended December 31, 2019						
	Overseas sales division	Overseas R&D division	Manufacturing divisions	Investment divisions	Adjustments and eliminated	Total
Revenue:						
From external customers	\$ 12,537,152	-	39,190,306	-	-	51,727,458
From sales among intersegments	54,183	462,733	12,285,189	-	(12,802,105)	-
Total revenue	<u>\$ 12,591,335</u>	<u>462,733</u>	<u>51,475,495</u>	<u>-</u>	<u>(12,802,105)</u>	<u>51,727,458</u>
Interest expense	\$ 140	-	3,124	-	-	3,264
Depreciation and amortization	6,144	2,112	14,409,157	-	-	14,417,413
Share of profit (loss) of associates accounted for using equity method, net	6,845	-	1,188,213	-	(1,011,183)	183,875
Other non-cash significant item:						
Expected credit gain	9,508	-	-	-	-	9,508
Reversal of impairment loss on non-financial assets	-	-	213,282	-	-	213,282
Reportable segment profit or loss	<u>\$ 46,573</u>	<u>23,698</u>	<u>11,208,374</u>	<u>950,976</u>	<u>(1,004,339)</u>	<u>11,225,282</u>
Capital expenditure of non-current assets	11,169	5,063	85,909,812	-	-	85,926,044
Reportable segments assets	<u>\$ 2,842,369</u>	<u>178,026</u>	<u>165,093,440</u>	<u>37,056,800</u>	<u>(40,069,983)</u>	<u>165,100,652</u>
Reportable segments liabilities	<u>\$ 2,439,109</u>	<u>14,345</u>	<u>13,081,887</u>	<u>18</u>	<u>(2,446,260)</u>	<u>13,089,099</u>
For the year ended December 31, 2018						
	Overseas sales division	Overseas R&D division	Manufacturing divisions	Others divisions	Adjustments and eliminated	Total
Revenue:						
From external customers	\$ 18,747,502	-	65,974,302	-	-	84,721,804
From sales among intersegments	55,329	408,212	18,295,650	-	(18,759,191)	-
Total revenue	<u>\$ 18,802,831</u>	<u>408,212</u>	<u>84,269,952</u>	<u>-</u>	<u>(18,759,191)</u>	<u>84,721,804</u>
Interest expense	\$ 419	-	5,325	-	-	5,744
Depreciation and amortization	6,701	1,349	12,072,514	-	-	12,080,564
Share of profit (loss) of associates accounted for using equity method, net	11,094	-	101,594	-	(60,988)	51,700
Other non-cash significant item:						
Reversal of impairment loss on non-financial assets	-	-	109,745	-	-	109,745
Reportable segment profit or loss	<u>\$ 43,421</u>	<u>20,450</u>	<u>41,566,538</u>	<u>3,823</u>	<u>(49,895)</u>	<u>41,584,337</u>
Capital expenditure of non-current assets	\$ 16,227	2,943	95,385,703	-	-	95,404,873
Reportable segments assets	<u>\$ 4,227,011</u>	<u>164,808</u>	<u>203,166,038</u>	<u>30,736,990</u>	<u>(55,709,034)</u>	<u>182,585,813</u>
Reportable segments liabilities	<u>\$ 3,852,155</u>	<u>15,269</u>	<u>38,258,740</u>	<u>98</u>	<u>(24,447,747)</u>	<u>17,678,515</u>

(Continued)

**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

(c) Types of products and service:

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

	<u>For the years ended December 31,</u>	
	<u>December 31,</u>	<u>December 31,</u>
	<u>2019</u>	<u>2018</u>
<u>Products and service</u>		
DRAM	\$ 51,517,114	84,579,036
Others	210,344	142,768
Total	<u>\$ 51,727,458</u>	<u>84,721,804</u>

(d) Geographic area information

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

	<u>For the years ended December 31,</u>	
	<u>December 31,</u>	<u>December 31,</u>
	<u>2019</u>	<u>2018</u>
<u>District</u>		
From external clients:		
Taiwan	\$ 20,014,693	38,277,635
USA	419,123	592,486
Japan	1,762,307	2,060,489
Mainland China	24,527,407	37,366,204
Other countries	5,003,928	6,424,990
Total	<u>\$ 51,727,458</u>	<u>84,721,804</u>

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
<u>District</u>		
Non-current assets:		
Taiwan	\$ 85,909,812	95,385,703
Other countries	16,232	19,170
Total	<u>\$ 85,926,044</u>	<u>95,404,873</u>

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

(e) Major clients

	<u>December 31,</u>	<u>December 31,</u>
	<u>2019</u>	<u>2018</u>
WPI	\$ 4,559,531	7,691,277
KINGSTONE TECHNOLOGY CO, LTD	8,263,500	19,139,559
Total	<u>\$ 12,823,031</u>	<u>26,830,836</u>